

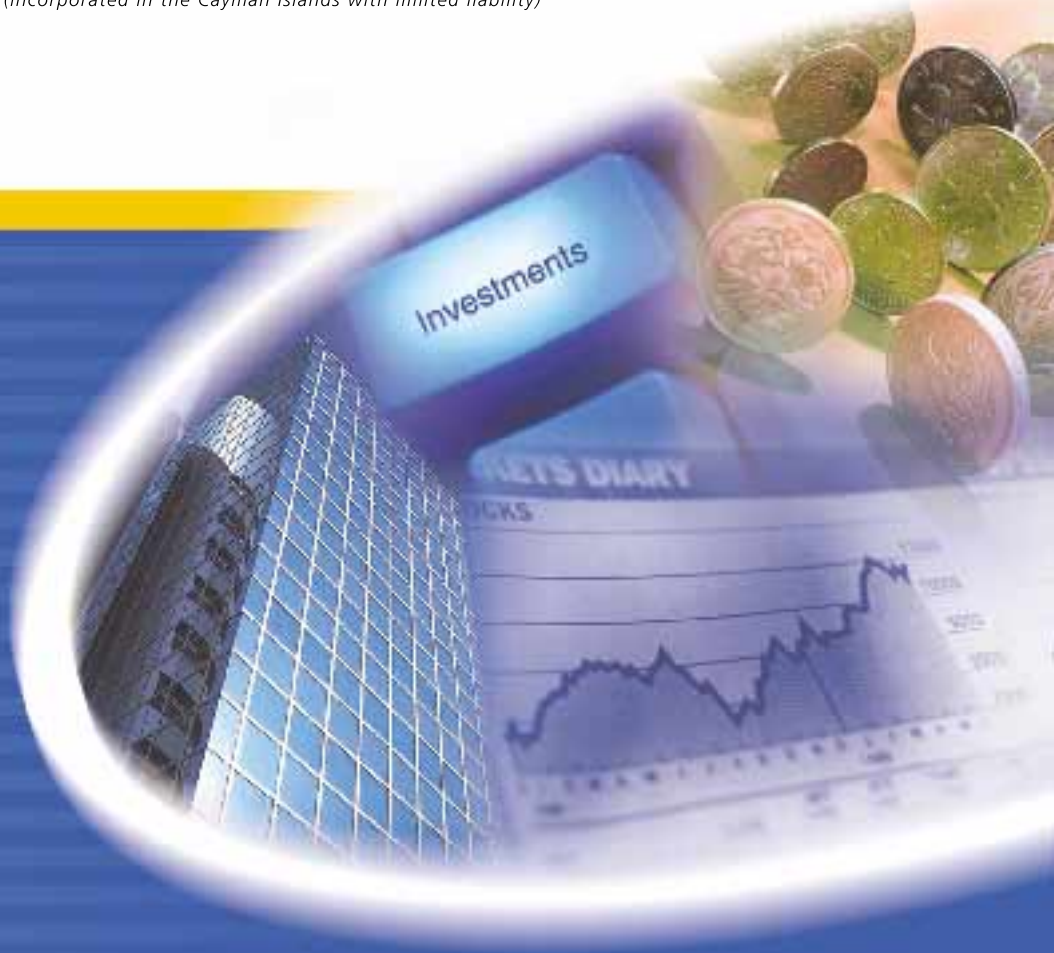


金融社控股有限公司
(前稱為證券業合作社控股有限公司)

STOCKMARTNET HOLDINGS LTD.

(formerly known as STOCKMARTNET HOLDINGS LIMITED)

(incorporated in the Cayman Islands with limited liability)



Interim Report **2003**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 Exchange. GEM-listed issuers 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 GEM of the Exchange (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates Stockmartnet Holdings Ltd. (the “Company”) in relation to the listing of its shares on the Exchange. The SFC and the Exchange take no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaim 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 (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$1,600,000 for the six months (the "Half-Yearly Period") ended 30th June, 2003.

Net loss attributable to shareholders for the Half-Yearly Period amounted to approximately HK\$10,318,000.

Loss per share was 1.35 HK cents.

