



金融社控 股 有 限 公 司
STOCKMARTNET HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)



First Quarterly
Report

2001 : 02 : 03 : 04 : **05** : 06 : 07 : 08



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. GEM-listed issuers are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

HIGHLIGHTS

The Group recorded a turnover of approximately HK\$1,109,000 for the three months ended 31st March, 2005.

Net loss attributable to shareholders for the three months ended 31st March, 2005 amounted to approximately HK\$1,871,000.

Loss per share was 0.24 HK cents.

The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2005.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2005 together with the comparative unaudited figures for the corresponding period in 2004.

CONSOLIDATED INCOME STATEMENT

	Notes	For the Three months ended 31st March, 2005 Unaudited HK\$'000	For the Three months ended 31st March, 2004 Unaudited HK\$'000
Turnover	2	1,109	2,201
Other operating income		68	32
		<u>1,177</u>	<u>2,233</u>
Amortisation of intangible assets		(167)	(202)
Depreciation of property and equipment		(181)	(167)
Staff costs, including directors' remuneration		(960)	(1,733)
Other operating expenses		(1,740)	(2,619)
Loss before taxation		(1,871)	(2,488)
Income tax	3	-	-
Net loss for the period		<u>(1,871)</u>	<u>(2,488)</u>
Loss per share			
- basic and diluted	4	<u>(0.24) cents</u>	<u>(0.33) cents</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31ST MARCH, 2005

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st January, 2004	7,649	80,974	4,779	(56,090)	37,312
Net loss for the year	-	-	-	(10,758)	(10,758)
As at 31st December, 2004 and 1st January, 2005	7,649	80,974	4,779	(66,848)	26,554
Net loss for the period	-	-	-	(1,871)	(1,871)
As at 31st March, 2005	<u>7,649</u>	<u>80,974</u>	<u>4,779</u>	<u>(68,719)</u>	<u>24,683</u>

Notes:

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF 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. Its subsidiaries are principally engaged in the provision of financial services including the provision of a trading platform, brokerage and securities margin financing business, and infrastructure broking services comprising trading, clearing and settlement.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange. The financial statements have been prepared under the historical cost convention.

2. TURNOVER

Turnover represents the net invoiced value for fees and services charges in relation to the provision of trading platform, as well as commission income, interest income and service fees arising from brokerage and securities margin financing business, and infrastructure broking services and is analysed as follows:

	Three months ended 31st March, 2005 Unaudited HK\$'000	Three months ended 31st March, 2004 Unaudited HK\$'000
Income from trading platform	35	37
Commission income/infrastructure broking service fees	1,054	2,089
Interest income from clients	20	75
	<u>1,109</u>	<u>2,201</u>

As all of the Group's turnover and loss before income tax were derived from Hong Kong, no analysis of geographical segments has been disclosed.

3. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group incurred a tax loss for the period (31st March, 2004: nil).

No deferred tax liabilities have been recognised as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 31st March, 2005 and 2004.

A deferred tax asset has not been recognised in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilised (31st March, 2004: Nil).

4. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share for the three months ended 31st March, 2005 is based on the net loss of the Group of approximately HK\$1,871,000 (2004: loss of approximately HK\$2,488,000) and 764,886,000 ordinary shares (2004: 764,886,000) in issue during the period.

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

5. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
As at 31st December, 2004 and 31st March, 2005	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
As at 31st December, 2004 and 31st March, 2005	<u>764,886</u>	<u>7,649</u>

6. DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2005 (2004: nil).

BUSINESS REVIEW

The turnover of the Group was approximately HK\$1,109,000 for the first three months of 2005, a decrease of approximately 50% compared to the last corresponding period. This was mainly due to the discontinuation of the infrastructure broking services. The Group continued to control and reduce its operating expenses and as a result the loss attributable to shareholders was approximately HK\$1,871,000 for the first three months of 2005, a decrease of approximately 25% compared to the last corresponding period.

To enable the Group to have financial resources to explore new business and take advantage of future opportunities, the Company entered into a subscription agreement pursuant to which the Company agreed to allot and issue 1,000 million new subscription shares to Asia Network Holdings Limited (the "Subscriber") at HK\$0.026 per share and to grant an aggregate of 350,000,000 new share options to the Subscriber, Mr. Richard Yingneng Yin and Dr. Seah Chin Yew. Each of these share option carries the right to subscribe for one new share at a price of HK\$0.026. The subscription was completed on 29th April, 2005 and the subscription shares were allotted and issued to the Subscriber and the options have been granted to the respective parties on the same date.

