

STAREASTnet.com CORPORATION :
MOVIE STARS BAND TOGETHER

Amid an avalanche of selling pressure on stock markets throughout Asia, STAREASTnet.com Corporation is trying to raise \$HK200.60 million, gross, in order to float another (so far) loser on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

And, there is every reason to believe that this company will be successful, in spite of all the odds.

It will be successful, most likely, because the backers of STAREASTnet will make it successful, by hook or by crook.

The backers are:

<u>Name of Backer</u>	<u>Equity Holding After</u>
<u>Share Offer</u>	
Hanny Holdings Ltd *	22.58
percent	
Star East Holdings Ltd *	20.17
percent	
Pacific Century CyberWorks Ltd *	16.60
percent	
Gold Miracles Ltd ***	8.71
percent	
Hikari Tsushin Incorporated**	<u>14.94</u>
percent	
<u>Total:</u>	<u>83.00</u>
<u>percent</u>	

* Publicly listed on the Main Board of The Stock Exchange of Hongkong Ltd

** Publicly listed on the First Section of The Tokyo Stock Exchange

*** Owned equally by the movies stars: Messrs Alan Tam Wing Lun; Natalis Chan Pak Cheung; and, Eric Tsang Chi Wai

STAREASTnet is offering a total of 170 million, 10-cent shares at a Premium of \$HK1.08 per share. A total of 153 million shares will be placed, with 17 million shares, being offered to whoever puts up the cash.

Before the ink on the draft Prospectus of this Company was dry, the Company had incurred a \$HK61.50-million debt, the money, having been advanced from the above listed backers, with the exception of Hikari Tsushin Incorporated which, obviously, decided not to come to the extended movie-star party.

Page 172 of the Prospectus explains the newly acquired debt as follows: *'In April and May of 2000, the former shareholders of STAREASTnet (BVI) Limited (a wholly owned subsidiary of STAREASTnet.com Corporation) (except Hikari Tsushin Inc.) advanced an aggregate amount of HK\$61.5 million to STAREASTnet (BVI) Limited. The loans are unsecured, bear interest at prevailing rates and are for a term of three years from 1st May, 2000.'*

This subsequent event will, easily, be overlooked by anybody, trying to scan the 249-page Prospectus if a prospective investor only reads that part of the Prospectus, relating to the Indebtedness Statement on Page 128 of the Prospectus.

This Indebtedness Statement reads:

'Borrowings

'As at the close of business on 31st March, 2000, being the latest practicable date for the indebtedness statement prior to the printing of this prospectus, the Group had no borrowings ... '.

By accident or design, it is clear that the matter of the new debt will be overlooked by most people, having access to this Prospectus.

The History

The operating arm of STAREASTnet first saw life on February 18, 1999.

Then, some 7 months later, Hikari Tsushin was approached to be in investor, followed, 2 months later, by Pacific Century CyberWorks – controlled by the Number Two Son of Mr Li Ka Shing – which was invited to join in the fun.

Since then, and having employed some 170 employees later, this Company has grown to its present size whereby it claims to be *'one of the first Chinese-language Internet media companies to provide multimedia entertainment and life-style information to the Chinese community world-wide.'* (Page One of the Prospectus)

The staff costs have set back the Company by nearly \$HK22 million in the 11-month period, ended February 29, 2000, the Accountants' Report at Page 164 of the Prospectus makes only too apparent.

It is the largest single expense, by careful examination of the accounts.

As at February 29, 2000, STAREASTnet had, on its books, *'prepaid airtime – short-term portion'*, amounting to \$HK40 million. It, also, showed *'Prepaid airtime – long-term portion'* of \$HK41,806,000.

These inclusions are explained more fully at Page 164 where Note 4(b), *'Related party transactions'*, states that the Pacific Century CyberWorks Group of Companies has contracted for \$HK81,806,000 worth of airtime.

So, what this means is that about 85 percent of the Net Tangible Assets, as at February 29, 2000, comprised payments for airtime by the Pacific Century CyberWorks Group of Companies.

Also, another \$HK1,748,000 is due from Hanny Holdings Ltd and another \$HK2 million is due from another Li Ka Shing Company, Paul Y. – ITC Construction Holdings Ltd.

It would appear to be only too apparent that STAREASTnet has a very solid friend, directly or indirectly, in the Li Ka Shing ... [CLICK TO ORDER FULL ARTICLE](#)

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