

STAREASTnet.com Corporation

(to be renamed as Sing Pao Media Group Limited)

(incorporated in the Cayman Islands with limited liability)

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Third Quarterly Report

2001

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of STAREASTnet.com Corporation collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to STAREASTnet.com Corporation. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Group has made continued efforts to streamline operations and increase operational efficiency, consequently, approximately HK\$30,841,000 was incurred for such streamlining operations and approximately HK\$8,877,000 was recorded for the impairment of goodwill during the nine months ended 31st December, 2001.

Overall, the loss for the nine months ended 31st December, 2001 was reduced from approximately HK\$139,215,000 for the nine months ended 31st December, 2000 to approximately HK\$101,241,000, representing an decrease of approximately 27%.

OPERATIONS REVIEW

Sing Pao Daily News

The nine-month period ended 31st December, 2001 saw significant improvement in many aspects of Sing Pao Daily News. Re-grouping of printing machines, which is now near completion, has been carried out to facilitate the colour printing process. This enabled the transformation in recent months of Sing Pao Daily News to an attractive full colour version. In addition, the contents in all sections have been enriched, with the total number of pages in an issue increasing from around 50 to 84 during this period. The above two factors have been main contributors to the outstanding achievement in terms of circulation and readership, which boosted by 41% and 37% respectively during the period under review. Another landmark was the launch of the official website, singpao.com, in November 2001. Continually rising number of page viewers will remain conducive to broadening the publicity of Sing Pao Daily News.

The Group acquired Actiwater Resources Limited, a company which held the media interests comprising principally Sing Pao Daily News, Wide Angle magazine and 60% of the internet portal www.cyol.net for a consideration of HK\$210 million. The consideration was satisfied as to HK\$50 million in cash and HK\$160 million by the issue of 1,600 million new shares in the Company. The acquisition was completed on 4th December, 2001.

With the resolution passed by the shareholders of the Company on 15th January, 2002, the name of the Company was changed from "STAREASTnet.com Corporation" to "Sing Pao Media Group Limited" to reflect the Group's emphasis on synergy between traditional and virtual media businesses.

On 28th January, 2002, the Company announced a proposal for the reduction of share premium account, reduction of share capital and consolidation of shares under which HK\$110 million standing to the credit of the share premium account will be applied against the accumulated losses and the issued and unissued shares of the Company will be reduced from HK\$0.10 each to HK\$0.0025 each. Thereafter, every 20 issued and unissued reduced shares of HK\$0.0025 each will be consolidated into one share of HK\$0.05 each. A circular containing, inter alia, details of the proposal and a notice convening the extraordinary general meeting to approve such proposal will be sent to the shareholders as soon as practicable.

FUTURE PROSPECT

Sing Pao Daily News & Wide Angle magazine

The acquisition of Sing Pao Daily News can further strengthen the Group's leading position as the preferred provider of multimedia entertainment content and cross-media entertainment marketing services in the region. It is expected that Sing Pao Daily News will enable the Group to rationalise its print and multimedia publishing operations which will lead to lower costs and higher efficiencies. The acquisition can further expand the Group's editorial and presentation capabilities by being able to access the content created by Sing Pao Daily News and Wide Angle magazine.

Following the acquisition, the directors believe that the Group's business operations are better positioned to withstand difficult trading conditions in the internet market, assist securing advertisers and maintain advertising rates which have come under pressure during the current economic downturn.

STAREASTnet.com

In the future, STAREASTnet.com will continue its principal activities of developing and operating a multimedia entertainment and life style information platform principally through its vertically integrated entertainment portals, and it is expected that this will be assisted through synergies between its traditional and virtual media businesses. Backed by Sing Pao Daily News, the Group is equipped to provide a high quality multimedia entertainment information.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support to the management, celebrities and staff for their contributions and dedicated efforts throughout the period.

Tam Wing Lun, Alan
Chairman

Hong Kong, 1st February, 2002

QUARTERLY RESULTS FOR THE THREE MONTHS AND NINE MONTHS ENDED 31ST DECEMBER, 2001

The unaudited consolidated results of the Group for the three months and nine months ended 31st December, 2001, together with the comparative unaudited figures for the corresponding periods in 2000 are as follows:

