國際金融社控股有限公司

INTERNATIONAL FINANCIAL NETWORK HOLDINGS LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8123)

2007
Annual Report

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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the Securities and Futures Commission (the "SFC") regulates International Financial Network 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 enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Richard Yingneng Yin *(Chairman)*
Lee Yiu Sun *(CEO)*

NON-EXECUTIVE DIRECTOR
Kennedy Wong Ying Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS
Michael Wu Wai Chung
Japhet Sebastian Law
Tsang Hing Lun

COMPLIANCE OFFICER
Lee Yiu Sun, FCPA

QUALIFIED ACCOUNTANT
Lee Yiu Sun, FCPA

COMPANY SECRETARY
Irene Sau Ying Cheng

COMPOSITION OF BOARD COMMITTEES
Audit Committee
Tsang Hing Lun *(Chairman)*
Michael Wu Wai Chung
Japhet Sebastian Law

Nomination Committee
Japhet Sebastian Law *(Chairman)*
Richard Yingneng Yin
Tsang Hing Lun

Remuneration Committee
Japhet Sebastian Law *(Chairman)*
Richard Yingneng Yin
Tsang Hing Lun

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STOCK CODE
8123

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
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68 Fort Street, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
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183 Queen's Road East
Wanchai
Hong Kong

CHIEF EXECUTIVE'S STATEMENT

BUSINESS REVIEW

The businesses of International Financial Network Holdings Ltd. and its subsidiaries ("IFN" or the "Group") for the year under review have been geared towards a two-pronged strategy: (i) focusing on the Group's core businesses and (ii) exploring the investment opportunities to expand its revenue base and generate profitability.

The strategy of streamlining its operation and focusing on its core business has produced positive results to the Group in 2007. Total income from securities and future businesses for 2007 amounted to HK$8.3 million, about 107% increase as compared to that of about HK$4 million in last year. The income from wealth management also recorded about a four-fold increase from about HK$4.8 million in 2006 to about HK$23.4 million in 2007.

The acquisition of GoHi Holdings Limited ("GoHi"), which is the holding company of 首華證券諮詢（深圳）有限公司 First China Securities Consultancy (Shenzhen) Co., Ltd. ("First China") (formerly transliterated as First China Investment Services Limited) is a good fit strategy for the Group to expand its revenue base and generate profitability.

First China is a financial services company providing financial information and/or programmes to a variety of parties such as clients of securities companies, investors and internet portal companies in the People's Republic of China. Located in Shenzhen China, First China has provided the Group with a good platform for its expansion to and development in other parts of China. Following the completion of the aforesaid acquisition in mid November 2007, the Group consolidated a total income of about HK$10.I million and a profit of about HK$7.6 million from First China in 2007. We believe that First China will continue to make substantial positive contribution to the Group for the years to come.

In 2007, the Company completed two lots of share placement: 350,000,000 shares in April and 100,000,000 shares in December. The total net fund raised from such placements amounted to HK$88.7 million. The new fund has added more resources and vitality to the Group for its organic growth as well as opportunities for other investments and acquisitions.

The financial results of the Group for 2007 reflected the determination of the Board to absorb all the losses of the non-core businesses of the Group in the year so as to pave way for a new era of financial performance in 2008. The turnover of the Group was approximately HK$112.3 million for the year ended 31st December, 2007 (2006: approximately HK$457.9 million) while the loss attributable to shareholders for the year ended 31st December, 2007 was approximately HK$24.7 million (2006: HK$12.4 million). Detailed results are discussed under the following section headed "Financial Review".

The business achievements in 2007 matched with the Company's overall business strategies and objectives. With the addition of First China as a new member of the Group, it provides the Group with the benefits of (i) providing a ready business platform and a valuable client base for the Group in the an expanding industry in Mainland China (ii) complementing the range of the Group's existing services and (iii) ensuring a steady and reliable source of income and profit to the Group. Strengthened by the strong liquidity of the Group as a result of the two share placements during the year, the Board believes that the business performance of the Group will have a significant improvement for the coming year.

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW

Results of the Group

The turnover of the Group was about HK$112.3 million for the year ended 31st December, 2007 (2006: approximately HK$457.9 million). The decrease was mainly due to the significant reduction of the trading and principal investment activities which was a conscious decision as the Company believed the market was overpriced for the year ended 31st December, 2007. The loss attributable to shareholders for the year ended 31st December, 2007 was approximately HK$24.7 million compared with the loss of approximately HK$12.4 million of the corresponding period in 2006. The increase in loss was mainly attributable to the impairments of (i) the investments in Tastyfood Holdings Ltd. ("Tastyfood") due to Tastyfood's net liabilities, continuing losses and prolonged suspension in trading of its listed shares on the main board of the Singapore Exchange Securities Trading Limited and (ii) the trade receivables aged over 1 year with unexpected difficulty in collecting the outstanding amount. Regarding the impairment in Tastyfood, Tastyfood has continued to actively explore other investment opportunities. If a new business is injected into Tastyfood, the impairment loss will be recovered and may even enable the Group to record an income exceeding the impairment loss.

Goodwill arising from the acquisition of First China

Pursuant to the agreements in respect of the acquisition of GoHi, the Company will issue the following shares of the Company subject to the fulfillment of certain conditions as stipulated in the agreements:

(i) Issue of 200,000,000 new shares of HK$0.01 each in the capital of the Company (the "Consideration Shares") at each of the next three anniversary dates after completion;

(ii) Grant of an option (the "Option") to subscribe for a maximum of 60,000,000 new shares of HK$0.01 each in the capital of the Company (the "Option Shares") at an exercise price of HK$0.15 per Option Share, of which 20,000,000 Option Shares are exercisable at each of the next three anniversary dates after completion; and

(iii) Issue of a maximum of 160,000,000 new shares of HK$0.01 each in the capital of the Company (the "Bonus Shares") at each of the next three anniversary dates after completion.

According to Hong Kong Financial Reporting Standards ("HKFRSs"), the total consideration of about HK$504 million for the acquisition of GoHi in 2007 is calculated based on the potential share issues and potential grant of options with reference to the price/value of the Company's Shares on the date of completion of the acquisition (i.e.16th November, 2007) as follows: (a) multiplication of the maximum 600,000,000 Consideration Shares to be issued by the closing price of HK$0.84 of the Company's share as quoted by the Stock Exchange on 16th November, 2007; and (b) the fair value of the 20,000,000 Options as valued under an option pricing model. The fair values of the remaining 40,000,000 Option Shares to be issued in 2008 and 2009 and the Bonus Shares to be issued have not been included in the above calculation as they cannot be measured reliably .

The total goodwill arising from the acquisition of GoHi for the year ended 31st December, 2007 was HK$491.7 million and such amount would be required to be tested for impairment annually according to HKFRSs. The Directors considered that for year ended 31st December, 2007, no impairment was required for the goodwill.

FINANCIAL REVIEW *(continued)*

Liquidity and financial resources

The Group is in a sound and healthy financial and liquidity position. As at 31st December, 2007, the shareholders' fund of the Group amounted to approximately HK$626 million, representing an increase of approximately HK$592 million or by 17.4 times from that of 31st December, 2006. During the year, the Company issued 488.4 million new shares by top-up placements of 450 million shares and upon exercise of 38.4 million share options.

On 31st December, 2007, our cash and bank balances were approximately HK$108.7 million of which about HK$11.9 million were held on behalf of clients in trust and segregated accounts. After deducting such money held in trust and segregated accounts, the net amount of cash and bank balances for the Group was about HK$96.8 million. By comparing such net amount of HK$96.8 million in 2007 with the net amount of HK$12.2 million in 2006, the increase in cash and bank balances of the Group was about HK$84.6 million, representing an increase of about 7 times. Such increase was a result of new funds raised during the year. The liquidity ratio on 31st December, 2007 was at 3.7 times, as compared to 1.6 times on 31st December, 2006.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. As the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Capital Structure

As at end of 2007, the total number of the Company's shares has been increased to 2,538,434,000 after the successful share placements in April and December and the exercises of the Company's share options. The total net amount of fund raised through such share placements and option exercises was about HK$92.9 million, and has been applied as working capital of the Group.

The Group did not have any borrowings and long-term debts at the end of the year in 2007. The Company has given a corporate guarantee to the extent of HK$45 million to a bank in respect of general banking facility granted to a subsidiary. However, no overdraft was drawn under this facility at the balance sheet date.

Brokerage and Trading Platform

This unit recorded revenue of HK$8.48 million for the year ended 31st December, 2007 as compared to HK$4.15 million for the previous year. The increase was attributable to the significant growth in securities brokerage income due to the continuous boom of initial public offerings and continuous growth of the Mainland China economy during the year under review. The unit recorded a loss of HK$1.06 million for the year.

Trading and Principal Investment

As a result of a fluctuated equity market, the total revenue of the unit deceased to HK$69.58 million for the year (2006 : HK$441.07 million). The unit recorded a loss of HK$10.49 million for the year.

FINANCIAL REVIEW *(continued)*

Corporate Finance Advisory Services

Due to the reconstruction of this unit, the total fee income of this segment was 0.66 million (2006 : HK$7.95 million). This segment recorded a loss of HK$6.44 million for the year.

Wealth Management

The Group consolidated its wealth management operation and disposed of its fund management operation in February 2007, The total fee income of the wealth management significantly increased to HK$23.44 million for the year (2006 : HK$4.76 million). This unit recorded a profit of HK$0.95 million for the year.

Financial Information and Research Services

The Group completed the acquisition of this business in November 2007. The total income of this segment was HK$10.1 million for the year. This segment contributed about HK$9.0 million to the profit before taxation of the Group.

SIGNIFICANT INVESTMENT

The Group acquired an approximately 29.9% interests in the issued share capital of Tastyfood, a Singapore main board listed company, on 10th March, 2006 for a consideration of S$2,440,000 (equivalent to approximately HK$11,224,000). This acquisition was classified as held for sale financial assets in 2006 as the Company was taking a proprietary position with the intention to subsequently realize and disposal it at a profit in a short term. During the year ended 31st December, 2007, the aforesaid investment no longer met with the criteria so classified and accordingly, it has been re-classified as an investment in associate. As such, the Group had no significant investment at the year end of 2007.