OUTLOOK

During the past three months, the Company has sought to strengthen the Group's financial position to better avail itself of future business and expansion opportunities. To this end, on 4th February, 2005, the Company entered into a subscription agreement pursuant to which a subscriber agreed to subscribe for and the Company agreed to allot and issue an aggregate of 1,000 million shares at a subscription price of HK\$0.026 per subscription share. The details of the proposed subscription of new shares and the subscription agreement was disclosed in a joint announcement by the Company and the Subscriber dated 23rd February, 2005 and the circular to the shareholders dated 16th March, 2005. The Board of Directors believe that the resulting cash injection of HK\$26 million will significantly strengthen the Group's financial position. The estimated net proceeds of HK\$24 million from the subscription are intended to be applied as general working capital of the Group.

Financial Review

The turnover of the Group was approximately HK\$1,109,000 for the three months ended 31st March, 2005 (2004: approximately HK\$2,201,000), representing a decrease of 50% from the previous period. This was attributable to the constraints on financial resources and the discontinuation its infrastructure brokering services. During the period, the Group continued to enforce and implement tight control measures on all expenses including in particular staff costs by further reducing headcount. As a result, the loss attributable to shareholders for the three months ended 31st March, 2005 decreased to approximately HK\$1,871,000 from approximately HK\$2,488,000 during the corresponding period in 2004.

Liquidity and Financial Resources

As at 31st March, 2005, the Group had total assets of approximately HK\$29,879,000 (2004: approximately HK\$45,924,000), including bank balances and cash of approximately HK\$21,932,000 (2004: approximately HK\$33,281,000). The Group did not incur any bank overdraft or loan for the three months ended 31st March, 2005. As at 31st March, 2005, the Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' funds, was nil.

The Group financed its operations entirely with its own internal funding. With net current assets of approximately HK\$22,165,000, the Group remained in a financially liquid position as at 31st March, 2005.

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

Employees information

As at 31st March, 2005, the Group had rationalized its workforce to 9 employees (2004: 19). For the three months ended 31st March, 2005, the total staff costs amounted to approximately HK\$960,000 (2004: approximately HK\$1,733,000). The Group's remuneration policies are determined on the basis of the performance and experience of individual employees.

Capital structure

There was no change in the capital structure of the Company during the period under review. The capital of the Company comprises only ordinary shares. The Company and the Group have no borrowings and long-term debts.

Significant investments

For the three months ended 31st March, 2005, the Group had made no significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES/ FUTURE PLANS FOR MATERIAL INVESTMENTS

There were no material acquisitions and disposals of subsidiaries during the period. At present, the Company and the Group have no plans for material investments.

CHARGES ON GROUP ASSETS

As at 31st March, 2005, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st March, 2005.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2005, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Number of shares beneficially held			Approximate percentage 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%
Espina Anthony	5,061,000	2,574,000 (Note 5)	7,635,000	1.00%
Lee Jor Hung	4,719,000	2,574,000 (Note 6)	7,293,000	0.96%
Lee Sheung Yam	4,719,000	–	4,719,000	0.62%
Wong Wai Sum	4,119,000	2,574,000 (Note 7)	6,693,000	0.88%

Notes:

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

Long positions in underlying shares of the Company

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

The number of shares in respect of which options may be granted under the Share Option Scheme and the Pre-IPO Share Option Plan 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 months before the date of grant, without prior approval from the Company's shareholders.

Details of movements in the Pre-IPO Share Option Plan granted to the relevant persons were as follows:

Name of grantee	Date of grant	Number of options			Exercise period	Exercise price per share (approximately) HK\$
		Outstanding as at 1st January, 2004	Lapsed during the period	Outstanding as at 31st March, 2004		
So Kin Wing	17/12/2001	<u>5,148,000</u>	<u>-</u>	<u>5,148,000</u>	11/01/2004 – 16/12/2010	0.019

No options were offered or granted under the Pre-IPO Share Option Plan during the three months ended 31st March, 2005 as the right to offer or grant options under the Pre-IPO Share Option Plan ended upon the listing of the Company's shares on GEM.

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

No options under the Share Option Scheme were outstanding at the beginning of nor were any such options granted during the three months ended 31st March, 2005.

The options granted under the Company's share option schemes are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of such options on the ground that there are limitations in the application of the Black-Scholes Option Pricing Model and the Binomial Model in the valuation of such options, especially given that the key assumption underlying these derivative valuation metrics – that the options valued can be sold in a secondary market transaction – is not valid because holders of such options may not sell such options, they may only exercise them. Accordingly, the Directors believe that any valuation of such options would not be meaningful and may be misleading to the shareholders of the Company.

