



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



ANNUAL REPORT 2001



## Contents

3	Corporate Information	
4	Chairman's Statement	
7	Management Discussion and Analysis	
12	Directors and Senior Management	
18	Directors' Report	
30	Auditors' Report	
32	Consolidated Income Statement	
33	Consolidated Balance Sheet	
34	Balance Sheet	
35	Consolidated Cash Flow Statement	1
36	Notes to the Financial Statements	
56	Financial Summary	



## **Characteristics of the GEM**

**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 companies.**

**REGISTERED OFFICE**

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681GT  
George Town, Grand Cayman  
British West Indies

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

*Until 31st March, 2002*

Office 1112, 11th Floor  
Tower 2, Lippo Centre  
89 Queensway  
Hong Kong

*Effective from 1st April, 2002*

Room 2501-03, 25th Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

**COMPANY WEBSITE**

[www.stockmartnet.com](http://www.stockmartnet.com)

**COMPANY SECRETARY**

Chau Kwok Ming, ACS, ACIS

**COMPLIANCE OFFICER**

Lee Wai Hung, Alan

**QUALIFIED ACCOUNTANT**

So Kin Wing, AHKSA, CA

**AUDIT COMMITTEE**

Chung Shui Ming, Timpson  
Cheng Mo Chi  
Tsui Yiu Wa, Alec  
Lee Yiu Sun

**AUTHORISED REPRESENTATIVES**

Lee Wai Hung, Alan and So Kin Wing

**AUTHORISED PERSONS TO ACCEPT SERVICE OF PROCESS AND NOTICES**

Lee Wai Hung, Alan

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Bank of Butterfield International (Cayman) Ltd.  
P.O. Box 705  
Butterfield House  
68 Fort Street  
George Town  
Grand Cayman  
British West Indies

**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Hong Kong Registrars Limited  
2nd Floor  
Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

**PRINCIPAL BANKER**

Wing Hang Bank, Limited  
161 Queen's Road Central  
Hong Kong



## Chairman's Statement

It is my great pleasure to present the annual report of the Group for the year ended 31st December, 2001 to all shareholders.

Since the establishment of the Group in April, 1999, the directors and the management have worked a long way to gradually convert into reality our belief and concept of an alliance of small and medium stockbrokers to a centralized value-added service provider and product distributor. Our first and prime step to raise funds for subsequent developments was succeeded through the listing of the Group on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11th January, 2002.

Our achievement of successful listing has paved the way for our continuous development in various business initiatives as committed in the prospectus of listing. In anticipation of the increasing competition in the local industry, the removal of the minimum brokerage and further tightening of the securities regulations, the traditional brokerage business carried out by most of the small and medium sized stockbrokers is expected to be adversely affected. To address their on-going concern, we are committed to help preparing for the challenge by providing them with an "one-stop" total solution that focuses on two areas: savings in cost and increasing business opportunities. As our mission is seeking to position as a provider of services to the Hong Kong securities industry on a B2B basis and our business model is not intended to compete with stockbrokers for B2C business, we are confident that our operating philosophy will be shared by our customers. With the continuous support of our 177 founding shareholders and other prospective new customers, we believe there is a great potential for the Group to develop itself into the future as a centralized value-added service provider or distributor.

4

### **BUSINESS REVIEW**

Below is a brief account of our preparatory and developmental business activities that we have completed by the reporting date.

#### **Staff Recruitment**

In order to prepare for the full scale implementation of the Group's services, we have reviewed the requirement of resources and have recruited personnel to strengthen our sales and marketing as well as other corporate supporting functions. The Group will thrive on a lean and mean strategy such that we will closely monitor our operating expenses and any additional staff resources will only be deployed on an 'as needed' basis.



### **New Office**

To accommodate all staff under one roof to enhance operating efficiency, we have scheduled the consolidation of the two existing offices under one premises located at 25/F Wing On Centre, 111 Connaught Road Central. The new office will come into operation on 1st April, 2002.

### **Application as Registered Persons with the Securities and Futures Commission (the "SFC")**

Since certain business activities that we planned to carry on may require the relevant operating subsidiary to be registered with the SFC, we have filed applications for three of our wholly owned subsidiaries to become either registered dealers or investment advisers. We are currently waiting for the completion of the approval process. Once approved by the SFC, we will proceed to implement such planned business activities. It is expected that the Group will be able to generate revenue from such business activities should they be well received by the users.

### **Progress of our Trading Engine ( "SMNOnline" )**

Shortly after the launch of the electronic trading platform – SMNOnline, we were unfortunately confronted with the 911 incident, the results of which have had an adverse impact on the enthusiasm of our prospective users in light of anticipated bearish market conditions. We are currently working closely with IBM China/Hong Kong Limited to review and enhance the existing scope of SMNOnline functions and features so that we will be able to further enhance its competitiveness and to attract more users.

5

### **Financial Portal ( "stockmartnet.com" )**

stockmartnet.com is the Group's financial portal and the public face. One of the key features of stockmartnet.com is intended to interface with SMNOnline enabling the customers of users to trade securities through the Internet. Further enhancement will be made to facilitate the development of new functions and features such that the financial portal will be able to compete for prospective advertisers who will be interested to use it as a valuable electronic media to communicate to a potential pool of about 240,000 customers of our founding shareholders.



## *Chairman's Statement*

### **OUTLOOK**

As we progress into the future, the Group will continue to emphasize its operating principle on the basis of a win-win strategy. This will not only apply in every products and services delivery but will also extend to its business partners.

I am convinced that by leveraging on the expertise and dedication of our management, the knowledge and experience of the Directors and the core competencies of our business partners, we will be able to build a cost-effective network that offers value-added products and services to our users.

Finally, I would like to extend my thanks and appreciation to our shareholders, my fellow Directors and our staff for their support and dedication to the Group throughout the past years. I look forward to the continuous contribution of their time and effort that is undoubtedly the key to our future success.

6

**Seto John Gin Chung**

*Chairman*

Hong Kong, 22nd March, 2002

### FINANCIAL REVIEW

During the year, the Group and its subsidiaries were principally engaged in the development of the financial portal and the development of the securities trading platform. Since the Group had spent a lot of resources and time to build the infrastructure of its business, actual business was not started until the middle of the year. The Group's financial portal, stockmartnet.com was officially launched in May 2001 and the number of visitors has been growing since the launch. The Group's trading engine, SMNOnline, commenced testing in March 2001 and further testing in July 2001. SMNOnline's intranet trading engine began operation in December 2001. At present, nine brokers are trading through the Group's trading platform. In view of the short operation period and the depressed market sentiment of the stock market in 2001, the Group's total turnover for the year ended 31st December, 2001 amounted to approximately HK\$521,000. As the Group was undergoing the stage of development and investment during the period under review, a net loss attributable to the shareholders amounted to approximately HK\$15,483,000 was recorded. However, the Directors are optimistic about the prospect of the Group in the years ahead as a number of financial products, believed to be well received by the industry are ready to launch in the near future such as securities margin loan financing and placement and underwriting.

