



金融社控 股 有 限 公 司
STOCKMARTNET HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

05

Third Quarterly Report



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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. GEM-listed issuers are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

Highlights

The Group recorded a turnover of approximately HK\$25,687,000 for the nine months ended 30th September, 2005

Net loss attributable to shareholders for the nine months ended 30th September, 2005 amounted to approximately HK\$7,970,000.

Loss per share was approximately 0.56 Hong Kong cents.

The Directors do not recommend the payment of a dividend for the nine months ended 30th September, 2005.

Third Quarterly Results (Unaudited)

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30th September, 2005 together with the comparative unaudited figures for the corresponding periods in 2004 were as follows:

Condensed Consolidated Income Statement For

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Turnover	3	23,886	1,501	25,687	5,219
Cost of sales		<u>(23,126)</u>	<u>–</u>	<u>(23,515)</u>	<u>–</u>
Other operating income	4	760	1,501	2,172	5,219
Amortisation of intangible assets		279	13	456	68
Loss on written off of property and equipment		(167)	(167)	(500)	(500)
Depreciation of property and equipment		(351)	–	(351)	–
Staff costs, including directors' remuneration		(150)	(191)	(484)	(584)
Other operating expenses		(2,295)	(1,529)	(4,312)	(5,124)
		<u>(1,716)</u>	<u>(2,131)</u>	<u>(4,951)</u>	<u>(7,223)</u>
Loss before taxation		(3,640)	(2,504)	(7,970)	(8,144)
Income tax	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net loss for the period		<u>(3,640)</u>	<u>(2,504)</u>	<u>(7,970)</u>	<u>(8,144)</u>
Loss per share – basic and diluted	6	<u>(0.18 cents)</u>	<u>(0.33 cents)</u>	<u>(0.56 cents)</u>	<u>(1.07 cents)</u>

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30th September, 2005

	Share capital <i>HK\$'000</i> (unaudited)	Share premium <i>HK\$'000</i> (unaudited)	Special reserve <i>HK\$'000</i> (unaudited)	Accumulated losses <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
At 1st January, 2004	7,649	80,974	4,779	(56,090)	37,312
Net loss for the period	—	—	—	(8,144)	(8,144)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September, 2004	<u>7,649</u>	<u>80,974</u>	<u>4,779</u>	<u>(64,234)</u>	<u>29,168</u>
At 31st December, 2004 and 1st January, 2005	7,649	80,974	4,779	(66,848)	26,554
Issue of new shares	12,851	20,529	—	—	33,380
Share issue expenses	—	(1,882)	—	—	(1,882)
Net loss for the period	—	—	—	(7,970)	(7,970)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September, 2005	<u>20,500</u>	<u>99,621</u>	<u>4,779</u>	<u>(74,818)</u>	<u>50,082</u>

Notes:

1. GENERAL INFORMATION

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, corporate finance as well as trading and principal investment.

The Company is a limited company incorporated in the Cayman Islands and domiciled in Hong Kong. The Company is listed on the GEM board of the Exchange.

The unaudited condensed consolidated financial information has been approved for issue by the Board of Directors on 8th November, 2005.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). They were also been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments.

The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee.

3. TURNOVER

Turnover of the Group is analysed as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from trading platform	36	35	106	108
Commission income/Infrastructure broking service fees	459	1,441	1,717	4,987
Fee income from corporate finance	235	–	285	–
Interest income from clients	23	25	54	124
Trading and principal investment	23,133	–	23,525	–
	<u>23,886</u>	<u>1,501</u>	<u>25,687</u>	<u>5,219</u>

4. OTHER OPERATING INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30th September,		30th September,	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	229	1	296	5
Sundry income	50	12	160	63
	<u>279</u>	<u>13</u>	<u>456</u>	<u>68</u>

5. INCOME TAX

No provision for Hong Kong Profits Tax has been made as the Group incurred a tax loss for the period (for the nine months ended 30th September, 2004: Nil).

No deferred tax liabilities are recognised as the Group did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 30th September, 2005 (30th September, 2004: Nil).

No deferred tax asset has been recognised in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which any such asset can be utilised (30th September, 2004: Nil).

6. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share and diluted loss per share for the three months and nine months ended 30th September, 2005 is based on the net loss of the Group of approximately HK\$3,640,000 and HK\$7,970,000 (three months and nine months ended 30th September, 2004: loss of approximately HK\$2,504,000 and HK\$8,144,000) and on weighted average number of 2,050,034,000 and 1,431,362,396 ordinary shares respectively (three months and nine months ended 30th September, 2004: 764,886,000 ordinary shares) in issue during the period.

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

7. SHARE CAPITAL

	Number of shares	HK\$'000
	'000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31st December, 2004 and 30th September, 2005	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st December, 2004	764,886	7,649
Issue of new shares (<i>note</i>)	<u>1,285,148</u>	<u>12,851</u>
At 30th September, 2005	<u>2,050,034</u>	<u>20,500</u>

Note: On 29th April, 2005, 1,000,000,000 shares of HK\$0.01 each were issued by way of subscription at a subscription price of HK\$0.026 per share. On 1st June, 2005, 5,148,000 shares of HK\$0.01 each were issued at a subscription price of approximately HK\$0.019 per share by exercise of options under the Pre-IPO Share Option Plan. On 29th June, 2005, 280,000,000 shares of HK\$0.01 each were issued at a subscription price of HK\$0.026 per share by exercise of options under a subscription agreement.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend by the Company for the nine months ended 30th September, 2005 (for the nine months ended 30th September, 2004: Nil).

Management Discussion and Analysis

Business Review

The first nine months of 2005 recorded a turnover of about HK\$25,687,000, an increase of approximately 392% compared to the last corresponding period. This was mainly due to increased trading and principal investment activities that were subject to a trading limit of HK\$1,500,000. The Group continued to control and reduce its operating expenses and diversified its revenue base. As a result, the loss attributable to shareholders was approximately HK\$7,970,000 (including a non-recurring write-off of HK\$351,000 due to relocation of office) for the first nine months of 2005, a decrease of about 2% when compared to the last corresponding period. Had the HK\$351,000 write-off been excluded, the decrease would have amounted to about 6%.

Outlook

With the working capital being substantially strengthened by about HK\$33 million following share subscription exercises in the second quarter of 2005, as well as the subsequent installment of a new management team, the Group will continue to pursue more business opportunities and diversify its revenue base. Apart from enhancing its securities and futures brokering services, it will also endeavour to expand its corporate finance activities, focus on direct investments in private and public companies, as well as take strategic proprietary positions in private companies that have potentials for listing.

Financial Review

The turnover of the Group was approximately HK\$25,687,000 for the nine months ended 30th September, 2005 (2004: approximately HK\$5,219,000), representing an increase of 392% from the previous period. This was attributable to the increased trading and principal investment activities of the Group. During the period, the Group continued to enforce and implement tight control measures on all expenses. As a result, the loss attributable to shareholders of the Company for the nine months ended 30th September, 2005 decreased to approximately HK\$7,970,000 from approximately HK\$8,144,000 during the corresponding period in 2004.

Liquidity and Financial Resources

As at 30th September, 2005, the Group had total assets of approximately HK\$57,864,000, including bank balances and cash of approximately HK\$48,111,000. The Group did not incur any bank overdraft or loan during the period under review.

As at 30th September, 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 assets of approximately HK\$50,082,000, the Group remained in a healthy and liquid position as at 30th September, 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.

Employee Information

As at 30th September, 2005, the Group had 17 employees (30th September, 2004: 11). For the nine months ended 30th September, 2005, the total staff costs amounted to approximately HK\$4,162,000 (nine months ended 30th September, 2004: approximately HK\$5,124,000). The Group's remuneration policies are determined on the basis of the performance and experience of individual employees.

Significant Investments

For the nine months ended 30th September, 2005, the Group had made no significant investments.

Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30th September, 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 (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Ordinary Shares (Unless otherwise specified)

Long positions in shares and underlying shares of the Company

Name of Director	Number of shares beneficially held			Approximate percentage shareholdings
	Personal	Corporate	Total	
Richard Yingneng Yin	45,000,000 (Note 1)	1,280,006,000 (Note 2)	1,325,006,000	64.63%
Kennedy Wong Ying Ho	–	200,000,000 (Note 3)	200,000,000	9.76%
Lee Yiu Sun	54,719,000	–	54,719,000	2.67%
Seah Chin Yew	25,000,000 (Note 4)	–	25,000,000	1.22%

Notes:

- (1) As at 30th September, 2005, Mr. Richard Yingneng Yin has an outstanding option to purchase 45,000,000 shares of the Company, the details of which are referred to in "Notes on underlying shares of the Company".
- (2) Mr. Richard Yingneng Yin was deemed to be interested in 1,280,006,000 shares through his controlling interest in Asia Network Holdings Limited. For details of the shareholdings of Asia Network Holdings Limited in the Company, please refer to Note (5) and Note (6) hereto and the section on "**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**".
- (3) Mr. Kennedy Wong Ying Ho was deemed to be interested in 200,000,000 shares through his controlling interest in Limin Corporation Limited. In addition, please refer to "Short positions in shares and underlying shares of the Company" for details of Mr. Kennedy Wong Ying Ho's short positions in underlying shares of the Company.
- (4) As at 30th September, 2005, Dr. Seah Chin Yew has an outstanding option to purchase 25,000,000 shares of the Company, the details of which are referred to in "Notes on underlying shares of the Company".

Short positions in shares and underlying shares of the Company

Name of Director	Number of shares beneficially held	Total	Approximate percentage shareholdings
Kennedy Wong Ying Ho	200,000,000 <i>(Note 5)</i>	200,000,000	9.76%
Lee Yiu Sun	50,000,000 <i>(Note 6)</i>	50,000,000	2.44%

Notes:

- (5) Asia Network Holdings Limited, a controlled corporation of director of the Company Mr. Richard Yingneng Yin, has entered into an option deed with Limin Corporation Limited (a corporation controlled by Mr. Kennedy Wong Ying Ho) whereby Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the Company at such time and such price when Limin Corporation Limited intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Limin Corporation Limited ceases to be interested in the shares. The corresponding interests of Asia Network Holdings Limited in the shares of the Company are deemed interests of Mr. Richard Yingneng Yin as disclosed in Note (2) to the "Long positions in shares and underlying shares of the Company" above.
- (6) Asia Network Holdings Limited, a controlled corporation of director of the Company Mr. Richard Yingneng Yin, has also entered into an option deed with Mr. Lee Yiu Sun ("Mr. Lee") whereby Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the Company at such time and such price when Mr. Lee intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Mr. Lee ceases to be interested in the shares. The corresponding interest of Asia Network Holdings Limited in the shares of the Company are deemed interests of Mr. Richard Yingneng Yin as disclosed in Note (2) to the "Long positions in shares and underlying shares of the Company" above.

Notes on underlying shares of the Company*(A) Share Option Schemes 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.

(1) Pre-IPO Share Option Scheme

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, 2005	Exercised during the period	Outstanding as at 30th September, 2005		
So Kin Wing (Note 7)	17/12/2001	5,148,000	5,148,000	-	11/01/2004 - 16/12/2010	0.019
		<u>5,148,000</u>	<u>5,148,000</u>	<u>-</u>		

No options were offered or granted under the Pre-IPO Share Option Plan during the nine months ended 30th September, 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.

Note (7): Mr. So Kin Wing resigned as a non-executive director of the Company and his resignation was effective on 1st June, 2005.

(2) Share Option Scheme

No options were granted under the Share Option Scheme during the nine months ended 30th September, 2005.

(B) Subscription Agreement involving issue of shares of the Company

The Company entered into a conditional subscription agreement pursuant to which the Company, amongst others, granted an aggregate of 350,000,000 new share options to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin), Mr. Richard Yingneng Yin and Dr. Seah Chin Yew on a one-off basis. The transaction was approved by the Shareholders at an extraordinary general meeting of the Company held on 1st April, 2005. Details are as follows:

Name of grantee	Date of grant	Number of share options			Outstanding as at 30th September, 2005	Exercise period	Exercise price per share HK\$
		Outstanding as at 1st January, 2005	Granted during the period	Exercised during the period			
Asia Network Holdings Limited	29/04/2005	-	130,000,000	130,000,000	-	29/04/2005 - 28/04/2009	0.026
Richard Yingneng Yin	29/04/2005	-	120,000,000	75,000,000	45,000,000	29/04/2005 - 28/04/2009	0.026
Seah Chin Yew	29/04/2005	-	100,000,000	75,000,000	25,000,000	29/04/2005 - 28/04/2009	0.026
		-	<u>350,000,000</u>	<u>280,000,000</u>	<u>70,000,000</u>		

Long position in debentures of the Company

During the nine months ended 30th September, 2005, there was no debt securities issued by the Group at any time.