The Directors do not recommend the payment of a dividend for the three months (the "Quarterly Period") ended 30th June, 2003.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the Quarterly Period and the Half-Yearly Period together with the comparative unaudited figures for the corresponding periods in 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR

	Notes	Three months ended 30th June,		Six months ended 30th June,	
		2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited)
Turnover	3	645	441	1,600	855
Other operating income	5	151	249	284	476
		<u>796</u>	<u>690</u>	<u>1,884</u>	<u>1,331</u>
Amortisation of intangible assets		(187)	-	(465)	-
Loss on disposal of property and equipment		(123)	-	(123)	-
Depreciation		(209)	(107)	(436)	(148)
Staff costs, including directors' remuneration		(2,993)	(3,458)	(6,163)	(6,702)
Other operating expenses		<u>(3,056)</u>	<u>(1,872)</u>	<u>(5,015)</u>	<u>(4,127)</u>
Loss before taxation		(5,772)	(4,747)	(10,318)	(9,646)
Taxation	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss for the period		<u>(5,772)</u>	<u>(4,747)</u>	<u>(10,318)</u>	<u>(9,646)</u>
Loss per share					
- basic and diluted	7	<u>(0.75 cents)</u>	<u>(0.62 cents)</u>	<u>(1.35 cents)</u>	<u>(1.29 cents)</u>

CONDENSED CONSOLIDATED BALANCE SHEET AT

		30th June, 2003	31st December, 2002
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property and equipment		1,961	2,487
Intangible assets	13	3,018	1,183
Statutory deposits	13	2,255	355
		<hr/>	<hr/>
		7,234	4,025
Current assets			
Trade receivables	8	3,684	6,236
Other amounts receivable, prepayments and deposits		1,700	3,152
Bank balances and cash		37,007	46,244
		<hr/>	<hr/>
		42,391	55,632
Current liabilities			
Trade payables	9	4,032	1,815
Other amounts payable and accrued charges		1,636	3,567
		<hr/>	<hr/>
		5,668	5,382
Net current assets		<hr/>	<hr/>
		36,723	50,250
Net assets		<hr/>	<hr/>
		43,957	54,275
Capital and reserves			
Share capital	10	7,649	7,649
Share premium		80,974	80,974
Special reserve		4,779	4,779
Accumulated losses		(49,445)	(39,127)
		<hr/>	<hr/>
Total capital and reserves		43,957	54,275
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	5,080	291	4,779	(16,480)	(6,330)
Issue of shares at premium on listing	2,531	93,639	-	-	96,170
Issue of shares to purchase a trading right in the Exchange	38	436	-	-	474
Share issue expenses	-	(13,392)	-	-	(13,392)
Net loss for the year	-	-	-	(22,647)	(22,647)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2002 and 1st January, 2003	7,649	80,974	4,779	(39,127)	54,275
Net loss for the period	-	-	-	(10,318)	(10,318)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	<u>7,649</u>	<u>80,974</u>	<u>4,779</u>	<u>(49,445)</u>	<u>43,957</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For six months ended 30th June,	
	2003 <i>HK\$'000</i> (unaudited)	2002 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(1,848)	(15,734)
Net cash used in investing activities	(8,925)	(1,436)
Net cash generated from financing activities	—	82,778
Net (decrease) increase in cash and cash equivalents	(10,773)	65,608
Cash and cash equivalents at beginning of period	45,602	267
Cash and cash equivalents at end of period	<u>34,829</u>	<u>65,875</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	37,007	65,875
Less: Trust account balances	(2,178)	—
	<u>34,829</u>	<u>65,875</u>

Notes:

1. GENERAL

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.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of financial services including provision of a trading platform and brokerage and securities margin financing business.

Pursuant to a special resolution passed by the Company's shareholders on 28th April, 2003, the name of the Company was changed from Stockmartnet Holdings Limited 證券業合作社控股有限公司 to Stockmartnet Holdings Ltd. 金融社控股有限公司.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31st December, 2002, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER

Turnover represents the net invoiced value for the fees charged to customers in relation to the provision of trading platform and brokerage and securities margin financing business, and is analysed as follows:

	Three months ended 30th June,		Six months ended 30th June,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from trading platform	94	397	188	811
Commission income	484	44	1,284	44
Interest income from clients	67	—	128	—
	<u>645</u>	<u>441</u>	<u>1,600</u>	<u>855</u>

4. BUSINESS SEGMENTS

For management purposes, the Group is currently organised into 2 main operating divisions, namely provision of a trading platform and brokerage and securities margin financing. These divisions are the basis on which the Group reports its primary segment information.