Having successfully listed the Company's shares on the GEM on 11th January, 2002, the Group obtained net proceed of approximately HK\$82 million which will be applied to the securities margin loan financing business, acquisition of trading right on the Stock Exchange, further development of the Group's infrastructure and acquisition of computer equipment and office equipment, capital expenditure in relation to office renovation and general working capital.

7

### FINANCIAL POSITION

As at 31st December, 2001, the Group had total assets of approximately HK\$11,539,000 (2000: HK\$8,671,000) including bank balances and cash of approximately HK\$267,000 (2000: HK\$8,539,000) and the deferred expenditure amounted to HK\$9,974,000 (2000: Nil). There was no bank overdraft or loan incurred during the year under review. After the listing of shares of Company on the GEM, the Group received proceeds of approximately HK\$ 96,000,000 and the Group's financial position is improved from net liabilities position to net assets position. The Directors believe that the Group would generate funds sufficient to meet its ongoing operation and development requirements.

Since most of the transactions of Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk have been implemented.





## **CONTINGENT LIABILITIES**

As of the date of the report, the Directors are not aware of any material contingent liabilities.

## **EMPLOYEES**

As at 31st December, 2001, the Group had 16 (2000: 1) full time employees. The total of employee remuneration, including that of the executive Directors, for the year ended 31st December, 2001 amounted to approximately HK\$10,245,000 (2000: HK\$76,000). The Group remunerated its employees based on their performance, experience and the prevailing industry practice.

## **SHARE OPTION SCHEMES**

On 17th December, 2001, two share option schemes of the Company were approved by 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 the two schemes has been set out in Appendix V of the Prospectus under the Section headed "Share Schemes".

8

As at 31st December, 2001, 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 December, 2001, no options were granted under the Employee Share Option Scheme.

## **BUSINESS REVIEW**

It is the Group's objective to establish itself as a full service provider of financial and back-office services to securities brokers, capitalizing on technological advances and the trend towards globalisation of securities markets, consistent with Hong Kong's role as an international financial center in Asia. The management of the Group has progressively turned this mission from conceptual to implementation stage. Year 2001 is milestone period in the development of the Group. In the first half of the year, key management executives were recruited for full-scale development and implementation of the Group's services and preparation for application of listing of shares on the GEM.

In May 2001, stockmartnet.com – the Group's financial portal, the public face of the Group provides a platform to communicate between the Group and their customers as well as providing information to the public has successfully launched.



**BUSINESS REVIEW** *(continued)*

In July 2001, the Group has also launched a securities trading platform, SMNOnline, which is capable to enable our customers to trade over the Group's Intranet and Internet (scheduled to be in services in the first half of 2002). The trading platform is operated in an Application Service Platform environment via the IBM server-hosting infrastructure in which all customers' data are stored and processed.

On 11th January, 2002, the Company was successfully listed on the GEM by way of placing of 253,080,000 shares at an issue price of HK\$0.38 each to professional, institutional and other investors.

**FUTURE PLAN**

It is the Group's intention to expand its services to brokers both in term of scale and scope of business in order to achieve the growth. In order to realize such objectives, the following plans will be undertaken by the Group as stated in the Prospectus:

**For the period ending 30th June, 2002**

*Securities Trading Platform*

SMNOnline is scheduled to be fully operational (both Internet trading and intranet trading) no later than the end of this period. As at the reporting date, there were nine broker users using the trading services via SMNOnline. Thereafter, the Directors believe SMNOnline will have capacity to add ten broker users per week, subject to the newly joined broker users meeting the schedule and procedures required by the Stock Exchange to launch electronic trading systems under the AMS/3 environment.

*Financial Portal*

The Group will assist broker users to develop their own websites which will be capable of interfacing with SMNOnline for Internet trading. In order to stimulate advertising and other revenue, the Group will devise a marketing plan to promote stockmartnet.com.

stockmartnet.com's principal features of Individual Brokers User's Homepage, Accounts, Trading, Research, Community, Form Download and Investment Education are scheduled to be launched during this period.



**FUTURE PLAN** *(continued)*

**For the period ending 30th June, 2002** *(continued)*

*Margin financing*

The Group will introduce phase one of the margin loan financing business (i.e. lending to Brokers) if and when it has obtained the necessary licence. The preparation work will include applications for licences from the SFC, set-up of internal controls and risk management procedures and in-house software development. The Group will continue to market its services to the industry. It will explore the development of phase two of its margin loan financing business (i.e. lending direct to customers of Brokers). The Group plans to recruit five staff to manage this work.

*Placing/Underwriting*

The Group intends, subject to receipt of the necessary licences under the Securities Ordinance, to begin to provide underwriting services for IPOs, placings, rights issues and open offers.

10

The proposed underwriting and placing business is planned to start once all the necessary licences have been obtained from the SFC. The management of the Group does not expect any problem in obtaining the licences.

*Back office systems*

The Group will commence system testing and implementation of back office system software during this period.

**Period from 1st July, 2002 to 31st December, 2002**

*Securities Trading Platform*

The major activity during this period will be to interface SMNOnline with the Group's financial portal, margin loan financing, underwriting and placement and back office systems to form a seamless total solution.



**FUTURE PLAN** *(continued)*

**Period from 1st July, 2002 to 31st December, 2002** *(continued)*

*Securities Trading Platform (continued)*

SMNonline will be able to provide margin call reports listing all customers subject to margin calls, full margin position reports for positions of all margin accounts and all batch reports. The trading engine will also be able to support institutional trading, custody operations and stock trading in multiple markets.

*Financial portal*

The Group will continue to promote stockmartnet.com for the purpose of generating more advertising and broker user revenues.

*Margin financing*

After the initial preparation work, the Group expects to be ready to launch phase two of its margin loan financing services direct to customers of broker users. It is those target audience to whom the Group will extend credit and the brokers users themselves will receive commission for referring the business to the Group.

*Back office system*

The Group's back office systems software is expected to be ready to roll out.



## Directors and Senior Management

### NON-EXECUTIVE DIRECTORS

**SETO John Gin Chung**, aged 53, is the Chairman and a non-executive director of the Company and joined the Company and its subsidiaries (the "Group") in May 2001. Before joining the Group as a non-executive Director, Mr. Seto had acted as a consultant to the Group since April 1999, together with the other non-executive directors, having the primary responsibility for strategy formulation, market consultation and promotion of new services of the Group. He is a non-executive director of Hong Kong Exchanges and Clearing Limited ("HKEx"), Kowloon Development Company Limited and Poly Investments Holdings Limited, and was the Chief Executive of HSBC Broking Services (Asia) Limited. Mr. Seto was a Council Member of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 1994 to 2000 and was the first Vice Chairman from 1997 to 2000. He holds a Master of Business Administration degree from New York University, US and has over 27 years of experience in the securities and futures industry.

