



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

INTERIM REPORT 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, the Securities and Futures Commission (the “SFC”) regulates Stockmartnet Holdings Limited (the “Company”) in relation to the listing of its shares on the Stock Exchange. The SFC takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

HIGHLIGHTS

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

The Group recorded a turnover of HK\$855,000 for the six months (the "Half-Yearly Period") ended 30th June, 2002.

Loss attributable to shareholders for the Half-Yearly Period amounted to HK\$9,646,000.

Loss per share was 1.29 cents.

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the Half-Yearly Period.

INTERIM RESULTS (UNAUDITED)

The board of directors (the "Board") of Stockmartnet Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months (the "Quarterly Period") ended 30th June, 2002 and the Half-Yearly Period together with the comparative unaudited figures for the corresponding periods in 2001:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

| | Notes | Three months ended 30th June, | | Six months ended 30th June, | |
|---|-------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2002 HK\$'000 (unaudited) | 2001 HK\$'000 (unaudited) | 2002 HK\$'000 (unaudited) | 2001 HK\$'000 (unaudited) |
| Turnover | 2 | 441 | – | 855 | – |
| Cost of services | | (925) | – | (2,718) | – |
| Gross loss | | (484) | – | (1,863) | – |
| Other revenue | 3 | 249 | 67 | 476 | 166 |
| Depreciation | | (107) | (54) | (148) | (152) |
| Staff costs, including directors' remuneration | | (3,458) | (1,733) | (6,702) | (2,238) |
| Internet infrastructure development expenses | | (8) | (507) | (14) | (1,182) |
| Other operating expenses | | (939) | (1,250) | (1,395) | (2,074) |
| Loss before taxation | | (4,747) | (3,477) | (9,646) | (5,480) |
| Taxation | 4 | – | – | – | – |
| Net loss for the period | | <u>(4,747)</u> | <u>(3,477)</u> | <u>(9,646)</u> | <u>(5,480)</u> |
| Loss per share – basic and diluted | 5 | <u>(0.62 cents)</u> | <u>(0.68 cents)</u> | <u>(1.29 cents)</u> | <u>(1.08 cents)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2002

| | <i>Notes</i> | 30th June, 2002 <i>HK\$'000</i> (unaudited) | 31st December, 2001 <i>HK\$'000</i> (audited) |
|--|--------------|--|--|
| Non-current asset | | | |
| Property and equipment | | 1,614 | 326 |
| Current assets | | | |
| Trade receivables | 6 | 306 | 432 |
| Deferred expenditures | 7 | – | 9,973 |
| Other receivables, prepayment and deposits | | 1,339 | 541 |
| Bank balances and cash | | 65,875 | 267 |
| | | <u>67,520</u> | <u>11,213</u> |
| Current liabilities | | | |
| Trade payables | 8 | 1,273 | 406 |
| Other creditors and accrued charges | | 1,059 | 17,463 |
| | | <u>2,332</u> | <u>17,869</u> |
| Net current assets (liabilities) | | <u>65,188</u> | <u>(6,656)</u> |
| | | <u>66,802</u> | <u>(6,330)</u> |
| Capital and reserves | | | |
| Share capital | 9 | 7,611 | 5,080 |
| Reserves | | 59,191 | (11,410) |
| | | <u>66,802</u> | <u>(6,330)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*FOR THE SIX MONTHS ENDED 30TH JUNE, 2002*

| | 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, 2001 | - | 243 | - | (997) | (754) |
| Issue of shares on conversion of convertible notes | - | 4,536 | - | - | 4,536 |
| Issue of shares on Corporate Reorganisation | 5,080 | 291 | - | - | 5,371 |
| Transfer to special reserve on Corporate Reorganisation | - | (4,779) | 4,779 | - | - |
| Loss for the year | - | - | - | (15,483) | (15,483) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31st December, 2001 and 1st January, 2002 | 5,080 | 291 | 4,779 | (16,480) | (6,330) |
| Issue of shares on listing | 2,531 | 93,639 | - | - | 96,170 |
| Share issue expenses | - | (13,392) | - | - | (13,392) |
| Loss for the period | - | - | - | (9,646) | (9,646) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30th June, 2002 | 7,611 | 80,538 | 4,779 | (26,126) | 66,802 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

| | Six months ended 30th June, | |
|---|---------------------------------|---------------------------------|
| | 2002 HK\$'000 (unaudited) | 2001 HK\$'000 (unaudited) |
| Net cash outflow from operating activities | (15,734) | (4,299) |
| Cash outflow from investing activities | (1,436) | (394) |
| Net cash outflow before financing | (17,170) | (4,693) |
| Net cash inflow from financing | 82,778 | 400 |
| Increase (decrease) in cash and cash equivalents | 65,608 | (4,293) |
| Cash and cash equivalents at beginning of period | 267 | 8,538 |
| Cash and cash equivalents at end of period | <u>65,875</u> | <u>4,245</u> |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances and cash | <u>65,875</u> | <u>4,245</u> |

*Notes:***1. GROUP REORGANISATION AND BASIS OF PREPARATION**

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

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

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

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

The condensed financial statements of the Group have been prepared in accordance with Chapter 18 of the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the accounting principles generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The condensed 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, 2001, except as described below.

