



證券業合作社控股有限公司  
**STOCKMARTNET HOLDINGS LIMITED**  
*(incorporated in Cayman Islands with limited liability)*



FIRST QUARTERLY REPORT 2002

## **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 of the Stock Exchange 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.**

*Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, the Securities and Futures Commission regulates Stockmartnet Holdings Limited (the “Company”) in relation to the listing of its shares on the Stock Exchange. The Securities and Futures Commission 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 the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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.*

**HIGHLIGHT**

The Company was successfully listed on GEM on 11th January, 2002.

The Group recorded a turnover of HK\$414,000 for the three months ended 31st March, 2002.

Loss attribution to shareholders for the three months ended 31st March, 2002 amounted to HK\$4,899,000.

Loss per share was 0.67 cents.

The directors do not recommend the payment of an interim dividend for the three months ended 31st March, 2002.

**FIRST QUARTERLY RESULTS (UNAUDITED)**

The board of directors (the "Board") of Stockmartnet Holdings Limited (the "Company") is pleased to announce the unaudited results for the three months ended 31st March, 2002 with the comparative figures for the corresponding period in 2001 as follows:

		<b>For the three months ended 31st March,</b>	
		<b>2002</b>	<b>2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	(2)	<u>414</u>	<u>–</u>
OPERATING LOSS BEFORE TAXATION		(4,899)	(2,003)
TAXATION	(3)	<u>–</u>	<u>–</u>
LOSS AFTER TAXATION		<u>(4,899)</u>	<u>(2,003)</u>
LOSS PER SHARE	(4)	<u>(0.67 cents)</u>	<u>(0.27 cents)</u>

*Notes:*

## **1. GROUP REORGANISATION AND BASIS OF PREPARATION**

The Company was incorporated on 24th May, 2001 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands.

Pursuant to a corporate reorganisation (the “Corporate Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM, the Company became the holding company of the Group on 17th December, 2001 by principally issuing shares in exchange for the entire issued share capital of Stockmartnet Holdings (BVI) Limited. Details of the Corporate Reorganisation are set out in the prospectus (the “Prospectus”) dated 8th January, 2002 issued by the Company.

The shares of the Company were listed on the GEM with effect from 11th January, 2002.

The Group resulting from the Corporate Reorganisation is regarded as a continuing entity. The unaudited results have been prepared and presented using the merger basis of accounting as if the current group structure had been in existence since 1st January, 2001 and throughout both accounting period.

The unaudited results of the Group have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principle generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

## **2. TURNOVER**

Turnover represents the net invoiced value for the fees charged to customers in relation to the operation of trading engine for the period.

All of the activities of the Group are based in Hong Kong and all of the Group’s turnover and loss before taxation are derived from Hong Kong.

## **3. TAXATION**

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

A deferred tax assets has not been recognized in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilized in the foreseeable future.

#### 4. LOSS PER SHARE

The calculation of the loss per share for the three months ended 31st March, 2002 is based on the loss for the three months ended 31st March, 2002 of HK\$4,899,000 (2001: loss of HK\$2,003,000) and on weighted average number of 732,974,000 shares in issue during the period on the assumption that the Corporate Reorganisation had been completed on 1st January, 2001.

The computation of diluted loss per share has not assumed the exercise of options and convertible note outstanding during the period because their exercise would reduce loss per share.

#### 5. SHARE CAPITAL AND RESERVES

##### SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31st December, 2001 and 31st March, 2002	<u>10,000,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
At 31st December, 2001	508,014,000	5,080,140
Issue of share on listing	<u>253,080,000</u>	<u>2,530,800</u>
At 31st March, 2002	<u>761,094,000</u>	<u>7,610,940</u>

On 11th January, 2002, a total of 253,080,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.38 per shares (the "Share Issue"). As a result of Share Issue, the Group received proceeds of HK\$96,170,400, resulting in its financial position being improved from net liabilities position to net assets position. A share premium of HK\$93,639,600 was capitalised as a result of the shares issued which is net off by the share issue expenses amounting to HK\$13,392,366.