**LEE Yiu Sun**, aged 44, is a Vice Chairman and a non-executive director of the Company and joined the Group in May 2000. He has been a Vice-Chairman of the Hong Kong Stockbrokers Association since 1997. Mr. Lee was the executive director of NSC Securities (Asia) Limited. Prior to joining NSC Securities (Asia) Limited, he was the managing director of Celestial Asia Securities Holdings Limited. Mr. Lee was a Council Member of the Stock Exchange from 1997 to 1999 and a Committee Member of the Chinese Gold and Silver Exchange Society from 1994 to 1999. Mr. Lee holds a Master of Arts Degree in Accounting and Finance, and is an Associate Member of the Chartered Institute of Management Accountants and the Hong Kong Society of Accountants, and a Certified Public Accountant. Mr. Lee has over 13 years of experience in the securities and financial service sector.

**YUE Wai Keung**, aged 49, is a Vice Chairman and a non-executive director of the Company and joined the Group in April 1999. He is a dealing director of Luen Fat Securities Company Limited as well as a director of a number of privately-held securities and financial service companies. Mr. Yue is also a director of the Hong Kong Stockbrokers Association, a non-executive director of HKEx and Prosper eVision Limited. He was a Council Member of the Stock Exchange from 1993 to 2000 and the Deputy Chairman of Hong Kong Securities Clearing Company Limited ("Hongkong Clearing") from 1997 to 2000. Mr. Yue was also a member of the Departmental Advisory Board of Guangdong Academy of Social Science in 1997. He has over 29 years of experience in the securities and futures industry.



**NON-EXECUTIVE DIRECTORS** *(continued)*

**CHAN Henry**, aged 36, is a non-executive director of the Company and joined the Group in July 2000. He has been an executive director of Sanfull Securities Limited. Mr. Chan is currently a member of the Listing Committee of the Main Board of the Stock Exchange and a member of Clearing Consultative Panel of HKEx. Mr. Chan is a member of the Investor Education Advisory Committee of the Securities and Futures Commission ("SFC"). He was a Council Member of the Stock Exchange from 1994 to 2000, and was appointed as the convenor of its Trading and Settlement Committee from 1997 to 2000. He was also a director of Hongkong Clearing during 1996 to 2000. Mr. Chan holds a Master of Business Administration degree and has over 15 years of experience in the securities and financial service sector.

**CHAN Kai Yu, Martin**, aged 61, is a non-executive director of the Company and joined the Group in July 2000. He is the managing director of Wellfull Securities Company Ltd and a vice-chairman of the Hong Kong Stockbrokers Association. Mr. Chan was a member of the Nominating Committee of the Stock Exchange during 1997 to 2000. He has over 36 years of experience in the securities and financial service sector.

**CHAN Hung Ti**, aged 51, is a non-executive director of the Company and joined the Group in July 2000. He is the managing director and a dealing director of Troopers Securities Limited, and a fellow of the Hong Kong Stockbrokers Association. Mr. Chan has over 29 years of experience in the securities industry.

**CHENG Chi Lam**, aged 54, is a non-executive director of the Company and joined the Group in April 1999. He is the sole-proprietor of Lee Tat & Company. Mr. Cheng is also a Committee Member of the Hong Kong Stockbrokers Association and a member of the Disciplinary Committee of the Stock Exchange. He was a Council Member of the Stock Exchange from 1993 to 1995 and a member of the Nominating Committee of the Stock Exchange from 1998 to 2000. Mr. Cheng has over 31 years of experience in the securities industry.

**CHEUNG Wah Fung, Christopher, JP**, aged 49, is a non-executive director of the Company and joined the Group in May 2000. He is the founder and managing director of Christfund Securities Limited, and a director of the Chinese General Chamber of Commerce. He was a Council Member of the Stock Exchange from 1997 to 2000 and a director of Hongkong Clearing from 1998 to 2000. Mr. Cheung was elected as a member of the Selection Committee for the First Government of Hong Kong in 1996. He has over 30 years of experience in the securities and financial service industry.



## *Directors and Senior Management*

### **NON-EXECUTIVE DIRECTORS** *(continued)*

**ESPINA, Anthony**, aged 53, is a non-executive director of the Company and joined the Group in July 2000. He is the managing director of Goldridge Securities Limited. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and Deloitte Touche Tohmatsu from 1986 to 1990. He was also the president of the Hong Kong Computer Society in 1980. Mr. Espina was seconded to the Stock Exchange in 1988 and was instrumental in the design of the Central Clearing and Settlement System ("CCASS"). He holds a Bachelor's degree in Accounting and is an Associate Member of each of the Australian Society of Certified Practising Accountants and the Hong Kong Society of Accountants, and a Certified Public Accountant.

**LEE Jor Hung, BBS**, aged 47, is a non-executive director of the Company and joined the Group in April 1999. He is the chairman of DL Brokerage Limited and a non-executive director of HKEx. Mr. Lee is a member of the Securities and Futures Appeals Panel and the New Market Development Group of the Stock Exchange. He is the Permanent Honourable President and Past-Chairman of the Hong Kong Stockbrokers Association. Mr. Lee was also a member of the Advisory Committee to the SFC, vice-chairman of the Stock Exchange and the deputy chairman of Hongkong Clearing. He holds a degree of Bachelor of Commerce and a Master of Business Administration degree. Mr. Lee has over 19 years of experience in the securities and investment industry.

**LEE Sheung Yam**, aged 47, is a non-executive director of the Company and joined the Group in May 2001. Before joining the Group as a non-executive Director, Mr. Lee had acted as a consultant to the Group since April 2000, together with the other non-executive directors, having the primary responsibility for strategy formulation, market consultation and promotion of new services of the Group. He is a director of a private company seeking investment opportunities in China. Mr. Lee was the head of the corporate finance department of a leading investment bank in Hong Kong. He holds a Master of Business Administration degree and is a Fellow Member of the Association of Certified Accountants and an Associate Member of the Hong Kong Society of Accountants. Mr. Lee has over 20 years of experience in the accounting and corporate finance field.

**WONG Wai Sum**, aged 50, is a non-executive director of the Company and joined the Group in May 2000. He is the managing director of Hing Wong Securities Limited and is the chairman of the Hong Kong Stockbrokers Association. Mr. Wong is also a director of BOC China Fund Limited. He was a Council Member of the Stock Exchange from 1990 to 1993 and the convener of its Compensation Committee from 1992 to 1993. Mr. Wong was also a director of Hongkong Clearing from 1992 to 1993. He has over 21 years of experience in the securities industry.



## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**CHUNG Shui Ming, Timpson, GBS, JP**, aged 50, joined the Group in December 2001 and is a Member of the Executive Council of Hong Kong. He is also chairman of the Hong Kong Housing Society and Treasurer of the City University of Hong Kong. In addition, Mr. Chung is a member of the Managing Board of the Kowloon-Canton Railway Corporation and Chief Executive Officer of China Rich Holdings Limited. Formerly, he was the Chief Executive of the Hong Kong SAR Government Land Fund Trust and a Hong Kong Affairs Advisor. Mr. Chung holds a Master of Business Administration Degree and is a Fellow Member of the Hong Kong Society of Accountants.