The principal activities of the divisions are as follows:

Provision of a trading platform
Brokerage and securities margin financing

Income statement for the six months ended 30th June, 2003

	Provision of a trading platform HK\$'000	Brokerage and securities margin financing HK\$'000	Total HK\$'000
REVENUE			
Turnover	<u>188</u>	<u>1,412</u>	<u>1,600</u>
RESULTS			
Segment profit (loss)	<u>32</u>	<u>(4,995)</u>	(4,963)
Net unallocated expenses			<u>(5,355)</u>
Loss before taxation			(10,318)
Taxation			<u>—</u>
Net loss for the period			<u>(10,318)</u>

Income statement for the six months ended 30th June, 2002

	Provision of a trading platform <i>HK\$'000</i>	Brokerage and securities margin financing <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE			
Turnover	<u>811</u>	<u>44</u>	<u>855</u>
RESULTS			
Segment (loss) profit	<u>(5,188)</u>	<u>302</u>	(4,886)
Net unallocated expenses			<u>(4,760)</u>
Loss before taxation			(9,646)
Taxation			<u>—</u>
Net loss for the period			<u>(9,646)</u>

5. OTHER OPERATING INCOME

	Three months ended		Six months ended	
	30th June,		30th June,	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income	—	5	—	10
Interest income from bank deposits	42	241	129	427
Sundry income	109	—	155	36
Membership fee income	—	3	—	3
	<u>151</u>	<u>249</u>	<u>284</u>	<u>476</u>

6. TAXATION

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

At 30th June, 2003, the Group has unused tax losses of approximately HK\$49,914,000 (31st December, 2002: approximately HK\$40,388,000) available for offset against future profits. No deferred tax asset has been recognized in respect of tax losses due to the unpredictability of future profit streams.

7. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share for the three months and six months ended 30th June, 2003 is based on the net loss of the Group of approximately HK\$5,772,000 and HK\$10,318,000 (three months and six months ended 30th June, 2002: loss of approximately HK\$4,747,000 and HK\$9,646,000) and on the weighted average number of 764,886,000 shares (three months and six months ended 30th June, 2002: 761,094,000 and 747,111,680 shares respectively) in issue during the period.

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

8. TRADE RECEIVABLES

	30th June, 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Margin client receivables	2,567	4,333
Other client receivables	1,108	471
Amount due from a clearing house (net)	3	1,226
Other trade receivables	6	206
	<u>3,684</u>	<u>6,236</u>

Margin client receivable are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities that are listed on the Exchange with a market value of approximately HK\$24,582,000 as at 30th June, 2003 (31st December, 2002: approximately HK\$37,718,000). No aged analysis is disclosed for margin client receivable as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The settlement terms of other client receivables and amount due from a clearing house are one or two days after the trade execution date. The age of these balances is within 30 days.

The following is an aged analysis of other trade receivables at the reporting dates:

	30th June, 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	6	37
31 to 60 days	–	–
61 to 90 days	–	13
Over 90 days	–	156
	<u>6</u>	<u>206</u>

9. TRADE PAYABLES

	30th June, 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Margin client payables	1,783	506
Other client payables	2,138	709
Amount due to a clearing house (net)	107	–
Other trade payables	4	600
	<hr/>	<hr/>
	4,032	1,815
	<hr/>	<hr/>

Margin client payables are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed for margin client payables as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of other client payables is two days after the trade execution date. The age of these balances is within 30 days.

The following is an aged analysis of other trade payables at the reporting dates:

	30th June, 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	4	19
31 to 60 days	–	276
61 to 90 days	–	305
	<hr/>	<hr/>
	4	600
	<hr/>	<hr/>

10. SHARE CAPITAL

	Number of shares <i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31st December, 2002 and 30th June, 2003	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31st December, 2002 and 30th June, 2003	<u>764,886</u>	<u>7,649</u>

11. DIVIDEND

The Directors do not recommend the payment of any dividend by the Company for the Quarterly Period.