In the current period, the Group has adopted, for the first time a number of revised SSAPs issued by the Hong Kong Society of Accountants which has resulted in the presentation of the following new and revised financial statements.

Statement of changes in equity

In accordance with SSAP 1 (Revised) "Presentation of Financial Statements", the requirement for presenting a statement of recognised gains and losses has changed to presenting a statement of changes in equity.

Cash flow statement

In accordance with SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings only-operating, investing and financing.

Accordingly, the presentation in the current period's statement of changes in equity and cash flow statement has been modified in order to conform with the requirements of the revised SSAPs. Comparative disclosures have been restated in order to achieve a consistent presentation.

2. TURNOVER

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

| | Three months ended 30th June, | | Six months ended 30th June, | |
|----------------------------|----------------------------------|------------------|--------------------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Connection and set up fees | 117 | – | 246 | – |
| Transaction fees | 66 | – | 119 | – |
| Monthly services charges | 177 | – | 344 | – |
| Stock price quote fees | 37 | – | 102 | – |
| Commission income | 44 | – | 44 | – |
| | <u>441</u> | <u>–</u> | <u>855</u> | <u>–</u> |

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

3. OTHER REVENUE

| | Three months ended | | Six months ended | |
|-----------------------|---------------------------|-----------------|-------------------------|-----------------|
| | 30th June, | | 30th June, | |
| | 2002 | 2001 | 2002 | 2001 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Advertising income | 5 | – | 10 | – |
| Interest income | 241 | 60 | 427 | 159 |
| Sundry income | – | 7 | 36 | 7 |
| Membership fee income | 3 | – | 3 | – |
| | <u>249</u> | <u>67</u> | <u>476</u> | <u>166</u> |

4. TAXATION

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

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

5. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the loss per share for the three months and six months ended 30th June, 2002 is based on the loss of the Group of approximately HK\$4,747,000 and HK\$9,646,000 (three months and six months ended 30th June, 2001: loss of approximately HK\$3,477,000 and HK\$5,480,000) and on weighted average number of 761,094,000 and 747,111,680 shares respectively (three months and six months ended 30th June, 2001: 508,014,000 shares) in issue during the period on the assumption that the Corporate Reorganisation had been completed on 1st January, 2001.

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

6. TRADE RECEIVABLES

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

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

| | 30th June, | 31st December, |
|----------------|-------------------|-----------------------|
| | 2002 | 2001 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 30 days | 190 | 380 |
| 31 to 60 days | – | 52 |
| 61 to 90 days | 48 | – |
| Over 90 days | 68 | – |
| | <u>306</u> | <u>432</u> |

7. DEFERRED EXPENDITURES

The deferred expenditures represented the various expenses related to the listing of the shares of the Company on the GEM, which were incurred as at 31st December, 2001 but deferred to net off the proceeds received from issuing of new ordinary shares on listing on 11th January, 2002.

8. TRADE PAYABLES

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

| | 30th June, 2002 | 31st December, 2001 |
|----------------|----------------------------|--------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 30 days | 649 | 172 |
| 31 to 60 days | 302 | 61 |
| 61 to 90 days | 322 | 173 |
| | <u>1,273</u> | <u>406</u> |

9. SHARE CAPITAL

| | Number of shares | <i>HK\$'000</i> |
|--|-----------------------------|-----------------|
| | <i>'000</i> | |
| Ordinary shares of HK\$0.01 each | | |
| <i>Authorised:</i> | | |
| At 31st December, 2001 and 30th June, 2002 | <u>10,000,000</u> | <u>100,000</u> |
| <i>Issued and fully paid:</i> | | |
| At 31st December, 2001 | 508,014 | 5,080 |
| Issue of shares on listing | <u>253,080</u> | <u>2,531</u> |
| At 30th June, 2002 | <u>761,094</u> | <u>7,611</u> |

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

10. DIVIDEND

The Directors do not recommend the payment of any dividend by the Company for the Half-Yearly Period.