**CHENG Mo Chi, JP**, aged 52, joined the Group in December 2001 and is the senior partner of Messrs. P.C. Woo & Co., a firm of solicitors and notaries in Hong Kong. He is currently the chairman of the Hong Kong Institute of Directors, the Board of Education and the Committee on the Promotion of Civic Education, and is a member of the Listing Committee of the Main Board of the Stock Exchange. Mr. Cheng also serves on the boards of various listed companies as an independent non-executive director. He was a member of the Legislative Council of Hong Kong between 1991 and 1995.

**TSUI Yiu Wa, Alec**, aged 52, joined the Group in December 2001. He is one of the founders of WAG, a financial and management consulting services group in Hong Kong. He is the chairman of the Hong Kong Securities Institute. He also serves on the boards of various listed companies as an independent non-executive director. Mr. Tsui was the chief executive of iRegent Group Limited from August 2000 to February 2001. Prior to joining iRegent, he was the chief operating officer of HKEx from March to July 2000 and the Chief Executive of the Stock Exchange from February 1997. Mr. Tsui holds a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering. He has extensive experience in finance and administration, corporate and strategic planning, information technology and human resources management.

15

## **EXECUTIVE DIRECTORS**

**LEE Wai Hung, Alan**, aged 45, is the Chief Executive Officer of the Company and joined the Group in February 2001. Before joining the Company, he was Acting Head of the Clearing Business Unit of HKEx. He was employed by the Stock Exchange from 1988 to 1990 as its Acting Head of Operation Services Division responsible for trading, settlement and information technology. Mr. Lee was transferred to Hongkong Clearing to become its Head of Operation Services Division in 1990 and was one of the key founding members in the design, development and implementation of CCASS. He holds a Bachelor of Arts degree in Economics and a Master of Business Administration degree. Mr. Lee has over 21 years of experience in the securities and financial service sectors.





## *Directors and Senior Management*

### **EXECUTIVE DIRECTORS** *(continued)*

**SO Kin Wing**, aged 40, is the Chief Financial Officer of the Company and joined the Group in February 2001. Prior to joining the Company, he was the financial controller and the general manager of Risk Management of a listed brokerage company and had also spent years with several international accounting firms. Mr. So holds a Bachelor's degree in Economic and Social Studies, majoring in accounting and business finance, and is an Associate Member of the Institute of Chartered Accountants of Ontario in Canada and the Hong Kong Society of Accountants. Mr. So has over 16 years of experience in accounting and stockbroking.

**YUEN Yeung Ngam**, aged 46, is the Chief Technology Officer of the Company and joined the Group in May 2001. Prior to joining the Company, he was the Head of E-Broking at HSBC Broking Services (Asia) Limited. Mr. Yuen had also worked for a number of other reputable stockbroking companies. He holds a Bachelor's degree in Mathematics and has over 22 years of experience in the IT industry and stockbroking.

### **SENIOR MANAGEMENT**

16

**CHAU Kwok Ming**, aged 39, is the Company Secretary of the Company and joined the Group in March 2001. He has been working in the corporate secretarial field with over 12 years of experience gained with various listed companies. Mr. Chau is an Associate Member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.

**LEE Sing Kai, Albert**, aged 45, is the Financial Controller of the Company and joined the Group in April 2001. Prior to joining the Company, Mr. Lee had served a Hong Kong listed company as its financial controller. He has over 13 years' extensive working experience in the finance and accounting fields.

**LEUNG Chin To, Kenrick**, aged 38, is the Head of Information Technology of the Company and joined the Group in May 2001. Prior to joining the Company, he was the Head of Information Technology in HSBC Broking Services (Asia) Limited. Mr. Leung holds a Bachelor of Science Degree in Computer Studies and a Master of Science Degree in Electronic Commerce and Internet Computing. He has over 16 years of experience in the IT and financial industries.

**SENIOR MANAGEMENT** *(continued)*

**YU Chui Mei, Selina**, aged 40, is the Senior Manager – Human Resources and Administration of the Company and joined the Group in February 2001. Prior to joining the Company, she was with a company in the entertainment business. Ms. Yu has also held various managerial positions in human resources management in both Australia and Hong Kong. She holds a Master's Degree in Management.



## Directors' Report

The directors are pleased to present their first report together with the audited financial statements of Stockmartnet Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2001.

### **CORPORATE REORGANISATION AND LISTING ON THE GROWTH ENTERPRISE MARKET**

The Company was incorporated on 24th May, 2001 as an exempted company with limited liability in the Cayman Islands under the Companies Law of 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 GEM of the Stock Exchange, the Company became the holding company of the Group on 17th December, 2001.

Details of the Corporate Reorganisation are set out in the prospectus dated 8th January, 2002 issued by the Company and note 1 to the financial statements.

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

18

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

### **RESULTS**

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated financial statements on page 32.

### **PROPERTY AND EQUIPMENT**

Details of movements during the year in the Group's property and equipment are set out in note 11 to the financial statements.



## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 16 to the financial statements.

## RESERVES

Details of movements during the year in the reserves of the Group are set out in note 17 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31st December, 2001, the Company had no reserve available for distribution to its shareholders.

## DIRECTORS

The directors of the Company during the period from 24th May, 2001 (date of incorporation) and up to the date of this report were as follows:

19

### **Nominated by subscriber on 24th May, 2001**

Neil T. Cox (resigned on 29th May, 2001)

### **Executive Directors**

Lee Wai Hung, Alan (*Chief Executive Officer*) (appointed on 31st May, 2001)

So Kin Wing (*Chief Financial Officer*) (appointed on 31st May, 2001)

Yuen Yeung Ngam (*Chief Technology Officer*) (appointed on 31st May, 2001)



**DIRECTORS** *(continued)*

**Non-Executive Directors**

Seto John Gin Chung ( <i>Chairman</i> )	(appointed on 31st May, 2001)
Lee Yiu Sun ( <i>Vice Chairman</i> )	(appointed on 31st May, 2001)
Yue Wai Keung ( <i>Vice Chairman</i> )	(appointed on 31st May, 2001)
Chan Henry	(appointed on 31st May, 2001)
Chan Kai Yu, Martin	(appointed on 31st May, 2001)
Chan Hung Ti	(appointed on 31st May, 2001)
Cheng Chi Lam	(appointed on 31st May, 2001)
Cheung Wah Fung, Christopher	(appointed on 31st May, 2001)
Espina Anthony	(appointed on 31st May, 2001)
Lee Jor Hung	(appointed on 29th May, 2001)
Lee Sheung Yam	(appointed on 31st May, 2001)
Wong Wai Sum	(appointed on 31st May, 2001)

**Independent Non-Executive Directors**

Chung Shui Ming, Timpson	(appointed on 17th December, 2001)
Cheng Mo Chi	(appointed on 17th December, 2001)
Tsui Yiu Wa, Alec	(appointed on 17th December, 2001)

In accordance with Article 87(1) of the Company's Articles of Association, Lee Jor Hung and Lee Yiu Sun will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual meeting.

The Independent Non-Executive Directors have a fixed term of office of one year and are subject to retirement by rotation and, being eligible, offer themselves for re-election, in accordance with the Company's Articles of Association.