12. OPERATING LEASE COMMITMENTS

At 30th June, 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	30th June, 2003 <i>HK\$'000</i>	31st December, 2002 <i>HK\$'000</i>
Within one year	1,273	1,580
In the second to fifth year inclusive	<u>810</u>	<u>1,040</u>
	<u>2,083</u>	<u>2,620</u>

Leases are negotiated for an average period of two years.

13. MOVEMENTS IN INTANGIBLE ASSETS AND STATUTORY DEPOSITS

During the period, the Group acquired a trading right on the Stock Exchange at a cost of HK\$1.5 million. During the period, the Group also acquired a trading right on the Hong Kong Futures Exchange Limited of HK\$0.6 million and statutory deposits of HK\$1.6 million through the acquisition of a subsidiary as disclosed in note 14.

14. ACQUISITION OF A SUBSIDIARY

On 6th March, 2003, the Group acquired 100% of the issued share capital of Stockmartnet Futures Limited (formerly known as CU Futures Limited) for cash consideration of HK\$12 million. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Net assets acquired	11,522
Goodwill arising on acquisition	192
	<hr/>
Cash consideration	11,714
	<hr/>
Net cash outflow arising on acquisition	
Cash consideration	(11,714)
Bank balances and cash acquired	4,322
	<hr/>
	(7,392)
	<hr/>

Stockmartnet Futures Limited did not make any significant contribution to the results of the Group during the interim period.

BUSINESS REVIEW

The following is a brief account of our activities for the six months ended 30th June, 2003. Following the introduction of our total infrastructure broking service last December, we have successfully attracted the participation of four stockbroking firms. The performance of the equity market in Hong Kong continued to be disappointing and daily turnover remained sluggish. Although daily turnover did surge for a few trading days during the period, the phenomenon was not persistent. In general, most retail investors remained very cautious, limiting their investment activity.

Securities Trading Platform

In June this year, following regulatory approval by the Securities and Futures Commission, we launched a service allowing customers to trade Hong Kong equities via internet access.

Financial Portal

In conjunction with the launch of internet trading in Hong Kong stocks, we continue to explore the provision of information related services to complement the usability and convenience of those customers who are keen to adopt the internet as their preferred trading channel.

Back-office System

Our back-office system was upgraded with new functions and features to accommodate the trading of Hong Kong futures, equity-linked instruments and US futures. We completed the user acceptance test for enhanced Hong Kong futures trade support functionality and such added features have been integrated into the system accordingly. We planned further system upgrades to accommodate Hong Kong and US options trade support functionality.

Margin Financing

We continued to experience little growth in our margin financing business area due to the lackluster performance of the local stock market.

Placing/Underwriting and Placement

The IPO market was slow during the period but appears to be picking up gradually. We will continue to explore issues that will appeal to retail investors.

Total Infrastructure Broking Services

We assisted the first two stockbroking firms in successfully implementing our services in the first and second quarter this year. We are currently working with two other stockbroking firms who are planning to implement our services in the third to fourth quarter of this year. We will continue to promote our services to other stockbroking firms.

New Products and Services

Other than the launch of internet trading in Hong Kong stocks, we have also provided trading facilities in Hong Kong futures and equity-linked instruments. In addition, we initiated a pilot US futures trading and clearing facility with conventional telephonic or internet access functionality. We plan to introduce more services such as Hong Kong and US options and US securities trading functionality in the longer run.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**Business Objectives****Actual Progress**

- | | |
|--|--|
| <p>1. Enhance services and infrastructure to cope with expected increases in market share and new products by introducing multi-market, multi-products, multi-currency and multi-language services.</p> <p>2. SMN Online will be capable of supporting futures and options trading (including basket and arbitrage trading).</p> | <p>1. The trading and clearing system that we have adopted is scalable in terms of increase in processing capacity. However, due to market conditions, there is no present need for throughput increases. We are currently conducting a pilot trading and clearing program in US futures which we expect to roll out in the third quarter of 2003. We will continue to explore, subject to customer demand, trading and clearing of securities and futures in other markets.</p> <p>2. SMN Online is capable of supporting the clearing of Hong Kong futures and the trading interface is expected to be implemented in August 2003 accommodating trading and clearing in options.</p> |
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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately HK\$1,600,000 for the period ended 30th June, 2003, a 87% increase from approximately HK\$855,000 as compared with last corresponding period. The increase was mainly attributed from the contribution of brokerage and securities margin financing business. Due to the continuing depressed market sentiment of the stock market in the first six months of 2003, the loss attributable to shareholders for the period ended 30th June, 2003 increased to approximately HK\$10,318,000 from approximately HK\$9,646,000 during the corresponding period in 2002.