CHARGES ON ASSETS

As at 31st December, 2007, the Group did not have any charges on its assets (2006: Nil).

CONTINGENT LIABILITIES

As at 31st December, 2007, the Group did not have any contingent liabilities (2006: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

In November 2007, the Group through its 100% equity interest in Aceview International Limited acquired the entire shareholding of GoHi which directly owns 100% interest in First China. This acquisition constitutes a major acquisition under the Rules Governing the Listing on the Growth Enterprise Market (“GEM Listing Rules”) of the Stock Exchange and was approved by shareholders in an extraordinary general meeting held on 8th November, 2007.

Other than the aforementioned, there was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review. At present, the Group has no concrete plans for any material investments.

CHIEF EXECUTIVE'S STATEMENT

EMPLOYEE INFORMATION

As at 31st December, 2007, the Group had a workforce of 58 employees (2006: 51). The total staff costs, including directors' emoluments, amounted to about HK$17.9 million for the year ended 31st December, 2007 (2006: approximately HK$14.5 million).

The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a share option scheme as an added incentive for its employees. During the year, the Company granted one lot of share option to certain directors and employees entitling them to subscribe up to 32,400,000 shares of the Company at an exercise price of HK$0.228 per share within the period from 5th September, 2007 to 4th September, 2017.

OUTLOOK

The two-pronged strategy works perfectly well for the Group. While the focus on core businesses has substantially improved the results of these businesses, the acquisition of GoHi has also produced positive contribution to the Group. With the expected net profit for the coming three years as per the agreements for the acquisition of GoHi, it is anticipated that the Group will soon start to record its profitability for the first time since its listing on the Stock Exchange in 2002.

By leveraging on the competitive advantages of our existing core businesses as well as that of the newly acquired business of First China, the Group is about to embark on a new chapter in 2008. I would like to take this opportunity to thank our shareholders, Board of Directors, our staff and business partners for their continuous support and commitment. Together, we can look forward to a landmark in 2008 for IFN.

By order of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 25th March, 2008

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Richard Yingneng Yin, aged 55, is the Chairman of the Company. Mr. Yin has over 10 years of experience in various regulatory organizations. He held senior positions in the Australian Securities Commission, the New South Wales Corporate Affairs Commission, and the Securities and Futures Commission of Hong Kong. Mr. Yin was the Deputy Chief Executive Officer of a company listed on the main board of The Stock Exchange of Hong Kong Limited and President of a company listed on the GEM. He is a fellow member of the Institute of Chartered Accountants of both England & Wales and Australia. Mr. Yin is currently a director of Goldlion Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Lee Yiu Sun, aged 50, is the Chief Executive Officer, Compliance Officer and Qualified Accountant of the Company and joined the Group in May 2000. Mr. Lee has over 20 years of experience in the securities and financial service sector. He has been the Chairman of the Hong Kong Stockbrokers Association since September 2007. Mr. Lee was formerly the executive director of a securities company. Prior to joining the securities company, he was the managing director of a main board listed company. Mr. Lee was a Council Member of The Stock Exchange of Hong Kong Limited from 1997 to 1999 and a Committee Member of the Chinese Gold and Silver Exchange Society from 1994 to 1999. Mr. Lee was also the member of the Banking and Financial Services Training Board of Vocational Training Centre in Hong Kong from 2000 to 2007. 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 a fellow member of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Dr. Kennedy Wong Ying Ho, aged 45, is a Non-executive Director of the Company and joined the Group in September 2005. Dr. Kennedy Wong, B.B.S., JP, is a solicitor of the High Court of Hong Kong SAR and China Appointed Attesting Officer. He is the Managing Partner of Philip K H Wong, Kennedy Y H Wong & Co, Solicitors & Notaries. He is a National Committee Member of the Chinese People's Political Consultative Conference and a vice chairman of the All-China Youth Federation. Dr. Wong is also a director of China Overseas Land & Investment Ltd., Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited, Great Wall Technology Company Limited, all of which are Hong Kong listed companies. He is also a director of Pacific Alliance Asia Opportunity Fund Limited and Pacific Alliance China Land Limited, all are multi-national companies with substantial investments in China.

Dr. Wong was selected as one of the 10 Outstanding Young Persons of Hong Kong in 1998 and one of the 10 Outstanding Young Persons of the World in 2003.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Michael Wu Wai Chung, aged 58, joined the Group in June 2005. Mr. Wu was formerly the Deputy Chairman of the Shanghai Stock Exchange and a Commissioner in the Strategy & Development Committee of the Chinese Securities Regulatory Commission of the PRC. Prior to that, he was the former deputy chairman, chief operating officer and an executive director of the Securities and Futures Commission of Hong Kong. Mr. Wu currently holds directorships in two main board listed companies in Hong Kong, namely, Shenzhen Investment Ltd and SW Kingsway Capital Holdings Limited, and a company listed on the GEM, namely, First Mobile Group Holdings Limited.

Dr. Japhet Sebastian Law, aged 57, joined the Group in June 2005. Dr. Law obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Dr. Law was the Director of Operations Research at the Cullen College of Engineering and Director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Dr. Law has served on the boards and acted as consultants with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government. Dr. Law is currently a Professor in the Department of Decision Sciences and Managerial Economics and the Director of the Aviation Policy and Research Center at the Chinese University of Hong Kong.

Dr. Tsang Hing Lun, aged 58, joined the Group in June 2005. Dr. Tsang is the CEO of Influential Consultants Limited. He is a fellow member of the Hong Kong Institute of Directors, Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Dr. Tsang obtained his PhD Hon from the University of National Union Europe in 2006. Dr. Tsang graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (1st Class Hons.) in 1973. Dr. Tsang has served in a senior management capacity in several reputable publicly listed companies in Hong Kong and Singapore. Dr. Tsang joined the Hang Seng Bank group in 1973 and served the group for 17 years. He acted as the assistant general manager of the planning and development division of Hang Seng Bank before joining the UOB Group in Singapore in 1990 as its Head of International Branches Division and First Vice President. After working in the UOB Group, Dr. Tsang returned to Hong Kong in 1992 and acted as an executive director of The Stock Exchange of Hong Kong Limited in 1993, an executive director of China Champ Group in 1994, an alternate chief executive and deputy general manager of the China Construction Bank, Hong Kong Branch, from 1995 to 1998. He is currently an independent non-executive director of Beijing Media Corporation Limited, Sinotrans Shipping Limited as well as Sino-Ocean Land Holdings Ltd. and all these companies are listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2007.

CORPORATE INFORMATION

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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the Company's subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 31.

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the year ended 31st December, 2007 (2006: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution as dividends to its shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 137 of the Articles of Association of the Company, dividends may be declared and paid out of the profits of the Company or from any reserves set aside from profits which the Directors determine to be no longer needed. With the sanction of an ordinary resolution, dividends may also be declared or paid out of share premium account. Accordingly, the Company's reserves available for distribution amounted to approximately HK$85,815,000 as at 31st December, 2007.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Richard Yingneng Yin	*(Chairman)*
Lee Yiu Sun	*(Chief Executive Officer)*

Non-executive Director

Kennedy Wong Ying Ho

Independent Non-executive Directors

Michael Wu Wai Chung
Japhet Sebastian Law
Tsang Hing Lun

In accordance with Articles 87(1) of the Company's Articles of Association, Mr. Lee Yiu Sun and Dr. Japhet Sebastian Law will retire from office and being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All the remaining Directors shall continue to hold office.

Mr. Richard Yingneng Yin is a director of Asia Network Holdings Limited, which has an interest in the share capital of the Company that would fall to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO").

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

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

As at 31st December, 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock 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 taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

	Number of shares			Approximate
Name of Director	Personal Interests	Corporate Interests	Total	percentage of shareholding
Richard Yingneng Yin	30,000,000	424,006,000 (note 1)	454,006,000	17.89%
Kennedy Wong Ying Ho	4,000,000	145,000,000 (note 2)	149,000,000	5.87%
Lee Yiu Sun	100,019,000	–	100,019,000	3.94%
Japhet Sebastian Law	2,000,000	–	2,000,000	0.08%
Tsang Hing Lun	2,000	–	2,000	0.0001%

Notes:

(1) Mr. Richard Yingneng Yin was deemed to be interested in 424,006,000 shares through his controlling interest in Asia Network Holdings Limited. For details of the shareholding of Asia Network Holdings Limited in the Company, please refer to Note (3) and Note (4) hereto.

(2) Dr. Kennedy Wong Ying Ho was deemed to be interested in 145,000,000 shares through his controlling interests in Limin Corporation Limited and Limin Corporation. In addition, please refer to "Short positions in underlying shares of the Company" below for details of Dr. Kennedy Wong Ying Ho's short positions in the underlying shares of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

Pursuant to the share option scheme adopted by the Company on 17th December, 2001 (the "Share Option Scheme"), the Directors were granted share options to subscribe for shares of the Company, details of which as at 31st December, 2007 are as follows:

		Number of share options						
Name of director	Date of grant	Outstanding as at 1st January, 2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31st December, 2007	Option period	Exercise price HK$
Richard Yingneng Yin	05/09/2007	–	16,000,000	–	–	16,000,000	05/09/2007–04/09/2017	0.228
Lee Yiu Sun	05/09/2007	–	4,000,000	–	–	4,000,000	05/09/2007–04/09/2017	0.228
Kennedy Wong Ying Ho	05/09/2007	–	4,000,000	4,000,000	–	–	05/09/2007–04/09/2017	0.228
Michael Wu Wai Chung	05/09/2007	–	2,000,000	–	–	2,000,000	05/09/2007–04/09/2017	0.228
Japhet Sebastian Law	05/09/2007	–	2,000,000	2,000,000	–	–	05/09/2007–04/09/2017	0.228
Tsang Hing Lun	05/09/2007	–	2,000,000	2,000,000	–	–	05/09/2007–04/09/2017	0.228

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company *(continued)*

(ii) Subscription agreement involving granting of share options

Pursuant to a conditional subscription agreement dated 4th February, 2005, the Company, amongst others, granted on an one-off basis an aggregate of 350,000,000 new share options of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin) and Mr. Richard Yingneng Yin. Out of the 250,000,000 share options granted to Asia Network Holdings Limited and Mr. Richard Yingneng Yin, the outstanding amount as at 31st December, 2007 was as follows:

Name of grantee	Date of Grant	Number of share options outstanding as at 1st January, 2007	Exercised during the year	Outstanding as at 31st December, 2007	Exercise period	Exercise price per share HK$
Richard Yingneng Yin	29/04/2005	45,000,000	30,000,000	15,000,000	29/04/2005 – 28/04/2009	0.026

(iii) Option Deeds

Name of Director	Number of shares Corporate Interest	Approximate percentage of shareholding
Richard Yingneng Yin	150,000,000 (note 3 and note 4)	5.91%

Notes:

(3) Pursuant to an option deed dated 31st August, 2005, Asia Network Holdings Limited, a corporation controlled by the director of the Company Mr. Richard Yingneng Yin, has entered into an option deed with Limin Corporation Limited (a corporation controlled by Dr. 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 to 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. On 14th November, 2007, 100,000,000 shares out of the said 200,000,000 shares were sold by Limin Corporation Limited to a third party upon Asia Network Holdings Limited not exercising its option to purchase such shares.