**DIRECTORS' SERVICE CONTRACTS**

Each of the Executive Directors has entered into a service contract with the Company for a term of four years commencing from either 1st February or 1st May, 2001 which is not determinable within one year without payment of compensation.

**DIRECTORS' SERVICE CONTRACTS** (continued)

Other than as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

**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%
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%



**DIRECTORS' INTERESTS IN SHARES** (continued)

Name of Director	Number of shares beneficially held			Shareholdings
	Personal	Corporate	Total	
Cheung Wah Fung, Christopher	4,719,000	2,574,000 (Note 5)	7,293,000	0.96%
Espina Anthony	4,719,000	2,916,000 (Note 6)	7,635,000	1.00%
Lee Jor Hung	4,719,000	2,574,000 (Note 7)	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 (Note 8)	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%

22

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.

**DIRECTORS' INTERESTS IN SHARES** *(continued)*

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.

**SHARE OPTIONS**

**(i) Employee Share Option Scheme**

The Company's employee share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 17th December, 2001. The purpose of the Share Option Scheme is to provide the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme (including the Pre-IPO Share Option Plan as described below) is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month before the date of grant, without prior approval from the Company's shareholders.





**SHARE OPTIONS** *(continued)*

**(i) Employee Share Option Scheme** *(continued)*

HK\$1 per option is payable on the acceptance of the option offer. Options may generally be exercised at any time during a period to be notified by the Board to each grantee provided that the period within which the option must be exercised shall not be more than 10 years from the date of grant of the share option.

The exercise price is determined by the Board of Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain valid for a period of 10 years commencing on 17th December, 2001 and in such event, no further options will be offered but the provisions of the Share Option Scheme share in all other respects remain in full force and effect.

24

As at the date of this report, no option has been granted or agreed to be granted under the Share Option Scheme.

**(ii) Pre-IPO Share Option Plan**

The purpose of the Pre-IPO Share Option Plan is to recognise and motive the contribution of certain directors and employees of the Company to the growth of the Company and/or to the listing of the shares on GEM.

**SHARE OPTIONS** *(continued)*

**(ii) Pre-IPO Share Option Plan** *(continued)*

Pursuant to the Pre-IPO Share Option Plan of the Company adopted on 17th December, 2001, the Board has granted options comprising a total of 20,592,000 underlying shares to the executive directors of the Company and its subsidiaries at a subscription price of approximately HK\$0.019 per share, representing approximately 2.7% of the total agreed issued share capital of the Company immediately after completion of the listing of the Company. Details of such grant to the executive directors of the Company under the Pre-IPO Share Option Plan are as follows:

<b>Name of the Executive Director</b>	<b>No. of underlying shares comprised in the options</b>
Lee Wai Hung, Alan	10,296,000
So Kin Wing	5,148,000
Yuen Yeung Ngam	<u>5,148,000</u>
	<u><u>20,592,000</u></u>

25

Options granted to the three executive directors under the Pre-IPO Share Option Plan may be exercised by each of them at any time after the two-year lock-up period in accordance with the terms of the Pre-IPO Share Option Plan. No further options will be offered or granted upon listing of the shares of the Company on GEM.

The fair value of the options granted in the current year measured as at 17th December, 2001, the date of grant, totalled approximately HK\$7,475,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- 1) an expected volatility of 22.73% which was based on the implied volatility of the Philadelphia Bank Index, an accepted proxy for the volatility of banking or brokerage stocks;
- 2) no annual dividends paid for the next five years;



**SHARE OPTIONS** *(continued)*

**(ii) Pre-IPO Share Option Plan** *(continued)*

- 3) risk-free interest rate of 3.81% per annum which is the rate on 90-day U.S. Treasury Bills;
- 4) the estimated expected life of the options granted during the year ended 31st December, 2001 is five years; and
- 5) the underlying price of the share of HK\$0.38.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the year.

26

**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 year was the Company or any of its subsidiaries, 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.

**CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Other than as disclosed in note 19 to the financial statements, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules and no contract of significance, to which the Company and its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

*(continued)*

The directors (including the independent non-executive directors) are of the view that the transactions referred to above have been entered into in the ordinary course of business of the Group, on normal commercial terms, and the transactions are fair and reasonable in so far as the Company and its shareholders taken as a whole are concerned.

Other than as disclosed above, no contract of significance to which the Company or any of the subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **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 11th January, 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 11th January, 2002 except that one of the associates of the Sponsor, being one of the founding convertible note holders of Stockmartnet BVI, 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 sponsors for the period from 11th January, 2002 to 31st December, 2004.



## **MAJOR CUSTOMERS AND SUPPLIERS**

The largest and the five largest customers of the Group accounted for approximately 15% and approximately 68% of the Group's turnover respectively, and the sole supplier accounted for 100% of the Group's cost of services for the year ended 31st December, 2001. Among the five largest customers, Mr. Yue Wai Keung and Mr. Chan Kai Yu, Martin, being the Directors of the Company, have beneficial interests. Other than as disclosed, none of the directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) have any interest in the customers or suppliers disclosed above.

## **POST BALANCE SHEET EVENT**

Particulars of a significant post balance sheet event of the Group are set out in note 26 to the financial statements.

## **CORPORATE GOVERNANCE**

28 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 and a Non-Executive Director. The audit committee did not hold any meetings during the year.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to shareholders.

## **AUDITORS**

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company since its incorporation on 24th May, 2001. A resolution will be submitted to the annual general meeting of the Company to re-appoint them.

On behalf of the Board

**Seto John Gin Chung**

*Chairman*

Hong Kong, 22nd March, 2002



## **Auditors' Report**

### **TO THE MEMBERS OF STOCKMARTNET HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 32 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **BASIS OF OPINION**

30

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 and of its loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

22nd March, 2002





# Consolidated Income Statement

For the year ended 31 December 2001

		<b>1.1.2001</b>	8.3.2000
		<b>to</b>	to
		<b>31.12.2001</b>	31.12.2000
	<i>Notes</i>	<b>HK\$</b>	HK\$
			<i>(note 1)</i>
Turnover	4	<b>521,030</b>	–
Cost of services		<b>(406,527)</b>	–
Gross profit		<b>114,503</b>	–
Other revenue	5	<b>300,824</b>	282,684
Depreciation		<b>(206,464)</b>	(9,348)
Staff costs, including directors' remuneration		<b>(10,244,957)</b>	(75,852)
Internet infrastructure development expenses		<b>(2,384,500)</b>	(126,000)
Other operating expenses		<b>(3,062,296)</b>	(1,068,665)
Loss before taxation	6	<b>(15,482,890)</b>	(997,181)
Taxation	9	–	–
Net loss for the year/period		<b>(15,482,890)</b>	(997,181)
Loss per share – basic and diluted	10	<b>(3.048) cents</b>	(0.196) cents

32

There were no recognised gains or losses other than the net loss for the year/period.