	Notes	Three months ended 31st December,		Nine months ended 31st December,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	14,665	15,832	29,483	37,359
Cost of sales		(22,920)	(26,183)	(44,159)	(68,392)
Gross loss		(8,255)	(10,351)	(14,676)	(31,033)
Other revenue		811	1,276	1,717	3,836
Advertising and promotion expenses		(2,363)	(4,062)	(4,154)	(37,441)
Administrative expenses		(18,750)	(20,018)	(40,062)	(69,206)
Loss from operations		(28,557)	(33,155)	(57,175)	(133,844)
Finance costs		(1,387)	(1,836)	(4,228)	(5,200)
Cost of streamlining operations	3	(26,601)	–	(30,841)	–
Impairment of goodwill	4	(8,877)	–	(8,877)	–
Share of results of associates		(47)	(171)	(145)	(171)
Loss before taxation		(65,469)	(35,162)	(101,266)	(139,215)
Taxation	5	–	–	–	–
Loss before minority interests		(65,469)	(35,162)	(101,266)	(139,215)
Minority interests		25	–	25	–
Loss attributable to shareholders		(65,444)	(35,162)	(101,241)	(139,215)
Loss per share – basic	6	(2.90 cents)	(2.66 cents)	(6.19 cents)	(10.99 cents)

Notes:

1. Principal Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001 except as described below.

In the current period, the Group has adopted, for the first time, a number of new/ revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants:

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected to restate goodwill previously eliminated against reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. Following restatement, goodwill is presented separately as an asset in the balance sheet and is amortised over its estimated useful life.

Impairment

In the current period, the Group has also adopted SSAP 31 "Impairment of assets". Accordingly, the Group has reviewed the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

2. Turnover

	Three months ended 31st December,		Nine months ended 31st December,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Website business	2,845	15,832	17,663	37,359
Newspaper and magazine business	11,820	—	11,820	—
Total	14,665	15,832	29,483	37,359

3. Cost of streamlining operations

	Three months ended 31st December,		Nine months ended 31st December,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Staff redundancy expenses and related costs	467	—	2,392	—
Loss on disposal of property and equipment	545	—	2,860	—
Impairment loss on networking and computer equipments	25,589	—	25,589	—
Total	26,601	—	30,841	—

4. Impairment of goodwill

	Three months ended 31st December,		Nine months ended 31st December,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Impairment of restated goodwill which was previously written off against reserves	8,863	—	8,863	—
Impairment of goodwill arising on acquisition of subsidiaries	14	—	14	—
Total	8,877	—	8,877	—

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected to restate a goodwill of approximately HK\$8,863,000 previously eliminated against reserves. The Group has also adopted SSAP 31 "Impairment of assets" and determined that there was indication that the restated goodwill has suffered an impairment loss in the current period and was recognised as an expense accordingly.

5. Taxation

No provision for Hong Kong profits tax has been made as the Group incurred a tax loss for the period under review.

No deferred tax asset has been recognised in the unaudited financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

6. Loss per share

The calculation of the basic loss per share for the three months and nine months ended 31st December, 2001 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$65,444,000 and HK\$101,241,000 (2000: HK\$35,162,000 and HK\$139,215,000) and the weighted average number of 2,254,945,359 and 1,634,708,211 (2000: 1,322,895,000 and 1,267,351,470) shares in issue during the three months and nine months ended 31st December, 2001 respectively.

The weighted average number of 1,322,895,000 shares for the three months and 1,267,351,470 shares for the nine months ended 31st December, 2000 are determined on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 530,000,000 shares of the Company had been effective on 1st April, 2000 and the shares in issue have been adjusted for the effect of the rights issue completed on 29th November, 2001.

No amount has been presented for the diluted loss per share for either period as the exercise of the Company's outstanding share options and warrants would have an anti-dilutive effect on the loss per share.

7. Interim dividend

The board of directors does not recommend the payment of an interim dividend for the nine months ended 31st December, 2001 (2000: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2001, the interests of the directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market to The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Name of director	Name of company	No. of shares			
		Personal interests	Family interests	Corporate interests	Other interests
				(Note)	
Tam Wing Lun, Alan	STAREASTnet.com Corporation	–	–	87,150,000	–
Chan Pak Cheung, Natalis	STAREASTnet.com Corporation	–	–	87,150,000	–

Note: These shares were beneficially owned by Gold Miracles Limited, a company in which each of the relevant directors held one third of the issued share capital. Each of these directors was therefore deemed to be interested in 87,150,000 shares of the Company.

Save as disclosed above, as at 31st December, 2001, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Pursuant to the Pre-IPO Share Option Scheme and Employee Share Option Scheme as described in the section headed "Outstanding Share Options" below, as at 31st December, 2001, the directors of the Company and the directors (including alternate directors) of the subsidiaries of the Company had share options granted by the Company to subscribe shares in the Company as follows:

Name of director	Date of grant	Option period	Exercise price per share HK\$	Number of underlying shares comprised in the options				
				Outstanding as at 01.04.2001 Note	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31.12.2001
Tam Wing Lun, Alan	26.05.2000	26.05.2000 to 25.05.2005	0.570	31,250,000	-	-	-	31,250,000
Wong Kun To	26.05.2000	26.05.2000 to 25.05.2005	0.570	31,250,000	-	-	-	31,250,000
	10.01.2001	10.01.2001 to 09.01.2006	0.532	15,000,000	-	-	-	15,000,000
Chan Pak Cheung, Natalis	26.05.2000	26.05.2000 to 25.05.2005	0.570	31,250,000	-	-	-	31,250,000
Chan Kong Sang, Jackie	26.05.2000	26.05.2000 to 25.05.2005	0.570	15,000,000	-	-	-	15,000,000
Masahide Saito**	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000
Masanori Suzuki	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000
Bradford Allen	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000