(4) Pursuant to an option deed dated 31st August, 2005, Asia Network Holdings Limited, a corporation controlled by the 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 to 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(continued)*

(c) Short positions in underlying shares of the Company

	Number of shares		Approximate
Name of Director	Personal Interests	Corporate Interests	percentage of shareholding
Kennedy Wong Ying Ho	–	100,000,000 (note 3)	3.94%
Lee Yiu Sun	50,000,000 (note 4)	–	1.97%

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

So far as is known to any Directors or chief executive of the Company, as at 31st December, 2007, the following persons (not being a Director or chief executive of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
First Vanguard Group Limited (note 1)	Interest in a controlled corporation	424,006,000	16.70%
Asia Network Holdings Limited (note 1)	Beneficial owner	424,006,000	16.70%
Wang Wenming and Chen Dongjin (note 2)	Beneficial owners	200,000,000	7.88%

Notes:

(1) First Vanguard Group Limited was deemed to be interested in 424,006,000 shares through its controlling 100% interest in Asia Network Holdings Limited.

(2) Mr. Wang Wenming and Ms. Chen Dongjin each held 100,000,000 shares of the Company. As Mr. Wang Wenming is the spouse of Ms. Chen Dongjin, they were deemed to be collectively interested in 200,000,000 shares of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
First Vanguard Group Limited	Interest in a controlled corporation	150,000,000 (note 3)	5.91%
Asia Network Holdings Limited	Beneficial owner	150,000,000 (note 3)	5.91%
Wang Wenming and Chen Dongjin	Beneficial owners	60,000,000 (note 4)	2.36%

Notes:

(3) The 150,000,000 shares represent the aggregate interests in 100,000,000 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 Dr. 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. On 14th November, 2007, 100,000,000 shares out of the said 200,000,000 shares were sold by Limin Corporation Limited to a third party upon Asia Network Holdings Limited not exercising its option to purchase such shares.

Pursuant to the other option deed entered into with Mr. Lee Yiu Sun, Mr. Lee Yiu Sun 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 Yiu Sun 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 Yiu Sun ceases to be interested in the shares.

(4) On 16th November, 2007, Mr. Wang Wenming was granted an option which entitles him to subscribe up to 60,000,000 shares of the Company subject to the fulfillment of the conditions as stipulated in the Agreement dated 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, she is deemed to be interested in the said option granted to Mr. Wang Wenming.

Save as disclosed above, as at 31st December, 2007, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above) 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.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY

(a) Share Option Scheme of the Company

The Company has adopted a share option scheme (the "Scheme") under which the Directors or employees of the Company or its subsidiaries or certain other persons may be granted share options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

(1) Summary of the Scheme

(i) Purpose of the Scheme

The purpose of the 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.

(ii) Participants of the Scheme

Pursuant to the Scheme, the Company may grant share options to (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) Directors (whether Executive Directors, Non-executive Directors or Independent Non-executive Directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; and (iv) professionals engaged by the Company or any of its subsidiaries or associated companies.

(iii) Total number of shares available for issue under the Scheme

As at 31st December, 2007, the total number of shares available for issue under the Scheme was 207,088,600 shares, representing about 8.16% of the total issued capital.

(iv) Maximum entitlement of each participant

The maximum number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted pursuant to the Scheme and any other share option schemes of the Company (including the Pre-IPO Share Option Plan) to each participant in any 12-month period up to the date of grant of the options shall not exceed 1% of the total number of shares of the Company in issue, save for those share options already granted under the Pre-IPO Share Option Plan.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(1) Summary of the Scheme (continued)

(v) Option Period

An option may be exercised in accordance with the terms of the Scheme at any time during a period of not more than ten years to be notified by the Board of Directors of the Company (the "Board") to each participant which period of time shall commence on the date on which an offer of the grant of an option is accepted or deemed to have been accepted in accordance with the Scheme and expire on the last day of such period as determined by the Board. There is no minimum period for which an option must be held before it can be exercised.

(vi) Payment on acceptance of option offer

HK$1.00 is payable by the participant to the Company on acceptance of the option offer as consideration for the grant and received by the Company within 14 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.

(vii) Basis of determining the exercise price

The exercise price per share of the Company under the Scheme is determined by the Board and notified to each participant and shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Trading Day"), (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive Trading Days immediately preceding the date of offer, and (iii) the nominal value of a share of the Company.

(viii) Remaining life of the Scheme

The Scheme will remain valid until 4th September, 2017 after which no further options will be granted but in respect of all options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(a) Share Option Scheme of the Company *(continued)*

(2) Details of share options granted by the Company

On 5th September, 2007, options to subscribe for an aggregate of 32,400,000 shares of the Company were granted to the Directors and certain employees of the Company. As at 31st December, 2007, details of the outstanding options were as follows:

	Number of share options						
Date of grant	Outstanding as at 1st January, 2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31st December, 2007	Option period	Exercise price HK$
05/09/2007	–	31,900,000	8,400,000	–	23,500,000	05/09/2007 – 04/09/2017	0.228
05/09/2007	–	500,000	–	–	500,000	05/09/2008 – 04/09/2017	0.228

DETAILS OF THE OPTIONS GRANTED BY THE COMPANY *(continued)*

(b) Subscription agreement involving granting of share options

The Company entered into a conditional subscription agreement on 4th February, 2005 pursuant to which the Company, amongst others, granted on an one-off basis an aggregate of 350,000,000 new share options of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin) and Mr. Richard Yingneng Yin. The transaction was approved by the shareholders at an extraordinary general meeting of the Company held on 1st April, 2005. As at 31st December, 2007, details of the outstanding share options were as follows:

Date of grant	Outstanding as at 1st January, 2007	Exercised during the year	Number of share options outstanding as at 31st December, 2007	Exercise period	Exercise price per share HK$
29/04/2005	70,000,000 (Note)	30,000,000	40,000,000	29/04/2005 – 28/04/2009	0.026

Note: Mr. Richard Yingneng Yin has an outstanding option to purchase 15,000,000 shares of the Company, details of which are shown above in b(ii) under the section "Directors' and Chief Executive's interests and short positions in Shares, Underlying Shares and Debentures of the Company".

(c) Agreement and Supplemental Agreement involving granting of share options

Pursuant to the Agreement dated 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK$0.15 per share (the "Option") in each of the 12-month period ending 30th June, 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. At as 31st December, 2007, no share had been issued under the Option.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme and the subscription agreement as described above and in notes 30 and 31 to the financial statements, at no time during the year 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 debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance, save as disclosed in the financial statements, in relation to the Group's business to which the Company or any of 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.

INTEREST IN COMPETITORS

An independent non-executive director of the Company, Mr. Michael Wu Wai Chung, also acts as an independent non-executive director of another listed company (SW Kingsway Capital Holdings Limited) whose subsidiaries engaged in securities-related business which may compete with the Group in this aspect of its business. The Board however considers that there is no conflict of interest in this regard.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to its five largest customers combined accounted for less than 30% of the Group's total turnover.

The Group had no major supplier due to the nature of principal activities of the Group.

CONTINUING CONNECTED TRANSACTION

First China Securities Consultancy (Shenzhen) Co., Ltd. ("First China"), a wholly-owned subsidiary of the Company, entered into the cooperation agreement with Shenzhen Wealth Aliance Networking Co., Ltd. ("Wealth Aliance") on 1st July, 2007 for a term of 20 years commencing from 1st July, 2007 ("Cooperation Agreement") pursuant to which both parties agreed to cooperate to operate an interactive financial website named Stock Online and to sell an investor software and financial information package known as Stock Expert. All the proceeds from the sale of Stock Expert, after deducting the reasonable charges levied by Wealth Aliance for carrying the responsibilities under the Cooperation Agreement, will be given to First China ("Net Proceeds").

Mr. Wang Wenming and his spouse, Ms. Chen Dongjin are substantial shareholders of the Company and directors of First China. Besides, Ms. Chen Dongjin also has the indirect controlling interests in Wealth Aliance. Therefore, the ongoing transactions contemplated under the Cooperation Agreement became continuing connected transactions on 16th November, 2007 upon completion of the acquisition by the Group of GoHi Holdings Ltd ("the Acquisition"), which is the immediate holding company of First China.