# Consolidated Balance Sheet

At 31 December 2001

	Notes	2001 HK\$	2000 HK\$ (note 1)	
<b>Non-current asset</b>				
Property and equipment	11	<u>326,226</u>	18,698	
<b>Current assets</b>				
Trade receivables	13	<b>431,729</b>	–	
Deferred expenditures	14	<b>9,973,577</b>	–	
Other receivables, prepayments and deposits		<b>540,911</b>	113,838	
Bank balances and cash		<b>266,831</b>	8,538,802	
		<u><b>11,213,048</b></u>	8,652,640	
<b>Current liabilities</b>				
Trade payables	15	<b>406,527</b>	–	
Other creditors and accrued charges		<b>17,462,814</b>	967,540	
Bank overdraft		–	979	
		<u><b>17,869,341</b></u>	968,519	
<b>Net current (liabilities) assets</b>		<u><b>(6,656,293)</b></u>	7,684,121	33
		<u><u><b>(6,330,067)</b></u></u>	7,702,819	
<b>Capital and reserves</b>				
Share capital	16	<b>5,080,140</b>	257,400	
Reserves	17	<b>(11,410,207)</b>	(754,581)	
		<u><b>(6,330,067)</b></u>	(497,181)	
<b>Non-current liabilities</b>				
Convertible notes	18	–	8,200,000	
		<u><b>(6,330,067)</b></u>	7,702,819	

The financial statements on pages 32 to 55 were approved and authorised for issue by the Board of Directors on 22nd March, 2002 and are signed on its behalf by:

**Lee Wai Hung, Alan**  
DIRECTOR

**So Kin Wing**  
DIRECTOR



# Balance Sheet

At 31 December 2001

	Notes	HK\$
<b>Non-current asset</b>		
Investment in a subsidiary	12	<u>4,771,260</u>
<b>Current assets</b>		
Deferred expenditures	14	<u>9,973,577</u>
<b>Current liabilities</b>		
Other creditors and accrued charges		9,335,425
Amount due to a subsidiary		<u>942,626</u>
		<u>10,278,051</u>
<b>Net current liabilities</b>		<u>(304,474)</u>
<b>Net assets</b>		<u><u>4,466,786</u></u>
<b>Capital and reserves</b>		
Share capital	16	5,080,140
Reserves	17	<u>(613,354)</u>
		<u><u>4,466,786</u></u>

34

**Lee Wai Hung, Alan**  
DIRECTOR

**So Kin Wing**  
DIRECTOR

## Consolidated Cash Flow Statement

For the year ended 31 December 2001



	<i>Notes</i>	1.1.2001 to 31.12.2001 HK\$	8.3.2000 to 31.12.2000 HK\$ <i>(note 1)</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20	<b>(9,393,239)</b>	(416,815)
CASH INFLOW FROM SERVICING OF FINANCE			
Interest income		<b>186,235</b>	282,684
CASH OUTFLOW FROM INVESTING ACTIVITY			
Purchase of property and equipment		<b>(513,992)</b>	(28,046)
NET CASH OUTFLOW BEFORE FINANCING		<b>(9,720,996)</b>	(162,177)
FINANCING	21		
Net proceeds from issue of new shares		<b>600,004</b>	500,000
Net proceeds from issue of convertible notes		<b>900,000</b>	8,200,000
Payment on redemption of a convertible note		<b>(50,000)</b>	–
NET CASH INFLOW FROM FINANCING		<b>1,450,004</b>	8,700,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<b>(8,270,992)</b>	8,537,823
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		<b>8,537,823</b>	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		<b>266,831</b>	8,537,823
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<b>266,831</b>	8,538,802
Bank overdraft		–	(979)
		<b>266,831</b>	8,537,823



## Notes to the Financial Statements

For the year ended 31 December 2001

### 1. CORPORATE REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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. The principal activity of the Group is the operation of a trading engine.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("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 ("Stockmartnet BVI"). Details of the Corporate Reorganisation are set out in the prospectus (the "Prospectus") dated 8th January, 2002 issued by the Company.

36

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. Accordingly, the consolidated financial statements for the year ended 31st December, 2001 have been prepared using the principles of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reorganisation" issued by the Hong Kong Society of Accountants.

The consolidated financial statements for the current period cover the twelve month period ended 31st December, 2001. The corresponding amounts shown of the income statement, cash flows and related notes cover a period from 8th March, 2000 to 31st December, 2000, and therefore may not be comparable with amounts shown for the current year. The period covered by the 2000 financial statements was less than twelve months because Stockmartnet BVI, the then holding company of the Group, was incorporated on 8th March, 2000.



## **2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements have been prepared on a going concern basis because after taking into account the net proceeds of the placing and public offer of shares of the Company, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due for the foreseeable future.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Group made up to 31st December each year.

Other than those as mentioned in note 1, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### **Revenue recognition**

Fees and service charges arising from the operation of the trading engine are recognised when services are rendered.

Advertising revenues are recognised when services are provided.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.



## Notes to the Financial Statements

For the year ended 31 December 2001

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and equipment

Property and equipment are stated at cost less depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of leases
Office equipment and furniture	33.33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

38

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 loss is 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.



**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Taxation**

The charge for taxation is based on the results for the year/period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

**Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

39

**Operating leases**

Rentals payable under operating lease are charged to the income statement on a straight-line basis over the relevant lease terms.

**Internet infrastructure development expenses**

All costs incurred in the development of new websites/portals and enhancement of existing websites/portals, including costs incurred in the development and enhancement of content, are charged to the income statement when incurred.

**Retirement benefits costs**

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the current year/period to the Group's Mandatory Provident Fund Scheme.





## Notes to the Financial Statements

For the year ended 31 December 2001

### 4. TURNOVER

Turnover represents the net invoiced value for the fees charged to customers in relation to the operation of trading engine for the year, and is analysed as follows:

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Connection and set up fees	<b>230,327</b>	–
Transaction fees	<b>74,618</b>	–
Monthly service charges	<b>216,085</b>	–
	<hr/>	<hr/>
	<b>521,030</b>	–
	<hr/> <hr/>	<hr/> <hr/>

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.

40

### 5. OTHER REVENUE

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Advertising income	<b>107,499</b>	–
Interest income on bank deposits	<b>186,235</b>	282,684
Sundry income	<b>7,090</b>	–
	<hr/>	<hr/>
	<b>300,824</b>	282,684
	<hr/> <hr/>	<hr/> <hr/>

**6. LOSS BEFORE TAXATION**

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	<b>80,000</b>	100,000
Directors' remuneration		
Fees	–	–
Other emoluments	<b>6,982,004</b>	–
Operating lease rentals in respect of rented office premises	<b>902,640</b>	–
Preliminary expenses	–	53,000
Write off of goodwill	–	5,760
	<u>                    </u>	<u>                    </u>

**7. DIRECTORS' REMUNERATION**

41

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Directors' fees:	–	–
Other emoluments:		
Salaries and other benefits	<b>2,473,337</b>	–
Contributions to retirement benefits schemes	<b>123,667</b>	–
Bonus	<b>4,385,000</b>	–
	<u>                    </u>	<u>                    </u>
Total emoluments	<b>6,982,004</b>	–
	<u>                    </u>	<u>                    </u>

During the year, the amounts disclosed above were paid to three executive directors of HK\$4,180,000, HK\$2,032,000 and HK\$770,004 respectively. None of the non-executive directors received any remuneration during the year.