Long positions in debentures of the Company

No long positions of the Directors or the chief executive of the Company in the debentures of the Company or its associated corporations were recorded in the register, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in shares of the Company

No short positions of the Directors or the chief executive of the Company in the shares of the Company or its associated corporations were recorded in the register, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in underlying shares of the Company

No short positions of the Directors or the chief executive of the Company in the underlying shares of the equity derivatives of the Company or its associated corporations were recorded in the register, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 31st March, 2005, none of the Directors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

During the three months ended 31st March, 2005, there were no debt securities issued by the Group at any time.

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

As at 31st March, 2005, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Nature of interest	Number of shares	Approximate percentage shareholdings
Lau Tung Hoi (Notes 1 and 4)	Founder of a discretionary trust	Deemed	58,926,000	7.70%
HSBC International Trustee Limited (Notes 1, 2 and 4)	Trustee	Corporate	58,926,000	7.70%
Linwood Services Ltd. (Notes 3 and 4)	Interest of a controlled corporation	Corporate	58,926,000	7.70%
First Sign International Holdings Limited (Notes 2, 3 and 4)	Interest of a controlled corporation	Corporate	58,926,000	7.70%

Notes:

1. Mr. Lau Tung Hoi was deemed to be interested in 58,926,000 shares as he was the founder of the LCY Trust.
2. HSBC International Trustee Limited, as trustee of the LCY Trust, was deemed to be interested in 58,926,000 shares through its indirect controlling interest of 100% in Linwood Services Ltd..
3. Linwood Services Ltd. was deemed to be interested in 58,926,000 shares through its controlling interest of 71.29% in First Sign International Holdings Limited.
4. The 58,926,000 shares held by each of Mr. Lau Tung Hoi, HSBC International Trustee Limited, Linwood Services Ltd. and First Sign International Holdings Limited refer to the same parcel of shares.

Long positions in underlying shares of the Company

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

Short positions in shares of the Company

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

Short positions in underlying shares of the Company

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

Save as disclosed above, as at 31st March, 2005, the Company had not been notified of any other person who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

During the three months ended 31st March, 2005, there were no debt securities issued by the Group at any time.

INTEREST IN COMPETITORS

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

Name of company	Name of Director with controlling interest
Luen Fat Securities Company Limited	Yue Wai Keung
Sanfull Securities Limited	Chan Henry
Wellfull Securities Company Limited	Chan Kai Yu, Martin
Troopers Securities Limited	Chan Hung Ti
Goldride Securities Limited	Espina Anthony
DL Brokerage Limited	Lee Jor Hung
Hing Wong Securities Limited	Wong Wai Sum

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 31st March, 2005. Having made specific enquiry of all Directors, the Company's Directors have complied with such code of conduct and the required standard of dealings throughout the three months ended 31st March, 2005.

AUDIT COMMITTEE

In compliance with Rules 5.28 and 5.29 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference. The audit committee comprises three members, being Mr. Chung Shui Ming, Timpson, and Mr. Tsui Yiu Wa, Alec, Independent Non-executive Directors, and Mr. Lee Yiu Sun, a Vice Chairman and a Non-executive Director. Mr. Lee Jor Hung, a Non-executive Director acts as an alternate to Mr. Lee Yiu Sun. During the three months, the audit committee has conducted one meeting. The audit committee has reviewed the financial statements of the Group for the three months ended 31st March, 2005 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof. It has also reviewed the financial reporting process and the adequacy and effectiveness of the internal control system of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

As at the date of this report, Mr. Lee Sing Kai, Albert is Executive Director, Mr. Seto John Gin Chung, Mr. Lee Yiu Sun, Mr. Yue Wai Keung, Mr. Chan Henry, Mr. Chan Kai Yu, Martin, Mr. Chan Hung Ti, Mr. Cheng Chi Lam, Mr. Espina Anthony, Mr. Lee Jor Hung, Mr. Lee Sheung Yam, Mr. Wong Wai Sum and Mr. So Kin Wing are Non-executive Directors, Mr. Chung Shui Ming, Timpson, Mr. Fung Cheong Yee, Alfred and Mr. Tsui Yiu Wa, Alec are Independent Non-executive Directors.

By order of the Board
Seto John Gin Chung
Chairman

Hong Kong, 6th May, 2005