Pursuant to Rule 20.41 of the Listing Rules Governing the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Listing Rules"), the Company is required to comply with the reporting and disclosure requirements in respect of this continuing connected transaction by making an announcement on 16th November, 2007. Without making such announcement, the Company failed to disclose the annual cap of the continuing connected transaction for 2007, which in turn results in technically breaching Rule 20.38 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION *(continued)*

When the Company issued the circular in respect of the Acquisition on 22nd October, 2007 ("the Circular"), it had already disclosed details of the Cooperation Agreement as well as the aforesaid relationship of Mr. Wang Wenming and Ms. Chen Dongjin with First China and Wealth Aliance. The actual charges levied by Wealth Aliance under the Co-operation Agreement for July and August 2007 have also been disclosed in the Circular. The Net Proceeds received by First China from Wealth Aliance after completion of the Acquisition to 31st December, 2007 were about RMB4,400,000. The reason for the Company not complying with the aforesaid Rules is that First China had the intention to acquire Wealth Aliance shortly after the completion of the Acquisition. Such intention has also been disclosed in the Circular. If the acquisition of Wealth Aliance by First China is completed, the reporting and disclosure requirements in respect of the continuing connected transactions under the Listing Rules would not be necessary.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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. The Company's Directors have complied with such code of conduct and the required standard of dealings.

PRE-EMPTIVE RIGHTS

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

AUDITORS

The accompanying financial statements were audited by Messrs. HLB Hodgson Impey Cheng. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Lee Yiu Sun
Chief Executive Officer

Hong Kong, 25th March, 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long-term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Corporate Governance Code"). The Company was in compliance with the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

In respect of the standard of dealings required of directors, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in rules 5.48 to 5.67 of the GEM Listing Rules. The directors have complied with the Company's code of conduct regarding directors' securities transactions.

THE BOARD OF DIRECTORS

Comprising of two executive and four non-executive directors (including three independent non-executive directors), the present board has an appropriate composition of directors. In ensuring that the Company has an effective Board, the segregation of the role of Chairman and Chief Executive Officer has been in place since the listing of the Company on the Stock Exchange. The non-executive directors are each appointed on a three-year term. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and is in the opinion that all independent non-executive directors are independent.

The present board of directors consists of:

Richard Yingneng Yin	*(Chairman)*
Lee Yiu Sun	*(Chief Executive Officer)*
Kennedy Wong Ying Ho	*(Non-executive Director)*
Michael Wu Wai Chung	*(Independent Non-executive Director)*
Japhet Sebastian Law	*(Independent Non-executive Director)*
Tsang Hing Lun	*(Independent Non-executive Director)*

The Board is mandated to determine and review strategic objectives, appoint and supervise senior management, approve quarterly, interim and annual reports, and review the principal risks of the Group's business to ensure that these risks are within manageable limits. It is also mandated to approve any substantial investment, acquisition or disposal by the Company. Major corporate matters that are delegated to the management include the execution of business strategies and initiatives approved by the Board and the preparation of quarterly, interim and annual reports for the Board's approval. Mr. Richard Yingneng Yin (Chairman) is the director of and has beneficially owned Asia Network Holdings Limited which is the controlling shareholder of the Company.

Mr. Richard Yingneng Yin is a shareholder and a director of a company that intends to engage in private equity funds.

THE BOARD OF DIRECTORS *(continued)*

There were seven board meetings during the year. The attendance of Directors at the board meetings was as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Richard Yingneng Yin	7/7
Lee Yiu Sun	7/7
Kennedy Wong Ying Ho	7/7
Michael Wu Wai Chung	4/7
Japhet Sebastian Law	5/7
Tsang Hing Lun	6/7

REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee with specific written terms of reference.

The Remuneration Committee consists of two independent non-executive directors, Dr. Japhet Sebastian Law and Dr. Tsang Hing Lun; and one executive director, Mr. Richard Yingneng Yin. Dr. Japhet Sebastian Law is the chairman of the committee. The Remuneration Committee's role and function include making recommendations to the Board on the Company's policy and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. It also has the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management.

The Company's remuneration policies are determined on the basis of the contributions of staff and directors. Long-term incentive schemes for staff and directors include share options and cash bonuses.

The Remuneration Committee held one meeting during the year and the attendance of its members was as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Japhet Sebastian Law	1/1
Tsang Hing Lun	1/1
Richard Yingneng Yin	1/1

During the year, the Remuneration Committee's work includes determining the policy for the remuneration of executive directors and senior management, considering the terms of executive directors' employment contracts, providing advice on employee remuneration for the year 2007, and making recommendations to the Board for granting of share options under the Share Option Scheme of the Company.

NOMINATION OF DIRECTORS

The Company has established a Nomination Committee with specific written terms of reference. The Nomination Committee consists of two independent non-executive directors, Dr. Japhet, Sebastian Law and Dr. Tsang Hing Lun; and one executive director, Mr. Richard Yingneng Yin. Dr. Japhet Sebastian Law is the chairman of the committee. The Nomination Committee's role and function include reviewing the structure, size and composition of the board of directors on a regular basis and making recommendations regarding any proposed changes; identifying and recommending individuals suitably qualified to become board members; and assessing the independence of independent non-executive directors.

The Nomination Committee held one meeting during the year and the attendance of its members was as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Japhet Sebastian Law	1/1
Tsang Hing Lun	1/1
Richard Yingneng Yin	1/1

On the nomination process, the Nomination Committee would review suggested candidates for directorship having regard to the candidates' reputation and the specific skills or expertise that the candidates can contribute to the Company in the light of the structure, size, and composition of the board of directors. Only candidates who have integrity and can provide specific contributions to the Company thereby enhancing the value of the Company would be considered for nomination to the board of directors by the Nomination Committee.

During the year, the Nomination Committee's work included reviewing the structure, size, independence and composition of the Board of Directors and made recommendations thereon. Each director has also completed a self-assessment form regarding his skills and experience for the requirements of the business of the Group for review by the Nomination Committee.

AUDITORS' REMUNERATION

For the year ended 31st December, 2007, the Group had engaged its auditors, HLB Hodgson Impey Cheng, to provide the following services and their respective fees charged are set out below:

Type of services	2007 Approximately HK$
Audit for the Group	480,000
Non-audit services	
– Taxation services	48,000
	528,000

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. The Audit Committee consists of three independent non-executive directors, namely, Dr. Tsang Hing Lun, Dr. Japhet Sebastian Law and Mr. Michael Wu Wai Chung. Chaired by Dr. Tsang Hing Lun, the Audit Committee's role and function include making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee has reviewed the financial statements of the Group for the year ended 31st December, 2007 pursuant to the relevant provisions contained in the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

AUDIT COMMITTEE *(continued)*

The Audit Committee held four meetings during the year and the attendance of its members was as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Japhet Sebastian Law	3/4
Tsang Hing Lun	4/4
Michael Wu Wai Chung	2/4

During the year, the Audit Committee's work includes reviewing the Company's quarterly, half yearly and annual results, reviewing the Company's system of internal control, and the Company's accounting policies.

The directors' responsibilities for preparing the accounts and the reporting responsibilities of the auditors are set out on pages 29 to 30.

INTERNAL CONTROL

The Board recognizes its responsibility for maintaining a sound and effective internal control system for the Group. The Board has appointed an independent accountancy firm to review the internal control systems of the Group. The review covered all material controls including financial, operational, and compliance controls, as well as risk management functions. The internal control review report will be finalised for discussion and consideration by the Board.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
INTERNATIONAL FINANCIAL NETWORK HOLDINGS LTD.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Financial Network Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 93, which comprise the consolidated and company balance sheets as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 25th March, 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2007

	Note	2007 HK$	2006 HK$ (As restated) (Note 2.1)
Revenue	5	**112,268,909**	457,935,641
Cost of sales and services		**(69,582,713)**	(441,384,716)
Other gains	7	**5,289**	–
Other income	8	**1,337,098**	449,284
Employee benefits expenses	10	**(17,938,567)**	(14,473,809)
Depreciation of property, plant and equipment	16	**(1,247,774)**	(861,747)
Amortization of intangible assets	17	**(587,048)**	(666,432)
Impairment of investments in associates	20	**(10,430,519)**	–
Impairment of available-for-sale financial assets	21	**(322,850)**	–
Impairment of trade receivables	22	**(2,193,375)**	–
Other operating expenses		**(33,874,344)**	(11,850,382)
Share of loss of associates	20	**(752,189)**	(1,538,066)
Loss before income tax	9	**(23,318,083)**	(12,390,227)
Income tax expense	13	**(1,349,477)**	–
Loss for the year		**(24,667,560)**	(12,390,227)
Attributable to:			
Equity holders of the Company	14	**(24,655,055)**	(12,390,227)
Minority interests		**(12,505)**	–
		(24,667,560)	(12,390,227)
Loss per share for loss attributable to the equity holders of the Company during the year – basic and diluted	15	**(1.07) HK cents**	(0.6) HK cents

BALANCE SHEETS

As at 31st December, 2007

		The Group		The Company	
		2007	2006	2007	2006
	Note	HK$	HK$	HK$	HK$
			(As restated)		
			(Note 2.1)		
Non-current assets					
Property, plant and equipment	16	4,572,256	2,266,986	376,688	993,486
Intangible assets	17	491,698,427	621,632	–	–
Statutory deposits	18	2,030,000	2,180,000	–	–
Investments in subsidiaries	19	–	–	4,771,260	7,114,760
Investments in associates	20	136,998	11,319,706	–	–
Available-for-sale financial assets	21	1,252,060	1,528,366	–	–
		499,689,741	17,916,690	5,147,948	8,108,246
Current assets					
Trade receivables	22	37,293,670	12,245,724	–	–
Other receivables	23	27,619,027	2,496,749	237,126	269,783
Amounts due from subsidiaries	19	–	–	569,894,871	41,783,079
Amount due from an associate	20	548,868	–	–	–
Bank balances and cash	24	108,683,840	28,675,822	61,623,270	115,985
		174,145,405	43,418,295	631,755,267	42,168,847
Total assets		673,835,146	61,334,985	636,903,215	50,277,093
Current liabilities					
Trade payables	25	16,779,658	19,976,241	–	–
Other payables	26	25,626,170	1,813,772	1,393,512	780,843
Amounts due to subsidiaries	19	–	–	1,608,881	8,101,696
Amount due to an associate	20	72,773	238,763	–	–
Current income tax liabilities		4,929,833	–	–	–
Bank overdrafts	27	–	4,875,000	–	4,875,000
		47,408,434	26,903,776	3,002,393	13,757,539
Net current assets		126,736,971	16,514,519	628,752,874	28,411,308
Net assets		626,426,712	34,431,209	633,900,822	36,519,554