Liquidity and Financial Resources

As at 30th June, 2003, the Group had total assets of approximately HK\$49,625,000, including bank balances and cash of approximately HK\$37,007,000. The Group did not incur any bank overdraft or loan during the period under review. As at 30th June, 2003, the Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' funds, was nil. The Group financed its operations entirely with its own internal funding. With net current asset of approximately HK\$36,723,000, the Group remained in a financially liquid position as at 30th June, 2003. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group will have adequate financial resources to meet its ongoing operation and development requirements.

Outlook

We believe that in the long run, stockbroking firms will continue to expand their business activities by offering end users trading facilities with multi-market, multi-product, multi-currency and multi-language functionality. We are committed to assisting the brokerage community in this development initiative and will continue to fulfil this commitment.

Employees

As at 30th June, 2003, the Group's headcount amounted to 25 employees. The total staff costs amounted to approximately HK\$6,163,000 for the six months ended 30th June, 2003. Employees are remunerated in accordance to their performance and working experience.

Save as disclosed above and in the business review section, the current information in relation to those matters set out in Rule 18.41 of the GEM Listing Rules has not changed materially from that disclosed in the annual report of the Company dated 21st March, 2003.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2003, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

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%
Chan Henry	4,719,000	2,574,000 (Note 2)	7,293,000	0.96%
Chan Kai Yu, Martin	4,719,000	2,574,000 (Note 3)	7,293,000	0.96%
Chan Hung Ti	4,719,000	2,574,000 (Note 4)	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 (Note 5)	7,293,000	0.96%
Espina Anthony	5,061,000	2,574,000 (Note 6)	7,635,000	1.00%
Lee Jor Hung	4,719,000	2,574,000 (Note 7)	7,293,000	0.96%

Name of Director	Number of shares beneficially held			Shareholdings
	Personal	Corporate	Total	
Lee Sheung Yam	4,719,000	–	4,719,000	0.62%
Wong Wai Sum	4,719,000	2,574,000 (Note 8)	7,293,000	0.96%
Lee Wai Hung, Alan	1,980,000	–	1,980,000	0.26%

Notes:

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

Long positions in underlying shares

The Company operates two share option schemes, namely the Share Option Scheme and the Pre-IPO Share Option Plan (as defined in the prospectus of the Company dated 8th January, 2002), under which the participants are entitled to benefit in respect of their services and/or goods provided to the Group.

Details of movements in the Pre-IPO Share Option Plan granted to certain executive Directors were as follows:

Name of Director	Date of grant	Number of options			Exercise period	Exercise price per share (approximately) HK\$
		Outstanding as at 1st January, 2003	Lapsed during the period	Outstanding as at 30th June, 2003		
Lee Wai Hung, Alan	17/12/2001	10,296,000	–	10,296,000	11/01/2004 – 16/12/2010	0.019
So Kin Wing	17/12/2001	5,148,000	–	5,148,000	11/01/2004 – 16/12/2010	0.019
Yuen Yeung Ngam (note)	17/12/2001	5,148,000	(5,148,000)	–	11/01/2004 – 16/12/2010	0.019
		<u>20,592,000</u>	<u>(5,148,000)</u>	<u>15,444,000</u>		

Note: Mr. Yuen Yeung Ngam resigned as an executive Director with effect from 30th November, 2002 and the options granted to Mr. Yuen lapsed on 28th February, 2003 which was three months after his resignation. No options were granted under the Share Option Scheme during the period.

All the above mentioned outstanding options are unlisted and represent physically settled equity derivatives.

No options were granted under the Share Option Scheme during the period.