Number of underlying shares comprised in the options

Name of director	Date of grant	Option period	Exercise price per share HK\$	Number of underlying shares comprised in the options				
				Outstanding as at 01.04.2001 Note	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31.12.2001
Dominic Lai	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000
Vincent Ting Kau Cheung	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000
Tsang Chi Wai, Eric*	26.05.2000	26.05.2000 to 25.05.2005	0.570	25,000,000	-	-	-	25,000,000
Chau Mei Wah, Rosanna*	26.05.2000	26.05.2000 to 25.05.2005	0.570	5,000,000	-	-	-	5,000,000
Chan Yan Kin, Philip*	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,750,000	-	-	-	2,750,000
	10.01.2001	10.01.2001 to 09.01.2006	0.532	5,000,000	-	-	-	5,000,000
Wong Yiu Hung*	26.05.2000	26.05.2000 to 25.05.2005	0.570	5,000,000	-	-	-	5,000,000
	10.01.2001	10.01.2001 to 09.01.2006	0.532	5,000,000	-	-	-	5,000,000
Wong Lai Kin, Elsa*	26.05.2000	26.05.2000 to 25.05.2005	0.570	2,500,000	-	-	-	2,500,000
	10.01.2001	10.01.2001 to 09.01.2006	0.532	2,500,000	-	-	-	2,500,000
Tai Chi Pin, Franky*	26.05.2000	26.05.2000 to 25.05.2005	0.570	1,750,000	-	-	-	1,750,000
	10.01.2001	10.01.2001 to 09.01.2006	0.532	2,500,000	-	-	-	2,500,000

Note: According to the respective terms of the Pre-IPO Share Option Scheme and the Employee Share Option Scheme of the Company, the subscription prices of the shares to be issued and the number of shares to be issued on the exercise of the outstanding share options have been adjusted in respect of the rights issue ("Rights Issue") disclosed in the Rights Issue prospectus of the Company dated 6th November, 2001.

* *directors of the Group's subsidiaries.*

** *Mr. Masahide Saito resigned as a non-executive director of the Company on 10th December, 2001 and his options lapsed one month after his resignation (i.e. 10th January, 2002).*

The options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme and Employee Share Option Scheme at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the option has not been previously exercised

None of the above options has been exercised during the nine months ended 31st December, 2001.

Save as disclosed above, at no time during the nine months ended 31st December, 2001 was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OUTSTANDING SHARE OPTIONS

Share Option Scheme

On 15th January, 2002, the Company adopted a new share option scheme (“Share Option Scheme”) under which the board of directors of the Company may at its discretion offer to any director (including non-executive director), executive, employee and contracted celebrity of the Company and/or its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme and Chapter 23 of the GEM Listing Rules. A summary of the major terms of the Share Option Scheme is set out on pages 9 to 17 of the circular dated 21st December, 2001. No options were granted up to the date of this report. The Employee Share Option Scheme was simultaneously terminated but the options which have been granted during the life of the Employee Share Option Scheme shall continue to be exercisable in accordance with their terms of issue and in all other respects the provisions of the Employee Share Option Scheme shall remain in full force and effect.

Pre-IPO Share Option Scheme and Employee Share Option Scheme

As at 31st December, 2001, options comprising an aggregate of 260,150,000 underlying shares (adjusted by the Rights Issue) granted pursuant to the Pre-IPO Share Option Scheme and the Employee Share Option Scheme were outstanding. All of these options are subject to the same limitations on the timing of exercise as detailed in the section headed “Directors’ Rights to Acquire Shares” above.

Pre-IPO Share Option Scheme

As at 31st December, 2001, options comprising an aggregate of 213,900,000 underlying shares (adjusted by the Rights Issue) granted on 26th May, 2000 at an initial exercise price of HK\$1.18 each, adjusted to HK\$0.570 per share taken into account of the Rights Issue, were outstanding. These options were granted to the following categories of grantees:

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options
Directors of the Group	15	163,250,000
Contracted celebrities	2	27,275,000
Employees	18	23,375,000
Total		<u>213,900,000</u>

Details of the grant to the directors of the Company and its subsidiaries (including the alternate directors) are disclosed in the section headed "Directors' Rights to Acquire Shares" above.

Subsequent to 30th September, 2001 and up to 31st December, 2001, options comprising a total of 13,800,000 underlying shares (adjusted by the Rights Issue) granted to 48 employees lapsed when they ceased to be employed by the Group.