Directors' interests in shares of the associated Corporations of the Company (within the meaning of Part XV of the SFO)

Name of Director	Name of associated corporation	Approximate percentage shareholdings
Richard Yingneng Yin	Asia Network Holdings Limited	80%
Seah Chin Yew	Asia Network Holdings Limited	20%

Save as disclosed above, as at 30th September, 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 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30th September, 2005, the following companies 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 and underlying shares of the Company

Name	Capacity	Nature of interest	Number of shares	Approximate percentage shareholdings
First Vanguard Group Limited (Notes 1 and 2)	Interest in a controlled corporate	Corporate	1,280,006,000	62.44%
Asia Network Holdings Limited (Note 2)	Beneficial owner	Corporate	1,280,006,000	62.44%
Limin Corporation Limited (Note 3)	Beneficial owner	Corporate	200,000,000	9.76%

Notes:

1. First Vanguard Group Limited was deemed to be interested in 1,280,006,000 shares through its controlling interest of 80.00% in Asia Network Holdings Limited.
2. The 1,280,006,000 shares held by each of Mr. Richard Yingneng Yin, a director of the Company, as deemed interest of his controlled corporations First Vanguard Group Limited and Asia Network Holdings Limited refer to the same parcel of shares. Among the 1,280,006,000 shares, 250,000,000 shares represent the aggregate interests in 200,000,000 shares and 50,000,000 shares under the two respective option deeds entered into by Asia Network Holdings Limited with Limin Corporation Limited (a corporation controlled by a director of the Company Mr. Kennedy Wong Ying Ho) and with Mr. Lee Yiu Sun, a director of the Company. Pursuant to the former option deed, Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the Company at such time and such price when Limin Corporation Limited intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Limin Corporation Limited ceases to be interested in the shares. Pursuant to the other option deed entered into with Mr. Lee Yiu Sun ("Mr. Lee"), Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the Company at such time and such price when Mr. Lee intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Mr. Lee ceases to be interested in the shares.
3. The 200,000,000 shares held by each of Mr. Kennedy Wong Ying Ho and Limin Corporation Limited refer to the same parcel of shares.

Short positions in shares and underlying shares of the Company

Name	Capacity	Nature of interest	Number of shares	Approximate percentage shareholdings
Limin Corporation Limited (<i>Note 4</i>)	Beneficial owner	Corporate	200,000,000	9.76%

Note 4: The 200,000,000 shares are the same parcel of shares under the option deed whereby Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the Company as disclosed in Note 2. and Note 3. above.

Long position in the debenture of the Company

During the nine months ended 30th September, 2005, there was no debt securities issued by the Group at any time.

Save as disclosed above, as at 30th September, 2005, the Company had not been notified of any other person (other than the Directors of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above) 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.

Competing Interests

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

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 nine months ended 30th September, 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 nine months ended 30th September, 2005.

Audit Committee

In compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference.

During the nine months, the audit committee has conducted three meetings. The audit committee has reviewed the financial statements of the Group for the nine months ended 30th September, 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.

The audit committee comprises three members, being Mr. Michael Wu Wai Chung, Mr. Japhet Sebastian Law and Mr. Tsang Hing Lun, all of them are Independent Non-executive Directors.

Purchase, Redemption or Sale of Listed Securities

During the period, 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, the executive directors of the Company are Mr. Richard Yingneng Yin, Dr. Seah Chin Yew and Mr. Lee Yiu Sun, the non-executive director of the Company is Mr. Kennedy Wong Ying Ho, the independent non-executive directors are Mr. Michael Wu Wai Chung, Mr. Japhet Sebastian Law and Mr. Tsang Hing Lun.

By order of the Board
Richard Yingneng Yin
Chairman

Hong Kong, 8th November, 2005