## Notes to the Financial Statements

For the year ended 31 December 2001

### 8. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2000: Nil) were directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining two (2000: five) individuals were as follows:-

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Salaries and other benefits	<b>807,355</b>	74,852
Contributions to retirement benefits scheme	<b>40,368</b>	1,000
	<b>847,723</b>	75,852

No emoluments were paid by the Group to the directors or the above-mentioned individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year/period.

42

### 9. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year/period.

A deferred tax asset has not been recognised in the 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.

Details of unrecognised deferred taxation are set out in note 22.



## 10. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss for the year/period of HK\$15,482,890 (8.3.2000 to 31.12.2000: HK\$997,181) and on 508,014,000 shares in issue during the year/period on the assumption that the Corporate Reorganisation had been completed on 8th March, 2000 (the date of incorporation of Stockmartnet BVI).

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

## 11. PROPERTY AND EQUIPMENT

	<b>Leasehold improvements</b>	<b>Office equipment and furniture</b>	<b>Total</b>
	HK\$	HK\$	HK\$
<b>THE GROUP</b>			
COST			
At 1st January, 2001	15,000	13,046	28,046
Additions	103,318	410,674	513,992
<b>At 31st December, 2001</b>	<b>118,318</b>	<b>423,720</b>	<b>542,038</b>
DEPRECIATION			
At 1st January, 2001	5,000	4,348	9,348
Charge for the year	113,318	93,146	206,464
<b>At 31st December, 2001</b>	<b>118,318</b>	<b>97,494</b>	<b>215,812</b>
NET BOOK VALUES			
<b>At 31st December, 2001</b>	<b>–</b>	<b>326,226</b>	<b>326,226</b>
At 31st December, 2000	10,000	8,698	18,698



## Notes to the Financial Statements

For the year ended 31 December 2001

### 12. INVESTMENTS IN SUBSIDIARIES

2001

HK\$

Unlisted shares, at cost 4,771,260

The cost is based on the value of the underlying assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the Corporate Reorganisation.

Details of the Company's subsidiaries as at 31st December, 2001 are as follows:

44	Name of company	Place and incorporation/ operation	Class of share held	Proportion of nominal value of issued capital held by the Company		Principal activities
				Directly	Indirectly	
	Stockmartnet Holdings (BVI) Limited	The British Virgin Islands	Ordinary	100%	–	Investment holding
	Datafield Limited	Hong Kong	Ordinary	–	100%	Inactive
	Stockmartnet Limited	Hong Kong	Ordinary	–	100%	Operation of trading engine
	Stockmartnet Domain Names Limited	The British Virgin Islands	Ordinary	–	100%	Holding of domain names
	Stockmartnet Capital Limited	Hong Kong	Ordinary	–	100%	Not yet commenced business



## 12. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place and incorporation/ operation	Class of share held	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Stockmartnet Financial Services Limited (Formerly known as Stockmartnet Finance Limited)	Hong Kong	Ordinary	–	100%	Not yet commenced business
Stockmartnet Corporate Finance Limited	Hong Kong	Ordinary	–	100%	Not yet commenced business
Stockmartnet Processing Services Limited	Hong Kong	Ordinary	–	100%	Not yet commenced business
Stockmartnet Technology Limited	Hong Kong	Ordinary	–	100%	Operation of financial portal
Stockmartnet Websites Limited	The British Virgin Islands	Ordinary	–	100%	Not yet commenced business

45

## 13. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.



## Notes to the Financial Statements

For the year ended 31 December 2001

### 13. TRADE RECEIVABLES (continued)

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	379,579	–
31 – 60 days	52,150	–
	<hr/>	
	431,729	–
	<hr/> <hr/>	

### 14. DEFERRED EXPENDITURES

#### The Group and the Company

46

The deferred expenditures represent the various expenses related to the listing of the shares of the Company on the GEM, which were incurred as at the balance sheet date but deferred to net off the proceeds to be received from issuing of new ordinary shares on listing.

### 15. TRADE PAYABLES

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	171,953	–
31 – 60 days	61,132	–
61 – 90 days	173,442	–
	<hr/>	
	406,527	–
	<hr/> <hr/>	

**16. SHARE CAPITAL**

	<b>Number of shares</b>	<b>HK\$</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
On date of incorporation	39,000,000	390,000
Increase during the year	9,961,000,000	99,610,000
	<hr/>	<hr/>
At end of year	10,000,000,000	100,000,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Allotted and issued on 29th May, 2001	1	–
Issue on shares on the Corporate		
Reorganisation	508,013,999	5,080,140
	<hr/>	<hr/>
At end of year	508,014,000	5,080,140
	<hr/> <hr/>	<hr/> <hr/>

47

The Company was incorporated on 24th May, 2001 with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On 29th May, 2001, one share of HK\$0.01 each was allotted and issued, credited as fully paid, to the initial subscriber, and was transferred to a director of the Company on the same date.

Pursuant to a written resolution passed by the sole shareholder on 17th December, 2001:

- (a) the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 9,961,000,000 shares of HK\$0.01 each;
- (b) the Company allotted and issued 477,126,000 new ordinary shares of HK\$0.01 each for the acquisition of the entire issued share capital of Stockmartnet BVI pursuant to the Corporate Reorganisation as stated in note 1;





## *Notes to the Financial Statements*

*For the year ended 31 December 2001*

### **16. SHARE CAPITAL** *(continued)*

- (c) the Company allotted and issued 21,449,999 new ordinary shares of HK\$0.01 each at an aggregate consideration of HK\$416,670 to ten non-executive directors of the Company; and
- (d) allotted and issued 9,438,000 new ordinary shares of HK\$0.01 each at an aggregate consideration of HK\$183,334 to two non-executive directors of the Company.

All the shares which were issued during the period rank *pari passu* with the then existing shares in all respects.

The share capital as at 31st December, 2000 represented the nominal values of the issued share capital of Stockmartnet BVI, the former holding company of the Group before the Corporate Reorganisation.



## 17. RESERVES

	Share premium				Total HK\$
	Stockmartnet BVI HK\$	The Company HK\$	Special reserve HK\$	Accumulated losses HK\$	
	THE GROUP				
Loss for the period	-	-	-	(997,181)	(997,181)
Shares issued at premium	242,600	-	-	-	242,600
At 31st December, 2000	242,600	-	-	(997,181)	(754,581)
Issue of shares on conversion of convertible notes	4,536,140	-	-	-	4,536,140
Issue of shares on Corporate Reorganisation	-	291,124	-	-	291,124
Transfer to special reserve on Corporate Reorganisation	(4,778,740)	-	4,778,740	-	-
Loss for the year	-	-	-	(15,482,890)	(15,482,890)
<b>At 31st December, 2001</b>	<b>-</b>	<b>291,124</b>	<b>4,778,740</b>	<b>(16,480,071)</b>	<b>(11,410,207)</b>

49

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
	THE COMPANY		
Shares issued at premium	291,124	-	291,124
Net loss for the period	-	(904,478)	(904,478)
	291,124	(904,478)	(613,354)

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount and share premium of the issued share capital of Stockmartnet BVI pursuant to the Corporate Reorganisation.