*RESERVES*

	Share premium <i>HK\$</i>	Special reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 31st December, 2001	291,124	4,778,740	(16,480,071)	(11,410,207)
Issue of share on listing	93,639,600	–	–	93,639,600
Share issue expenses	(13,392,366)	–	–	(13,392,366)
Loss for the period	–	–	(4,899,247)	(4,899,247)
	<u>80,538,358</u>	<u>4,778,740</u>	<u>(21,379,318)</u>	<u>63,937,780</u>
At 31st March, 2002	<u>80,538,358</u>	<u>4,778,740</u>	<u>(21,379,318)</u>	<u>63,937,780</u>

**DIVIDEND**

The Directors do not recommend the payment of any dividend by the Company for the three months ended 31st March, 2002.

**BUSINESS REVIEW AND OUTLOOK****Business Review**

During the Relevant Period, the Group exerted great efforts to carry out its development initiatives, improve both internal and external communications and promote its products and services.

**Development**

We continued working closely with our strategic partner to enhance the existing electronic platform to pave the way for incorporating brokers' back office system. In this regard, our work was focused on maintaining the system's stability and reliability while increasing functionality and providing a cost effective solution to Users.

By the end of March, the Group had signed a Memorandum of Understanding with each of AA Stock.com Ltd and Prosticks.com Ltd., which are information services providers prepared to offer their products and services via the financial portal of the Group.

With respect to the development of other lines of business services that require registration with the Securities and Futures Commission ( "SFC" ) such as Underwriting and Placement and Share Margin Financing, the Group liaised closely with the regulator in order to assist in expediting the approval process. At the same time, discussions were held with prospective Users and the system developer to ascertain user requirements and design related implementation plans.

### **Communication**

Our two offices were consolidated into one at Wing On Centre in early April. This had enabled more effective internal communication during a time when several development initiatives were in the process of being converted into business services for delivery to the market.

Towards this end, the Group organized a series of luncheon meetings with about 100 broker shareholders to gauge indicative demand for our various future services in order to prioritize the sequence of product delivery. These customer outreach meetings were well received and effective. As a result, the Group intends to continue this form of dialogue on a regular basis.

### **Services Promotion**

During the Relevant Period, the Group continued to promote its electronic platform to prospective broker Users. Although response was generally modest given current market conditions, a number of sizable institutions had expressed interest in subscribing to our services.

### **Outlook**

In spite of the fact that the Group was only successfully listed on 11 January, we have taken a top priority to deploy our resources to fulfill its various development initiatives such as Share Margin Financing services, Underwriting and Placement services and Brokers' Back Office system. Although the delivery of such services would require tremendous efforts in meeting the technical, compliance and operational requirements, we are confident that such services will be implemented within the milestone as set out in our Prospectus. Subject to the granting of the relevant licenses from SFC, we will arrange to launch the underlying services and to actively market to our prospective Users.

## SHARE OPTION SCHEMES

On 17th December, 2001, two share option schemes of the Company were approved by the then sole shareholder of the Company, namely the Pre-IPO Share Option Plan and the Employee Share Option Scheme (both terms as defined in the Prospectus). The summary of the terms of two schemes has been set out in Appendix V of the Prospectus under the Section headed “Share Schemes”.

As at 31st March, 2002, the Company had granted 20,592,000 options under the Pre-IPO Share Plan for three executives Directors at the exercise price of approximately HK\$0.019 per share which will not be exercisable for at least two years after listing. As at 31st March, 2002, no options were granted under the Employee Share Option Scheme.

During the relevant period, no option was granted under the above Share Option Schemes.