BALANCE SHEETS

As at 31st December, 2007

		The Group		The Company	
		2007	2006	**2007**	2006
	Note	**HK$**	HK$	**HK$**	HK$
			(As restated)		
			(Note 2.1)		
Capital and reserves					
Share capital	28	**25,384,340**	20,500,340	**25,384,340**	20,500,340
Share premium	28	**187,589,377**	99,621,355	**187,589,377**	99,621,355
Special reserve	29	**4,778,740**	4,778,740	**–**	–
Available-for-sale investments revaluation reserve		**870,794**	621,240	**–**	–
Translation reserve		**932,601**	170,639	**–**	–
Shares to be issued	32	**504,000,000**	–	**504,000,000**	–
Share options reserve	32	**14,460,609**	–	**14,460,609**	–
Share-based compensation reserve	30	**4,240,920**	–	**4,240,920**	–
Accumulated losses		**(115,916,165)**	(91,261,110)	**(101,774,424)**	(83,602,141)
Equity attributable to the Company's equity holders		**626,341,216**	34,431,204	**633,900,822**	36,519,554
Minority interests		**85,496**	5	**–**	–
Total equity		**626,426,712**	34,431,209	**633,900,822**	36,519,554

Richard Yingneng Yin
Director

Lee Yiu Sun
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st December, 2007

The Group	Share capital HK$ (Note 28)	Share premium HK$ (Note 28)	Special reserve HK$ (Note 29)	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Shares to be issued HK$ (Note 32)	Share options reserve HK$ (Note 32)	Share-based compensation reserve HK$ (Note 30)	Accumulated losses HK$	Total HK$	Minority interests HK$	Total equity HK$
	Attributable to the equity holders of the Company											
Balance at 1st January, 2006	20,500,340	99,621,355	4,778,740	84,635	–	–	–	–	(78,870,883)	46,114,187	5	46,114,192
Change in fair value of available-for-sale financial assets	–	–	–	536,605	–	–	–	–	–	536,605	–	536,605
Currency translation differences – Group	–	–	–	–	170,639	–	–	–	–	170,639	–	170,639
Total income and expense recognized directly in equity	–	–	–	536,605	170,639	–	–	–	–	707,244	–	707,244
Loss for the year	–	–	–	–	–	–	–	–	(12,390,227)	(12,390,227)	–	(12,390,227)
Total recognized income and expense for the year	–	–	–	536,605	170,639	–	–	–	(12,390,227)	(11,682,983)	–	(11,682,983)
Balance at 31st December, 2006 as restated (Note 2.1)	**20,500,340**	**99,621,355**	**4,778,740**	**621,240**	**170,639**	**–**	**–**	**–**	**(91,261,110)**	**34,431,204**	**5**	**34,431,209**
Balance at 1st January, 2007 as restated (Note 2.1)	20,500,340	99,621,355	4,778,740	621,240	170,639	–	–	–	(91,261,110)	34,431,204	5	34,431,209
Change in fair value of available-for-sale financial assets	–	–	–	253,343	–	–	–	–	–	253,343	–	253,343
Currency translation differences – Group	–	–	–	–	761,962	–	–	–	–	761,962	–	761,962
Total income and expense recognized directly in equity	–	–	–	253,343	761,962	–	–	–	–	1,015,305	–	1,015,305
Loss for the year	–	–	–	–	–	–	–	–	(24,655,055)	(24,655,055)	(12,505)	(24,667,560)
Total recognized income and expense for the year	–	–	–	253,343	761,962	–	–	–	(24,655,055)	(23,639,750)	(12,505)	(23,652,255)
Balance c/f	20,500,340	99,621,355	4,778,740	874,583	932,601	–	–	–	(115,916,165)	10,791,454	(12,500)	10,778,954

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st December, 2007

The Group	Share capital HK$ (Note 28)	Share premium HK$ (Note 28)	Special reserve HK$ (Note 29)	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Shares to be issued HK$ (Note 32)	Share options reserve HK$ (Note 32)	Share-based compensation reserve HK$ (Note 30)	Accumulated losses HK$	Total HK$	Minority interests HK$	Total equity HK$
	Attributable to the equity holders of the Company											
Balance b/f	20,500,340	99,621,355	4,778,740	874,583	932,601	–	–	–	(115,916,165)	10,791,454	(12,500)	10,778,954
Net gain transferred to profit or loss on disposal of available-for–sale financial assets	–	–	–	(3,789)	–	–	–	–	–	(3,789)	–	(3,789)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Capital contributions from minority interests	–	–	–	–	–	–	–	–	–	–	98,000	98,000
Share option scheme												
– value of employee services	–	–	–	–	–	–	–	5,725,242	–	5,725,242	–	5,725,242
– issue of shares under the share option scheme	84,000	1,831,200	–	–	–	–	–	–	–	1,915,200	–	1,915,200
Transfer upon exercise of employee share options	–	1,484,322	–	–	–	–	–	(1,484,322)	–	–	–	–
Fair values of Consideration Shares and Option to be issued in respect of acquisition of subsidiaries (Note 32)	–	–	–	–	–	504,000,000	14,460,609	–	–	518,460,609	–	518,460,609
Issue of shares by way of placements	4,500,000	88,100,000	–	–	–	–	–	–	–	92,600,000	–	92,600,000
Issue of shares upon exercise of options granted under a subscription agreement	300,000	480,000	–	–	–	–	–	–	–	780,000	–	780,000
Share issue costs	–	(3,927,500)	–	–	–	–	–	–	–	(3,927,500)	–	(3,927,500)
Balance at 31st December, 2007	**25,384,340**	**187,589,377**	**4,778,740**	**870,794**	**932,601**	**504,000,000**	**14,460,609**	**4,240,920**	**(115,916,165)**	**626,341,216**	**85,496**	**626,426,712**

STATEMENTS OF CHANGES IN EQUITY

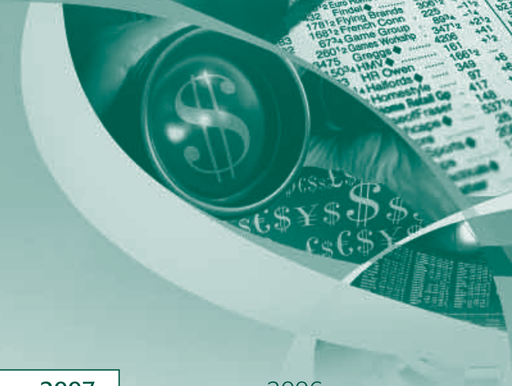
For the year ended 31st December, 2007

The Company	Share capital HK$ (Note 28)	Share premium HK$ (Note 28)	Shares to be issued HK$ (Note 32)	Share options reserve HK$ (Note 32)	Share-based compensation reserve HK$ (Note 30)	Accumulated losses HK$	Total equity HK$
Balance at 1st January, 2006	20,500,340	99,621,355	–	–	–	(74,610,770)	45,510,925
Loss for the year and total recognized income and expense for the year	–	–	–	–	–	(8,991,371)	(8,991,371)
Balance at 31st December, 2006 and 1st January, 2007	20,500,340	99,621,355	–	–	–	(83,602,141)	36,519,554
Loss for the year and total recognized income and expense for the year	–	–	–	–	–	(18,172,283)	(18,172,283)
Share option scheme							
– value of employee services	–	–	–	–	5,725,242	–	5,725,242
– issue of shares under the share option scheme	84,000	1,831,200	–	–	–	–	1,915,200
Transfer upon exercise of employee share options	–	1,484,322	–	–	(1,484,322)	–	–
Fair values of Consideration Shares and Option to be issued in respect of acquisition of subsidiaries (Note 32)	–	–	504,000,000	14,460,609	–	–	518,460,609
Issue of shares by way of placements	4,500,000	88,100,000	–	–	–	–	92,600,000
Issue of shares upon exercise of options granted under a subscription agreement	300,000	480,000	–	–	–	–	780,000
Share issue costs	–	(3,927,500)	–	–	–	–	(3,927,500)
Balance at 31st December, 2007	**25,384,340**	**187,589,377**	**504,000,000**	**14,460,609**	**4,240,920**	**(101,774,424)**	**633,900,822**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	Note	2007 HK$	2006 HK$ (As restated) (Note 2.1)
Cash flows from operating activities			
Loss before income tax		(23,318,083)	(12,390,227)
Adjustments for:			
– Depreciation of property, plant and equipment		1,247,774	861,747
– Amortization of intangible assets		587,048	666,432
– Share-based compensation expenses		5,725,242	–
– Share of loss of associates		752,189	1,538,066
– Loss on disposal of property, plant and equipment		426,532	–
– Impairment of investments in associates		10,430,519	–
– Impairment of available-for-sale financial assets		322,850	–
– Impairment of trade receivables		2,193,375	–
– Gain on disposal of subsidiaries		(1,500)	–
– Net gain transferred from equity on disposal of available-for-sale financial assets		(3,789)	–
– Dividend income		(30,645)	(45,947)
– Interest income		(989,643)	(573,260)
Operating cash flows before changes in working capital		(2,658,131)	(9,943,189)
– Statutory deposits		150,000	(25,000)
– Trade receivables		(13,152,373)	(8,906,054)
– Other receivables		34,077,204	(843,583)
– Bank trust accounts		(298,164)	(6,065,984)
– Trade payables		(3,196,583)	13,172,238
– Other payables		(24,760,489)	937,687
Cash used in operations		(9,838,536)	(11,673,885)
Dividend received		30,645	45,947
Interest received		989,643	573,260
Net cash used in operating activities		(8,818,248)	(11,054,678)