## *Notes to the Financial Statements*

*For the year ended 31 December 2001*

### **18. CONVERTIBLE NOTES**

On 17th December, 2001, all the convertible notes of Stockmartnet BVI of HK\$9,050,000 were converted into 578,700 ordinary shares of US\$1 each of the Stockmartnet BVI. As a result of such conversion, Stockmartnet BVI had an issued share capital of US\$611,700 divided into 611,700 shares. On the basis of one share in Stockmartnet BVI for 780 shares of the Company, the Company acquired the entire share capital of Stockmartnet BVI as stated in note 1.

### **19. RELATED PARTY TRANSACTIONS**

During the year, a total amount of rentals which amounted to HK\$600,000 inclusive of rates, utility charges, management fee and the charges for the use of other office facilities was paid to a company in which a non-executive director of the Company has a beneficial interest. As at the balance sheet date, rentals of HK\$500,000 remained unpaid was included in other creditors and accrued charges. The price was determined by the landlord with reference to the prevailing market rate.

50

During the year, the Group has received fees income, service charges in relation to the operation of a trading engine of HK\$197,858 from companies in which certain non-executive directors of the Company have beneficial interests. The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

As at the balance sheet date, included in other creditors and accrued charge are deposits of HK\$900,000 received from companies, in which certain non-executive directors of the Company have beneficial interest, for ordinary commercial purpose. The amounts are unsecured, non-interest bearing and have been fully settled after the balance sheet date.



**20. RECONCILIATION OF NET LOSS FOR THE YEAR/PERIOD TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Net loss for the year/period	<b>(15,482,890)</b>	(997,181)
Depreciation	<b>206,464</b>	9,348
Interest income	<b>(186,235)</b>	(282,684)
Increase in trade receivables	<b>(431,729)</b>	–
Increase in deferred expenditures	<b>(9,973,577)</b>	–
Increase in other receivables, prepayments and deposits	<b>(427,073)</b>	(113,838)
Increase in trade payables	<b>406,527</b>	–
Increase in other creditors and accrued expenses	<b>16,495,274</b>	967,540
	<hr/>	<hr/>
Net cash outflow from operating activities	<b>(9,393,239)</b>	(416,815)



## Notes to the Financial Statements

For the year ended 31 December 2001

### 21. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	The Company		Stockmartnet BVI		Convertible notes
	Share capital	Share premium	Share capital	Share premium	
	HK\$	HK\$	HK\$	HK\$	
Net proceeds from issue of convertible notes	-	-	-	-	8,200,000
Proceeds from issue of shares at cash consideration	-	-	257,400	242,600	-
Balance at 31st December, 2000	-	-	257,400	242,600	8,200,000
Shares issued in Corporate Reorganisation	4,771,260	-	-	-	-
Proceeds from issue of shares at cash consideration	308,880	291,124	-	-	-
Net proceeds from issue of convertible notes	-	-	-	-	900,000
Payment for redemption of a convertible note	-	-	-	-	(50,000)
Converted into shares of Stockmartnet BVI	-	-	4,513,860	4,536,140	(9,050,000)
<b>Balance at 31st December, 2001</b>	<b>5,080,140</b>	<b>291,124</b>	<b>4,771,260</b>	<b>4,778,740</b>	<b>-</b>

52

### 22. UNRECOGNISED DEFERRED TAXATION

#### The Group

A deferred tax asset has not been recognised in the 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.



## 22. UNRECOGNISED DEFERRED TAXATION (continued)

### The Group (continued)

At 31st December, 2001, the major components of unrecognised deferred tax asset (liability) are as follows:

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Tax effect of timing difference attributable to:		
Taxation losses	<b>2,543,099</b>	64,098
Excess of tax allowances over depreciation	<b>(27,997)</b>	(508)
	<b>2,515,102</b>	63,590

The amounts of unrecognised deferred tax credit (charge) for the year/period are as follows:

53

	<b>1.1.2001</b>	8.3.2000
	<b>to</b>	to
	<b>31.12.2001</b>	31.12.2000
	<b>HK\$</b>	HK\$
Tax effect of timing difference attributable to:		
Taxation losses arising	<b>2,479,001</b>	64,098
Excess of tax allowances over depreciation	<b>(27,489)</b>	(508)
	<b>2,451,512</b>	63,590

### The Company

The Company had no material unprovided deferred taxation for the year or at the balance sheet date.



## *Notes to the Financial Statements*

*For the year ended 31 December 2001*

### **23. LEASES COMMITMENTS**

At the balance sheet date, the Group had total commitments for minimum lease payment of HK\$75,660 (2000: Nil) under a non-cancellable operating lease in respect of rented office premises which fall due within one year.

### **24. OTHER COMMITMENTS**

On 10th March, 2001, the Group entered into an agreement ("Agreement") with a service provider in respect of the development of server hosting environment and related infrastructure, thereby incurred commitments in relation to an one-time connection set up fee payable by instalments up to October 2002 and the outstanding balance at 31st December, 2001 amounted to HK\$390,000.

According to the Agreement, a minimum monthly charge started to be payable by the Group seven months after 10th March, 2001, the commencement date of the Agreement, or upon the completion of the user acceptance testing of the relevant applicable systems, whichever is later, for the following seven years. The total commitment of these charges amounted to approximately HK\$217,157,000.

54

### **25. RETIREMENT BENEFITS SCHEME**

The Company and its subsidiaries operating in Hong Kong do not currently operate any retirement scheme covering their employees. However, the Group has participated in a mandatory provident fund scheme for qualifying employees of the Group in Hong Kong in accordance with the Hong Kong regulations. The contribution are calculated at 5% of the salaries for these eligible employees. The amount of employer's contribution to the mandatory provident fund scheme for the year were approximately HK\$274,000 (8.3.2000 to 31.12.2000: HK\$1,000).



## **26. POST BALANCE SHEET EVENT**

On 11th January, 2002, the Company became listed on the GEM, and a total of 253,080,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.38 per share (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 approximately HK\$13,000,000.





# Financial Summary

For the year ended 31 December 2001

The following is a summary of the results of the Group for the two years ended 31st December, 2001, which have been prepared on the basis as set out in note 1 to the financial statements.

<b>1.1.2001</b>	8.3.2000
<b>to</b>	to
<b>31.12.2001</b>	31.12.2000
<b>HK\$</b>	HK\$

## RESULTS

Turnover	<u><b>521,030</b></u>	–
Loss before taxation	<b>(15,482,890)</b>	(997,181)
Taxation	<u>–</u>	–
Loss attributable to shareholders	<u><b>(15,482,890)</b></u>	(997,181)

56

<b>2001</b>	2000
<b>HK\$</b>	HK\$

## ASSETS AND LIABILITIES

Total assets	<b>11,539,274</b>	8,671,338
Total liabilities	<u><b>(17,869,341)</b></u>	(9,168,519)
Deficit	<u><b>(6,330,067)</b></u>	(497,181)