11. LEASE COMMITMENTS

At 30th June, 2002, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of land and buildings which fall due as follows:

| | 30th June, 2002 <i>HK\$'000</i> | 31st December, 2001 <i>HK\$'000</i> |
|---------------------------------------|---------------------------------------|---|
| Within one year | 695 | 75 |
| In the second to fifth year inclusive | 2,778 | — |
| | <u>3,473</u> | <u>75</u> |

BUSINESS REVIEW AND OUTLOOK

Since the listing of the Company on 11th January, 2002, we have devoted our resources to the development of our various services as planned. I have pleasure in reporting the progress of our various business initiatives below.

Business Review

The stock market during the Half-Yearly Period has remained sluggish and the daily turnover at Stock Exchange stayed at about HK\$6 billion. The consistent low turnover has increased the challenge of small brokers in confronting the already difficult operating environment. As such, our promotion of electronic facilities to small brokers who expect to boost their efficiently was adversely affected under such market conditions.

Services Development

Trading Engine

In the course of the trading engine rollout, some technological issues were identified and were required to be fixed in conjunction with our service provider to optimize the performance of the trading engine. There were also other functional features e.g. Internet trading facility, that need to be examined, developed and tested by our service provider before implementation. These have contributed to the delay in deciding whether to subscribe for our trading engine services by a number of prospective users who preferred to consider adopting the service when the system is proved to be running seamlessly with Internet trading features ready. While efforts were spent to improve the performance of the trading engine, the market conditions were turning bearish. The Group continued to promote its trading engine to potential broker users. Due to the low market turnover, many prospective users continue to adopt a “wait and see attitude” and elected to defer their decision to subscribe for the services. However, there were a few broker users who were convinced of the imminent need to install electronic facilities – to prepare for

the turnaround in market conditions. We are currently working closely with these prospective users. We are also negotiating with our service provider to formulate a package that is competitive under the prevailing market conditions.

Financial Portal

We elected to partner with a new Information Service Provider in June this year. The change was well received by our Users and resulted in a lower supporting cost for the Group.

Back Office System

We continued to work with our system vendors on the development and finalization of users' requirements. A detailed project plan is to be produced which will cover major milestone such as testing plan and users' acceptance test so that we can monitor the deliverables. Provided the development process will proceed seamlessly, we are confident that we will be able to deliver in accordance with our target date.

Margin Financing

The system and procedures for our provision of services in phase one (offered to brokers) were in place. We will continue to promote and market the services to prospective brokers who are interested.

Underwriting and Placement

The Group has liaised with several major international investment banks and some leading financial institutions in exploring prospective co-operative opportunities in the underwriting and placement activities. The responses were generally positive. The Group commenced its first underwriting and placement activities and worked on its first underwriting and placement project in June this year and the feedback from the Users was positive.

Compliance with Regulatory Requirement

The subsidiaries of the Group were approved by the Securities and Futures Commission in registering as a securities dealer (in the case of Stockmartnet Financial Services Limited) in May, 2002 and as investment advisers (in the case of Stockmartnet Capital Limited and Stockmartnet Technology Limited) in April and May, 2002 respectively.

Resource Allocation

In order to prepare for the rolling out of various services, the Group will focus its resources on marketing and business development and at the same time start assembling various operating units to accommodate the provision of services to Users.

Communication and Promotion

Knowing our customers' needs is one of the keys to the success of our service provision. As such, we have continued to liaise with our potential Users and understand their needs and expectation. Such information will be compiled into a prospective customers' profile that will be essential to the development of our future services.

Outlook

Given the current market sentiment and the possible continuance of low market turnover, it is expected that the growth in the number of Users (in particular small and medium sized brokers) of our electronic facilities will be unfavorably affected.

Nevertheless, the Directors are of the view that the engagement of electronic facilities by brokers will remain as an ultimate goal should they wish to improve their operating efficiency and raise their level of services. We believe that once the market conditions and trading turnover improve, the demand for such services will increase.

The Group is committed to help the small and medium sized brokers to better address their on-going concerns under such a competitive environment. We will continue to capitalize on the experience and market know-how of the industry by liaising with our Users. We will also leverage our existing services and system infrastructure accordingly in actively exploring other opportunities to enable small and medium sized brokers to focus more efficiently on their core competencies in this challenging period.

Liquidity and financial resources

The Company was listed on the GEM of the Stock Exchange through a placement of 253,080,000 shares. The net proceeds from the placement, after deduction for relevant expenses, were approximately HK\$82,778,000. The Group will continue to apply these proceeds in the manner disclosed in the Prospectus dated 8th January, 2002. For the period under review, the Group financed its operations with its own available fundings and did not have any bank loans. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating 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.