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2007

	Note	2007 HK$	2006 HK$ (As restated) (Note 2.1)
Cash flows from investing activities			
Purchase of property, plant and equipment		(867,859)	(1,686,210)
Purchase of available-for-sale financial assets		–	(526,237)
Proceeds from disposal of property, plant and equipment		235,900	–
Proceeds from disposal of available-for-sale financial assets		206,799	–
Advances to associates		(714,858)	(186,946)
Acquisition of subsidiaries, net of cash acquired	32	1,993,584	135,659
Acquisition of additional interests in a subsidiary		(4)	–
Disposal of subsidiaries, net of cash disposed of HK$312,425	33	115,150	–
Transaction costs paid relating to the acquisition of investment in an associate		–	(1,383,758)
Net cash generated from/(used in) investing activities		968,712	(3,647,492)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		95,295,200	–
Share issue costs		(3,927,500)	–
Capital contributions from minority interests		98,000	–
Net cash generated from financing activities		91,465,700	–
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		83,616,164	(14,702,170)
Cash, cash equivalents and bank overdrafts at beginning of year		12,222,927	26,754,458
Exchange gains on cash and cash equivalents		968,690	170,639
Cash, cash equivalents and bank overdrafts at end of year	24	96,807,781	12,222,927
Net cash inflow on acquisition of subsidiaries:			
Direct costs relating to the acquisition, settled in cash		(734,364)	–
Purchase consideration, settled in cash		–	(224,339)
Cash and cash equivalents in subsidiaries acquired		2,727,948	359,998
		1,993,584	135,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2007

1. GENERAL INFORMATION

International Financial Network Holdings Ltd. (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of financial services including the provision of a trading platform, brokerage and securities margin financing, wealth management, infrastructure broking services comprising trading, clearing and settlement, corporate finance services, provision of stock information and research as well as trading and principal investment.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company's principal place of business is situated at 19th Floor, V-Heun Building, 138 Queen's Road Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars (HK$) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 25th March, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Reclassification of "Investment in an associate classified as held for sale" to "Investment in an associate"

On 10th March, 2006, the Group completed the acquisition of approximately 29.9% equity interests in Tastyfood Holdings Ltd. ("Tastyfood"), a company incorporated in Singapore and whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited. At the time of acquisition, the Group was acquiring a proprietary position to realize the potential of its investment in Tastyfood exclusively with a view to its subsequent disposal at a profit. As the directors considered that the carrying amount of the Group's investment in Tastyfood would be recovered principally through a sale transaction, the investment was previously accounted for as "Investment in an associate classified as held for sale" and measured at the lower of its carrying amount and fair value less costs to sell in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

During the year ended 31st December, 2007, the Group's investment in Tastyfood previously classified as held for sale no longer met the criteria to be so classified and accordingly, it has been accounted for using the equity method as from the date of its classification as held for sale in accordance with HKAS 28 *Investments in Associates*. The financial statements for the year ended 31st December, 2006 have been amended accordingly with the following effects:

	As at 31st December, 2006 *HK$*
Assets	
Increase in investments in associates	11,075,137
Decrease in investment in an associate classified as held for sale	(12,607,758)
Decrease in net assets	(1,532,621)
Equity	
Increase in accumulated losses	(1,532,621)
Decrease in total equity	(1,532,621)

	For the year ended 31st December, 2006 *HK$*
Income statement	
Increase in share of loss of associates	(1,532,621)
Increase in loss for the year	(1,532,621)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(a) Standards, amendments and interpretations effective in 2007

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of Financial Statements – Capital Disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) – Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1st January, 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies"; and

- HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives".

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January, 2008 or later periods, but the Group has not early adopted them:

- HKAS 23 (Revised), "Borrowing Costs" (effective from 1st January, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

- HKFRS 8, "Operating Segments" (effective from 1st January, 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January, 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions" (effective from 1st March, 2007). HK(IFRIC)-Int 11 provides guidance on classifying share-based payment transactions involving an entity's own equity instruments or the equity instruments of the parent. The Group will apply HK(IFRIC)-Int 11 from 1st January, 2008, but it is not expected to have a significant impact on the Group's financial statements.

- HK(IFRIC) – Int 14, "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1st January, 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1st January, 2008, but it is not expected to have any impact on the Group's financial statements.

(d) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January, 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, "Service Concession Arrangements" (effective from 1st January, 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

2.1 **Basis of preparation** *(continued)*

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations (continued)

- HK(IFRIC) – Int 13, "Customer Loyalty Programmes" (effective from 1st July, 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2.2 **Consolidation**

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated, using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the term of leases
Office equipment and furniture	3 to 5 years
Computer equipment	3 years
Motor vehicle	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 recognized in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trading rights

The Group's intangible assets represent eligibility rights to trade on or through the Stock Exchange and on the Hong Kong Futures Exchange Limited, which are carried at cost less accumulated amortization and accumulated impairment losses.

2.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and bank balances in the balance sheet.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet dates; these are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Financial assets *(continued)*

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.9 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheets.

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits

(a) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully within the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. As at the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the MPF Scheme and available to reduce the contribution payable in future years was nil (2006: Nil).

Retirement benefits to employees in the People's Republic of China (the "PRC") are provided through a defined contribution plan. The Group is required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to income statement as they become payable in accordance with the rules of the central pension scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services provided in the ordinary course of the Group's activities. Revenue is recognized when it is probable that future economic benefits will flow to the Group and when the amount of revenue can be measured reliably, on the following bases:

(a) Commission income from securities and futures brokerage is recognized on a trade date basis.

(b) Fees and service income are recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(c) Transactions of investment in securities and related revenues are recorded on a trade date basis.

(d) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(e) Dividend income is recognized when the right to receive payment is established.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 10% (2006: 0.1%) of the Group's revenues are denominated in currencies other than the functional currency of the operating units making the revenue, whilst almost 90% (2006: 94%) of costs are denominated in the units' functional currency. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's loss before income tax (due to changes in the fair value of monetary assets and liabilities). No sensitivity analysis is presented for the reasonably possible change in the Singapore dollar exchange rate as the Group's monetary assets and liabilities denominated in Singapore dollars are not significant.

	Increase/ (decrease) in RMB exchange rate	Increase/ (decrease) in loss before income tax	Increase/ (decrease) in equity
	%	HK$	HK$
2007			
If Hong Kong dollar weakens against RMB	5%	–	2,065,355
If Hong Kong dollar strengthens against RMB	-5%	–	(2,065,355)
2006			
If Hong Kong dollar weakens against RMB	–	–	–
If Hong Kong dollar strengthens against RMB	–	–	–

3. **FINANCIAL RISK MANAGEMENT** *(continued)*

3.1 **Financial risk factors** *(continued)*

(a) Market risk (continued)

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (Note 21) as at 31st December, 2007. The Group's listed investments are listed on the Stock Exchange of Hong Kong and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to every 5% increase/decrease in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Increase/ (decrease) in carrying amount of equity investments	Increase/ (decrease) in loss before income tax	Increase/ (decrease) in equity
	HK$	HK$	HK$
2007			
Equity securities listed in Hong Kong			
5% increase in equity price	**62,603**	**–**	**62,603**
5% decrease in equity price	**(62,603)**	**–**	**(62,603)**
2006			
Equity securities listed in Hong Kong			
5% increase in equity price	60,276	–	60,276
5% decrease in equity price	(60,276)	–	(60,276)

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates and the directors consider the cash flow and fair value interest rate risk is insignificant to the Group.

3. **FINANCIAL RISK MANAGEMENT** *(continued)*

3.1 **Financial risk factors** *(continued)*

(b) *Credit risk*

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the balance sheet date, the Group has certain concentrations of credit risk as 43% (2006: 20%) and 89% (2006: 55%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 22 to the consolidated financial statements.

(c) *Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31st December, 2007, the Group did not have any bank borrowings (2006: Bank overdrafts of HK$4,875,000).

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year	**More than 1 year but less than 5 years**	**Total**
	HK$	HK$	HK$
2007			
Trade payables	**16,779,658**	**–**	**16,779,658**
Other payables	**25,626,170**	**–**	**25,626,170**
Amount due to an associate	**72,773**	**–**	**72,773**
2006			
Trade payables	19,976,241	–	19,976,241
Other payables	1,813,772	–	1,813,772
Amount due to an associate	238,763	–	238,763
Bank overdrafts	4,875,000	–	4,875,000

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

Certain of the Group's subsidiaries are regulated by the Securities and Futures Commission of Hong Kong (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. In addition, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (including current and non-current liabilities but excluding current or deferred income tax liabilities as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (including share capital, reserves, accumulated losses and minority interests as shown in the consolidated balance sheet).

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a debt-to-adjusted capital ratio within 0% to 5%. The debt-to-adjusted capital ratios at 31st December, 2007 and 2006 were as follows:

	2007 HK$	2006 HK$
Total debt	**47,408,434**	26,903,776
Less: Bank balances and cash, including bank trust accounts (Note 24)	**108,683,840**	28,675,822
Net debt	**–**	–
Total equity	**626,426,712**	34,431,209
Adjusted capital	**626,426,712**	34,431,209
Debt-to-adjusted capital ratio	**0%**	0%

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying values less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.4 Financial instruments by category

The carrying amounts of each of the categories of financial instruments at the balance sheet date are as follows:

2007	Available-for-sale financial assets HK$	Loans and receivables HK$	Total HK$
Financial assets as per consolidated balance sheet			
Statutory deposits	–	2,030,000	2,030,000
Available-for-sale financial assets	1,252,060	–	1,252,060
Trade receivables	–	37,293,670	37,293,670
Other receivables	–	27,619,027	27,619,027
Amount due from an associate	–	548,868	548,868
Bank balances and cash	–	108,683,840	108,683,840
	1,252,060	176,175,405	177,427,465

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Financial instruments by category *(continued)*

	Financial liabilities at amortized cost HK$	Total HK$
Financial liabilities as per consolidated balance sheet		
Trade payables	16,779,658	16,779,658
Other payables	25,626,170	25,626,170
Amount due to an associate	72,773	72,773
	42,478,601	42,478,601

2006	Available-for-sale financial assets HK$	Loans and receivables HK$	Total HK$
Financial assets as per consolidated balance sheet			
Statutory deposits	–	2,180,000	2,180,000
Available-for-sale financial assets	1,528,366	–	1,528,366
Trade receivables	–	12,245,724	12,245,724
Other receivables	–	2,496,749	2,496,749
Bank balances and cash	–	28,675,822	28,675,822
	1,528,366	45,598,295	47,126,661

	Financial liabilities at amortized cost HK$	Total HK$
Financial liabilities as per consolidated balance sheet		
Trade payables	19,976,241	19,976,241
Other payables	1,813,772	1,813,772
Amount due to an associate	238,763	238,763
Bank overdrafts	4,875,000	4,875,000
	26,903,776	26,903,776

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Estimated impairment of trade and other receivables

The Group's management determines the impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the balance sheet date.