Subsequent to 30th September, 2001 and up to 31st December, 2001, options comprising a total of 5,000,000 underlying shares (adjusted by the Rights Issue) granted to 2 directors lapsed when they ceased to be the directors of the Company.

Employee Share Option Scheme

As at 31st December, 2001, options comprising an aggregate of 46,250,000 underlying shares (adjusted by the Rights Issue) granted to the full-time employees of the Group on 5th September, 2000 and 10th January, 2001 were

outstanding. The scheme has a duration of 10 years from 15th May, 2000. Any option granted shall lapse when the relevant grantee ceases to be employed by the Group. The followings are details of the outstanding options:

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options	Exercise price per share* HK\$	Option period
Employees	3	9,250,000	0.846	05.09.2000 to 04.09.2005
Directors of the Group	5	30,000,000	0.532	10.01.2001 to 09.01.2006
Employees	21	7,000,000	0.532	10.01.2001 to 09.01.2006
Total		<u>46,250,000</u>		

* *adjusted by the Rights Issue*

Details of the grant to the directors of the Company and its subsidiaries (including the alternate directors) are set out in the section headed "Directors' Rights to Acquire Shares" above.

Subsequent to 30th September, 2001 and up to 31st December, 2001, options comprising of 18,975,000 underlying shares (adjusted by Rights Issue) granted to 39 employees lapsed when they ceased to be employed by the Group.

Saved as disclosed, no option pursuant to the Pre-IPO Option Scheme and the Employee Share Option Scheme had been exercised, cancelled or lapsed during the three months ended 31st December, 2001.

A summary of the major terms of each of the Pre-IPO Share Option Scheme and Employee Share Option Scheme is set out on pages 239 to 245 of the prospectus dated 23rd May, 2000.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Notes	Number of shares held	Approximate percentage of shareholding
Hanny Holdings Limited	1	564,400,000	13.56%
Hanny Magnetics (B.V.I.) Limited	1	564,400,000	13.56%
Genius Ideas Limited	1	564,400,000	13.56%
Star East Holdings Limited	2	1,064,225,000	25.56%
Value Focus Limited	2	975,000,000	23.42%
Cyber Hero Limited	2	975,000,000	23.42%
China Strategic Holdings Limited	3	1,170,062,000	28.10%
China Strategic (B.V.I.) Limited	3	1,040,000,000	24.98%
Glory Dynamic Limited	3	1,040,000,000	24.98%

Notes:

1. Genius Ideas Limited was a wholly-owned subsidiary of Hanny Magnetics (B.V.I.) Limited which was, in turn, a wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"). Hanny and Hanny Magnetics (B.V.I.) Limited were deemed to be interested in an aggregate of 564,400,000 shares of the Company.
2. Cyber Hero Limited was a wholly-owned subsidiary of Value Focus Limited which was, in turn, a wholly-owned subsidiary of Star East Holdings Limited ("Star East"). Star East through Star East (B.V.I.) Limited, a wholly-owned subsidiary, held 89,225,000 shares of the Company. Accordingly, Star East was deemed to be interested in an aggregate of 1,064,225,000 shares of the Company.
3. Glory Dynamic Limited was a wholly-owned subsidiary of China Strategic (B.V.I.) Limited (formerly known as Fortune Journey Limited) which was, in turn, a wholly-owned subsidiary of China Strategic Holdings Limited ("China Strategic"). China Strategic through China Pharmaceutical Industrial Limited, a non wholly-owned subsidiary, and Wealthy Gain Limited, a wholly-owned subsidiary, held 12,348,000 shares and 117,714,000 shares of the Company, respectively. Accordingly, China Strategic was deemed to be interested in an aggregate of 1,170,062,000 shares of the Company.

Save as disclosed above, the directors are not aware of any other person having an interest in shares representing 10% or more of the Company's issued share capital.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP Paribas"), as at 31st December, 2001 neither BNP Paribas nor any of its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

BNP Paribas will receive a fee for acting as the Company's sponsor for the period from 22nd May, 2000 to 31st March, 2003.

COMPETING INTERESTS

Set out below is information disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

Hanny, a management shareholder of the Company, is engaged in, inter alia, development of Chinese and bilingual websites and provision of e-business consulting services. Given the relatively small scale of the Group's information technology consulting business, and the fact that such business targets at a different geographical market from that of Hanny, the directors do not believe that there is any significant risk of competition between the Group's information technology consulting business and that of Hanny.

Saved as disclosed above, the directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates had an interest in a business which competes or is likely to compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 15th May, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Bradford Allen, Mr. Dominic Lai and Mr. Vincent Ting Kau Cheung.

The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st December, 2001.

On behalf of the Board
Tam Wing Lun, Alan
Chairman

Hong Kong, 1st February, 2002