The options granted under the Company's share option scheme are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the options granted to employees during the period on the ground that there are serious limitations in the application of the Black & Scholes Model and the Binominal Modal in the valuation of employee share options, especially

given that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of employee share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders of the Company.

Long positions in debentures

No long positions of Directors and the chief executive of the Company in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Short positions in shares of the Company

No short positions of Directors and the chief executive of the Company in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Short positions in underlying shares

No short positions of Directors and the chief executive of the Company in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

Save as disclosed above, as at 30th June, 2003, none of the Directors or their associates as well as the chief executive of the Company had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rule 5.40 of the GEM Listing Rules. During the period, there was no debt securities issued by the Group at any time.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2003, the following persons (other than the Directors and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares of the Company

Name	Capacity	Nature of interest	Number of shares	Shareholdings
Lau Tung Hoi (<i>Note 1 and Note 4</i>)	Founder of a discretionary trust	N/A	58,926,000	7.70%
HSBC International Trustee Limited (<i>Note 1, Note 2 and Note 4</i>)	Trustee	Corporate	58,926,000	7.70%
Linwood Services Ltd. (<i>Note 3 and Note 4</i>)	Interest of a controlled corporation	Corporate	58,926,000	7.70%
First Sign International Holdings Limited (<i>Note 2, Note 3 and Note 4</i>)	Interest of a controlled corporation	Corporate	58,926,000	7.70%

Notes:

1. Mr. Lau Tung Hoi is deemed to be interested in 58,926,000 shares as he is the founder of the LCY Trust.
2. HSBC International Trustee Limited, as trustee of the LCY Trust, is deemed to be interested in 58,926,000 shares through its indirect controlling interest of 66.98% in First Sign International Holdings Limited.
3. Linwood Services Ltd. is deemed to be interested in 58,926,000 shares through its controlling interest of 66.98% in First Sign International Holdings Limited.
4. The 58,926,000 shares in the Company held by each of Mr. Lau Tung Hoi, HSBC International Trustee Limited, Linwood Services Ltd. and First Sign International Holdings Limited refer to the same parcel of shares.

Long Positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares of the Company

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 30th June, 2003, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

INTEREST IN COMPETITORS

The following companies in which certain Directors hold controlling interests are engaged in securities-related and securities margin financing business and are therefore competing with the Group in this aspect of its business.

Name of company	Name of Director with controlling interest
Lee Tat & Company*	Cheng Chi Lam
Luen Fat Securities Company Limited	Yue Wai Keung
Sanfull Securities Limited	Chan Henry
Wellfull Securities Company Limited	Chan Kai Yu, Martin
Troopers Securities Limited	Chan Hung Ti
Christfund Securities Limited	Cheung Wah Fung, Christopher
Goldride Securities Limited	Espina Anthony
DL Brokerage Limited	Lee Jor Hung
Hing Wong Securities Limited	Wong Wai Sum

* Subsequent to 30th June, 2003, the Company became aware that Lee Tat & Company is no longer engaged in providing securities-related services and securities margin financing and has therefore ceased to be a competitor of the Group.

SPONSOR'S INTERESTS

As updated and notified by UOB Asia (Hong Kong) Limited (the "Sponsor") and save as disclosed below, 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 interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30th June, 2003. Pursuant to the deed of novation dated 2nd December, 2002 as set out in the Company's announcement of the same date, the Sponsor has assumed the continuing sponsor role and will continue to act as the continuing sponsor to the Company for a term ending on 31st December, 2004. As a result, the Sponsor will continue to receive a fee for the provision of such services.

CORPORATE GOVERNANCE

The Company has complied from its date of listing on GEM to 30th June, 2003 with Rules 5.28 to 5.39 of the GEM Listing Rules for the period.

AUDIT COMMITTEE

The audit committee comprises three members, being Mr. Chung Shui Ming, Timpson and Mr. Tsui Yiu Wa, Alec, independent non-executive Directors, and Mr. Lee Yiu Sun, a vice chairman of the Company and a non-executive Director.

The audit committee has reviewed the interim report of the Company for the six months ended 30th June, 2003 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof. It has also reviewed the financial reporting process and the adequacy and effectiveness of the internal control system of the Group.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

By order of the Board
So Kin Wing
Executive Director

Hong Kong, 1st August, 2003