5. REVENUE

	2007 HK$	2006 HK$
Income from provision of a trading platform	170,286	147,970
Commission income from securities and futures brokerage, and infrastructure broking service fee	7,822,648	3,564,998
Interest income from clients	486,024	439,597
Income from provision of corporate finance services	657,816	7,953,687
Trading and principal investment	69,583,627	441,067,166
Income from provision of wealth management services	23,438,336	4,414,987
Income from provision of fund management services	–	347,236
Income from provision of stock information and research	10,110,172	–
	112,268,909	457,935,641

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 31st December, 2007, the Group is organized into 6 business segments:

(i) Provision of a trading platform;

(ii) Provision of brokerage and securities margin financing, and infrastructure broking services;

(iii) Provision of corporate finance services;

(iv) Trading and principal investment;

(v) Provision of wealth management services; and

(vi) Provision of stock information and research.

The segment results for the year ended 31st December, 2007 are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth management services HK$	Stock information and research HK$	Total HK$
Segment revenue	170,286	8,308,672	657,816	69,583,627	23,438,336	10,110,172	112,268,909
Segment results	16,976	(1,073,886)	(6,444,632)	(10,492,822)	949,901	8,993,192	(8,051,271)
Net unallocated expenses							(14,851,342)
Interest expenses							(166,900)
Interest income							503,619
Share of loss of associates							(752,189)
Loss before income tax							(23,318,083)
Income tax expense							(1,349,477)
Loss for the year							(24,667,560)

6. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment results for the year ended 31st December, 2006 are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth and fund management services HK$	Stock information and research HK$	Total HK$ (As restated)
Segment revenue	147,970	4,004,595	7,953,687	441,067,166	4,762,223	–	457,935,641
Segment results	13,868	(2,937,747)	4,440,078	426,921	(3,855,526)	–	(1,912,406)
Net unallocated expenses							(9,007,731)
Interest expenses							(65,687)
Interest income							133,663
Share of loss of associates							(1,538,066)
Loss before income tax							(12,390,227)
Income tax expense							–
Loss for the year							(12,390,227)

Other segment information for the year ended 31st December, 2007 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth management services HK$	Stock information and research HK$	Unallocated HK$	Total HK$
Depreciation and amortization	–	949,968	288,345	–	12,719	93,395	490,395	1,834,822
Impairment of available-for-sale financial assets	–	–	–	322,850	–	–	–	322,850
Impairment of investments in associates	–	–	–	10,430,505	14	–	–	10,430,519
Impairment of trade receivables	–	–	2,193,375	–	–	–	–	2,193,375

6. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

Other segment information for the year ended 31st December, 2006 is as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth and fund management services HK$	Stock information and research HK$	Unallocated HK$	Total HK$
Depreciation and amortization	–	1,024,435	2,567	–	4,603	–	496,574	1,528,179

Segment assets consist primarily of property, plant and equipment, intangible assets, statutory deposits, investments in associates, available-for-sale financial assets, trade and other receivables, and bank balances and cash. Segment liabilities comprise operating liabilities.

The segment assets and liabilities as at 31st December, 2007 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth management services HK$	Stock information and research HK$	Unallocated HK$	Total HK$
Segment assets	35,056	39,990,995	3,092,809	677,377	5,454,079	556,036,265	68,411,567	673,698,148
Investments in associates	–	–	–	–	136,998	–	–	136,998
	35,056	39,990,995	3,092,809	677,377	5,591,077	556,036,265	68,411,567	673,835,146
Segment liabilities	2,341	12,516,676	414,771	4,369,128	627,500	28,084,506	1,393,512	47,408,434
Capital expenditure								
Additions of property, plant and equipment	–	79,153	759,716	–	7,330	3,315,622	21,660	4,183,481
Additions of intangible assets	–	–	–	–	–	491,663,843	–	491,663,843

6. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

The segment assets and liabilities as at 31st December, 2006 and capital expenditure for the year then ended are as follows:

	Provision of a trading platform HK$	Brokerage and securities margin financing, and infrastructure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth and fund management services HK$	Stock information and research HK$	Unallocated HK$	Total HK$ (As restated)
Segment assets	118,260	39,150,525	4,029,329	1,555,473	4,412,715	–	748,977	50,015,279
Investments in associates	–	–	–	11,075,137	244,555	–	14	11,319,706
	118,260	39,150,525	4,029,329	12,630,610	4,657,270	–	748,991	61,334,985
Segment liabilities	2,520	18,322,639	44,907	1,284,182	2,487,706	–	4,761,822	26,903,776
Capital expenditure								
Additions of property, plant and equipment	–	1,297,972	40,802	–	54,030	–	299,280	1,692,084

(b) Secondary reporting format – geographical segments

The Group mainly operates in Hong Kong, Singapore and the PRC.

	2007 HK$	2006 HK$
Revenue		
Hong Kong	**101,731,732**	457,577,895
Singapore	**427,005**	357,746
The PRC	**10,110,172**	–
	112,268,909	457,935,641

Revenue is allocated based on the country in which the customer is located.

6. SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format – geographical segments *(continued)*

	2007 HK$	2006 HK$ (As restated)
Total assets		
Hong Kong	116,879,802	48,685,355
Singapore	782,081	1,007,074
The PRC	556,036,265	–
Japan	–	322,850
	673,698,148	50,015,279
Investments in associates	136,998	11,319,706
	673,835,146	61,334,985

Total assets are allocated based on where the assets are located.

	2007 HK$	2006 HK$
Capital expenditure		
Hong Kong	841,467	1,651,282
Singapore	26,392	40,802
The PRC	494,979,465	–
	495,847,324	1,692,084

Capital expenditure is allocated on where the assets are located.

7. OTHER GAINS

	2007 HK$	2006 HK$
Gain on disposal of subsidiaries (Note 33)	1,500	–
Net gain transferred from equity on disposal of available-for-sale financial assets	3,789	–
	5,289	–

8. OTHER INCOME

	2007 HK$	2006 HK$
CCASS fee income	264,418	106,327
Handling fee income	91,704	57,453
Interest income on bank deposits	460,763	63,862
Interest income from an associate	8,662	–
Other interest income	34,194	69,801
Dividend income from listed investments	30,645	45,947
Sundry income	446,712	105,894
	1,337,098	449,284

9. LOSS BEFORE INCOME TAX

	2007 HK$	2006 HK$
Loss before income tax has been arrived at after charging:		
Auditors' remuneration	480,000	200,000
Loss on disposal of property, plant and equipment	426,532	–
Operating lease rentals in respect of rented premises	1,714,783	860,824

10. EMPLOYEE BENEFITS EXPENSES

	2007 HK$	2006 HK$
Wages and salaries	11,882,580	14,103,413
Share options granted to directors and employees	5,725,242	–
Pension costs – defined contribution schemes	330,745	370,396
Employee benefits expenses, including directors' remuneration	17,938,567	14,473,809

11. DIRECTORS' REMUNERATION

Year ended 31st December, 2007

Name of director	Fees HK$	Salaries, allowances, and benefits in kind HK$	Employee share option benefits HK$	Employer's contributions to pension scheme HK$	Total HK$
Executive directors					
Mr. Richard Yingneng Yin	–	800,000	2,827,280	12,000	3,639,280
Mr. Lee Yiu Sun	–	750,000	706,820	12,000	1,468,820
Non-executive director					
Dr. Kennedy Wong Ying Ho	240,000	–	706,820	–	946,820
Independent non-executive directors					
Mr. Michael Wu Wai Chung	85,000	–	353,410	–	438,410
Dr. Japhet Sebastian Law	95,000	–	353,410	–	448,410
Dr. Tsang Hing Lun	90,000	–	353,410	–	443,410
	510,000	1,550,000	5,301,150	24,000	7,385,150

11. DIRECTORS' REMUNERATION

Year ended 31st December, 2006

Name of director	Fees	Salaries, allowances, and benefits in kind	Employer's contributions to pension scheme	Total
	HK$	HK$	HK$	HK$
Executive directors				
Mr. Richard Yingneng Yin	–	1,380,000	12,000	1,392,000
Mr. Lee Yiu Sun	–	1,200,000	12,000	1,212,000
Dr. Seah Chin Yew (Note)	–	1,035,000	9,000	1,044,000
Non-executive director				
Dr. Kennedy Wong Ying Ho	240,000	–	–	240,000
Independent non-executive directors				
Mr. Michael Wu Wai Chung	84,990	–	–	84,990
Dr. Japhet Sebastian Law	95,000	–	–	95,000
Dr. Tsang Hing Lun	90,000	–	–	90,000
	509,990	3,615,000	33,000	4,157,990

Note: Resigned on 28th September, 2006. In addition to the director's remuneration of HK$1,044,000 disclosed above, Dr. Seah Chin Yew also received employee's emoluments of HK$348,000 for the period from the date of his resignation as an executive director of the Company to 31st December, 2006.