Employee information

Currently, the Group has 20 employees working in Hong Kong. The total of employee remuneration, including that of the Directors and provident contributions, for the Half-Yearly Period amounted to approximately HK\$6,702,000. The Group remunerates its employees based on their performance, experience and then the prevailing industry practice.

Capital structure

The shares of the Company were listed on the GEM of the Stock Exchange on 11th January, 2002. There has been no change in the capital structure of the Company since that date.

Significant investments

For the six months ended 30th June, 2002, the Group had no significant investments.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress made in comparison with the business objectives that were set out in the Prospectus dated 8th January, 2002, from the latest practicable date as stated in the Prospectus to 30th June, 2002 (the "Period").

Business Objectives

SMNonline

The trading engine SMNonline was scheduled to be fully operational (both Internet trading and intranet trading).

Actual Progress

SMNonline

The intranet trading system was fully operational and there were 9 users of the trading engine SMNonline during the Period. The system was enhanced to provide more market information from AASTocks.com Limited.

The testing and further development of the Internet trading system was underway during the Period.

Business Objectives

Financial Portal

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

Underwriting and placement

The Group intended to begin to provide underwriting services for initial public offers, placings, rights issues and open offers.

Actual Progress

Financial Portal

The Group was ready to assist Users to develop their own websites.

Stockmartnet Technology Limited obtained an investment adviser's licence and the chat room facility was ready to be launched.

stockmartnet.com was revamped with a new look and feel and content provided by AASocks.com Limited.

The Group had devised a marketing and advertising package targeting at listed issuers. We have been promoting this package to some listed issuers and will continue to do so from time to time.

Underwriting and placement

Stockmartnet Financial Services Limited obtained a securities dealer's licence so that it may carry out underwriting and placing activities.

Stockmartnet Capital Limited obtained an investment adviser's licence so that it may carry out the regulated activities of advising on securities and corporate finance.

The Group commenced its first underwriting and placement business in June 2002 to its service clients.

Business Objectives*Margin loan financing*

The Group would introduce phase one of its margin loan financing business once it had obtained the necessary licence. The preparation work would include applications for licences from the SFC, set-up of internal controls and risk management procedures and in-house software development.

Back office system

The Group would commence system testing and implementation of back office system software during the Period.

Actual Progress*Margin loan financing*

Stockmartnet Financial Services Limited obtained a securities dealer's licence so that it may carry out the regulated activities of dealing in securities, including securities margin financing activities.

Stockmartnet Financial Services Limited also obtained banking facilities for further development of this business.

Relevant account opening documents, internal controls, and risk management procedures were finalized.

The Group will promote its phase one services to broker users who are interested.

The in-house software for the phase two margin loan financing was being developed.

Back office system

The Group commenced testing of the first version of the back office system during the Period. It was in the process of consolidating the user requirements and finalizing the functional specifications with IBM.

SHARE OPTION SCHEMES

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

On 17th December, 2001, the Company granted 20,592,000 options under the Pre-IPO Share Option Plan to three executive Directors at the exercise price of approximately HK\$0.019 per share which would not be exercisable for at least two years after listing.

Details of such grant to the executive Directors under the Pre-IPO Share Option Plan are as follows:

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

During the Half-Yearly Period, no option was granted under the above share option schemes.

DIRECTORS' INTERESTS IN SHARES

The Company only became a listed company on 11th January, 2002. As at 30th June, 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 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% |

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

Notes:

1. Mr. Yue Wai Keung was deemed to be interested in 2,574,000 shares through his controlling interest in Luen Fat Securities Co. Ltd.
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 Ltd.

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 2,916,000 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.

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the options granted to the executive Directors under the Pre-IPO Share Option Plan as disclosed above, at no time during the Half-Yearly Period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors, 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 of the Company 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 any member of the Group, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

The Company became a listed company on 11th January, 2002. The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that no persons had an interest of 10% or more in the issued share capital of the Company as at 30th June, 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, Worldsec Corporate Finance Limited (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 or interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30th June, 2002, except that one of the associates of the Sponsor, being one of the founding convertible note holders of Stockmartnet Holdings (BVI) Limited, held approximately 0.34% of the Company's total issued share capital.

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company established an audit committee on 17th December, 2001 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises four members, being Mr. Chung Shui Ming, Timpson, Mr. Tsui Yiu Wa, Alec and Mr. Cheng Mo Chi, independent non-executive Directors, and Mr. Lee Yiu Sun, a Vice Chairman and a non-executive Director. The last meeting was held on 3rd May, 2002.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

By order of the Board
Seto John Gin Chung
Chairman

Hong Kong, 2nd August, 2002