## DIRECTORS’ INTERESTS IN SHARES

The Company only became a listed company on 11th January, 2002. The beneficial interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of shares beneficially held			Shareholdings
	Personal	Corporate	Total	
Seto John Gin Chung	4,719,000	–	4,719,000	0.62%
Lee Yiu Sun	4,719,000	–	4,719,000	0.62%
Yue Wai Keung	4,719,000	2,574,000 (Note 1)	7,293,000	0.96%

Name of Director	Number of shares beneficially held			Shareholdings
	Personal	Corporate	Total	
Chan Henry	4,719,000	2,574,000 <i>(Note 2)</i>	7,293,000	0.96%
Chan Kai Yu, Martin	4,719,000	2,574,000 <i>(Note 3)</i>	7,293,000	0.96%
Chan Hung Ti	4,719,000	2,574,000 <i>(Note 4)</i>	7,293,000	0.96%
Cheng Chi Lam	7,293,000	–	7,293,000	0.96%
Cheung Wah Fung, Christopher	4,719,000	2,574,000 <i>(Note 5)</i>	7,293,000	0.96%
Espina Anthony	4,719,000	2,916,000 <i>(Note 6)</i>	7,635,000	1.00%
Lee Jor Hung	4,719,000	2,574,000 <i>(Note 7)</i>	7,293,000	0.96%
Lee Sheung Yam	4,719,000	–	4,719,000	0.62%
Wong Wai Sum	4,719,000	2,574,000 <i>(Note 8)</i>	7,293,000	0.96%
Lee Wai Hung, Alan	1,980,000	–	1,980,000	0.26%
Yuen Yeung Ngam	96,000	–	96,000	0.01%

*Notes:*

1. Mr. Yue Wai Keung is deemed to be interested in 2,574,000 shares through his controlling interest in Luen Fat Securities Co. Ltd.
2. Mr. Chan Henry is deemed to be interested in 2,574,000 shares through his controlling interest in Sanfull Securities Limited.
3. Mr. Chan Kai Yu, Martin is deemed to be interested in 2,574,000 shares through his controlling interest in Wellfull Securities Company Ltd.
4. Mr. Chan Hung Ti is deemed to be interested in 2,574,000 shares through his controlling interest in Troopers Securities Limited.
5. Mr. Cheung Wah Fung, Christopher is deemed to be interested in 2,574,000 shares through his controlling interest in Christfund Securities Limited.
6. Mr. Espina Anthony is deemed to be interested in 2,916,000 shares through his controlling interest in Goldride Securities Limited.
7. Mr. Lee Jor Hung is deemed to be interested in 2,574,000 shares through his controlling interest in DL Brokerage Limited.
8. Mr. Wong Wai Sum is deemed to be interested in 2,574,000 shares through his controlling interest in Hing Wong Securities Limited.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES**

Other than the options granted to the executive directors under the Pre-IPO Share Option Plan as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors, nor the chief executive, nor any of their respective spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## **SUBSTANTIAL SHAREHOLDERS**

The Company became a listed company on 11th January, 2002. The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that no persons are having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2002.

## **INTEREST IN COMPETITORS**

The directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

## **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor (the "Sponsor") neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any material benefits and interests in the Company's share capital as at 31st March, 2002 except that one of the associates of the Sponsor, being one of the founding convertible note holders of Stockmartnet Holdings (BVI) Limited, holds approximately 0.34% of the Company's total issued share capital immediately following the completion of the listing.

Pursuant to the agreement dated 7th January, 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 11th January, 2002 to 31st December, 2004.

## **CORPORATE GOVERNANCE**

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its shares on GEM on 11th January, 2002.

## **AUDIT COMMITTEE**

The Company established an audit committee on 17th December, 2001 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises four members, being Mr. Chung Shui Ming, Timpson, Mr. Tsui Yiu Wa, Alec and Mr. Cheng Mo Chi, independent non-executive Directors, and Mr. Lee Yiu Sun, a Vice Chairman. The first meeting was held on 22nd March, 2002.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

By order of the Board  
**Seto John Gin Chung**  
*Chairman*

Hong Kong, 3rd May, 2002