During the year ended 31st December, 2007, 30,000,000 share options were granted to the directors of the Company under the Company's share option scheme (2006: Nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil). None of the directors waived or agreed to waive any remuneration during the year (2006: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2006: three) directors, details of whose remuneration are set out in Note 11. The emoluments payable to the remaining two (2006: two) individuals for the year are as follows:

	2007 HK$	2006 HK$
Salaries, allowances and benefits in kind	1,520,868	2,006,078
Employee share option benefits	176,705	–
Pension costs – defined contribution scheme	30,258	47,202
	1,727,831	2,053,280

Their emoluments fell within the following bands:

	2007 Number of individuals	2006 Number of individuals
HK$1,000,001 to HK$1,500,000	–	1
Nil to HK$1,000,000	2	1
	2	2

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

13. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 17.5% (2006:17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year (2006: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 HK$	2006 HK$
Current income tax		
– Hong Kong Profits Tax	–	–
– PRC Enterprise Income Tax	1,349,477	–
	1,349,477	–

13. INCOME TAX EXPENSE *(continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%) as follows:

	2007 HK$	2006 HK$
Loss before income tax	(23,318,083)	(12,390,227)
Tax calculated at Hong Kong Profits Tax rate of 17.5%	(4,080,665)	(2,168,290)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(211,752)	(31,386)
Income not subject to tax	(84,713)	(908,808)
Expenses not deductible for tax purposes	1,908,783	1,219,228
Others	3,817,824	1,889,256
Tax charge	1,349,477	–

No deferred tax liabilities have been recognized in the financial statements as the Group and the Company did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31st December, 2007 (2006: Nil).

A deferred tax asset has not been recognized in the financial statements in respect of estimated unused tax losses available for offset against future profits due to the uncertainty of future profit streams. These unrecognized temporary differences have no expiry date.

As at 31st December, 2007, the unrecognized deferred tax assets of the Group and of the Company are as follows:

	The Group		The Company	
	2007 HK$	2006 HK$	2007 HK$	2006 HK$
Unused tax losses	18,282,176	15,364,032	9,212,028	7,004,177

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$18,172,283 (2006: HK$8,991,371).

15. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the year ended 31st December, 2007 of HK$24,655,055 (2006 as restated: HK$12,390,227) by the weighted average number of 2,298,434,000 (2006: 2,050,034,000) ordinary shares in issue during the year.

Diluted

The computation of diluted loss per share did not assume the exercise of the Company's share options outstanding during the years ended 31st December, 2006 and 2007 since their exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold improvements	Office equipment and furniture	Computer equipment	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
As at 1st January, 2006					
Cost	953,497	827,352	918,860	272,760	2,972,469
Accumulated depreciation	(105,943)	(773,019)	(611,398)	(45,460)	(1,535,820)
Net book amount	847,554	54,333	307,462	227,300	1,436,649
Year ended 31st December, 2006					
Opening net book amount	847,554	54,333	307,462	227,300	1,436,649
Additions	316,571	370,436	999,203	–	1,686,210
Acquisition of subsidiaries	–	5,874	–	–	5,874
Depreciation	(463,691)	(67,741)	(239,395)	(90,920)	(861,747)
Closing net book amount	700,434	362,902	1,067,270	136,380	2,266,986
As at 31st December, 2006					
Cost	1,270,068	1,203,662	1,918,063	272,760	4,664,553
Accumulated depreciation	(569,634)	(840,760)	(850,793)	(136,380)	(2,397,567)
Net book amount	700,434	362,902	1,067,270	136,380	2,266,986
Year ended 31st December, 2007					
Opening net book amount	700,434	362,902	1,067,270	136,380	2,266,986
Additions	699,500	88,853	79,506	–	867,859
Acquisition of subsidiaries (Note 32)	–	1,560,851	–	1,754,771	3,315,622
Exchange differences	(8,559)	30,646	(104)	32,683	54,666
Disposals	(46,884)	(242,240)	(373,308)	–	(662,432)
Disposal of subsidiaries	–	(10,189)	(12,482)	–	(22,671)
Depreciation	(668,935)	(169,587)	(339,403)	(69,849)	(1,247,774)
Closing net book amount	**675,556**	**1,621,236**	**421,479**	**1,853,985**	**4,572,256**
As at 31st December, 2007					
Cost	1,648,997	1,989,122	1,018,078	2,060,427	6,716,624
Accumulated depreciation	(973,441)	(367,886)	(596,599)	(206,442)	(2,144,368)
Net book amount	**675,556**	**1,621,236**	**421,479**	**1,853,985**	**4,572,256**

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company	Leasehold improvements	Office equipment and furniture	Computer equipment	Total
	HK$	HK$	HK$	HK$
As at 1st January, 2006				
Cost	953,497	164,620	462,605	1,580,722
Accumulated depreciation	(105,943)	(110,287)	(167,838)	(384,068)
Net book amount	847,554	54,333	294,767	1,196,654
Year ended 31st December, 2006				
Opening net book amount	847,554	54,333	294,767	1,196,654
Additions	–	30,607	262,799	293,406
Depreciation	(317,832)	(25,037)	(153,705)	(496,574)
Closing net book amount	529,722	59,903	403,861	993,486
As at 31st December, 2006				
Cost	953,497	195,227	725,404	1,874,128
Accumulated depreciation	(423,775)	(135,324)	(321,543)	(880,642)
Net book amount	529,722	59,903	403,861	993,486
Year ended 31st December, 2007				
Opening net book amount	529,722	59,903	403,861	993,486
Additions	–	12,500	9,160	21,660
Disposals	–	–	(148,063)	(148,063)
Depreciation	(317,832)	(32,813)	(139,750)	(490,395)
Closing net book amount	**211,890**	**39,590**	**125,208**	**376,688**
As at 31st December, 2007				
Cost	953,497	202,029	424,012	1,579,538
Accumulated depreciation	(741,607)	(162,439)	(298,804)	(1,202,850)
Net book amount	**211,890**	**39,590**	**125,208**	**376,688**

17. INTANGIBLE ASSETS

The Group	Goodwill	Trading rights	Total
	HK$	HK$	HK$
As at 1st January, 2006			
Cost	–	3,592,000	3,592,000
Accumulated amortization	–	(2,303,936)	(2,303,936)
Net book amount	–	1,288,064	1,288,064
Year ended 31st December, 2006			
Opening net book amount	–	1,288,064	1,288,064
Amortization charge	–	(666,432)	(666,432)
Closing net book amount	–	621,632	621,632
As at 31st December, 2006			
Cost	–	3,592,000	3,592,000
Accumulated amortization	–	(2,970,368)	(2,970,368)
Net book amount	–	621,632	621,632
Year ended 31st December, 2007			
Opening net book amount	–	621,632	621,632
Acquisition of subsidiaries (Note 32)	491,663,843	–	491,663,843
Amortization charge	–	(587,048)	(587,048)
Closing net book amount	**491,663,843**	**34,584**	**491,698,427**
As at 31st December, 2007			
Cost	491,663,843	3,592,000	495,255,843
Accumulated amortization	–	(3,557,416)	(3,557,416)
Net book amount	**491,663,843**	**34,584**	**491,698,427**

17. INTANGIBLE ASSETS *(continued)*

Notes:

(i) The trading rights as at 31st December, 2007 represent two trading rights in the Stock Exchange and one trading right in the Hong Kong Futures Exchange Limited.

(ii) On 16th November, 2007, the Group completed the acquisition of the GoHi Group. The related goodwill arising from the aforesaid acquisition amounted to HK$491,663,843 (Note 32).

(iii) Goodwill is allocated to the Group's cash-generating unit ("CGU") which is principally engaged in the provision of stock information and research in the PRC. The recoverable amount of a CGU is determined based on value-in-use calculations.

The calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. The key assumptions used for the cash flow projections include budgeted revenue and budgeted gross margins during each of the forecasting periods, which are determined by management based on past performance and its expectation of market development. All cash flows are discounted at a discount rate of 12.27% which reflects the specific risks relating to this CGU.

18. STATUTORY DEPOSITS

	The Group	
	2007	2006
	HK$	HK$
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Contribution fund deposit	**100,000**	100,000
– Admission fee deposit	**100,000**	100,000
The Stock Exchange of Hong Kong Limited		
– Compensation fund deposit	**100,000**	100,000
– Fidelity fund deposit	**100,000**	100,000
– Stamp duty deposit	**30,000**	30,000
HKFE Clearing Corporation Limited ("HKFECC")		
– Reserve fund deposit	**1,500,000**	1,500,000
The Securities and Futures Commission of Hong Kong		
– Deposits for responsible officers	**100,000**	250,000
	2,030,000	2,180,000

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$	HK$
Unlisted shares, at cost	**7,114,760**	7,114,760
Impairment	**(2,343,500)**	–
	4,771,260	7,114,760

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and repayable on demand. Except for an amount due from a subsidiary of HK$435,889 which is denominated in Singapore dollars, the amounts due from and due to subsidiaries are denominated in Hong Kong dollars.

The following is a list of the Company's principal subsidiaries as at 31st December, 2007, all of which are wholly owned by the Group:

Name	Place of incorporation/ establishment, Kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital
First China Financial Holdings (BVI) Limited (Formerly known as International Financial Network Holdings (BVI) Limited) *	British Virgin Islands, Limited liability company	Investment holding	611,700 ordinary shares of US$1 each
International Financial Network Capital (Singapore) Pte. Ltd. *	Singapore, Limited liability company	Provision of corporate finance services in Singapore	500,000 ordinary shares of S$1 each
Stockmartnet Limited	Hong Kong, Limited liability company	Securities trading in Hong Kong	3 ordinary shares of HK$1 each

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment, Kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital
International Financial Network Capital Limited	Hong Kong, Limited liability company	Provision of corporate finance services in Hong Kong	2,400,000 ordinary shares of HK$1 each (2006: 1,500,000 ordinary shares of HK$1 each)
First China Securities Limited (Formerly known as IFN–GT Securities Limited)	Hong Kong, Limited liability company	Securities brokerage and securities margin financing, and infrastructure broking services in Hong Kong	50,000,000 ordinary shares of HK$1 each
First China Futures Limited (Formerly known as IFN–GT Futures Limited)	Hong Kong, Limited liability company	Futures brokerage in Hong Kong	12,000,000 ordinary shares of HK$1 each
First China Processing Services Limited (Formerly known as International Financial Network Processing Services Limited)	Hong Kong, Limited liability company	Provision of a trading platform in Hong Kong	2 ordinary shares of HK$1 each
First China Financial Services Limited (Formerly known as IFN Financial Services Limited)	Hong Kong, Limited liability company	Investment holding	1 ordinary share of HK$1 Eeach
IFN-GT Financial Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment, Kind of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital
GT Wealth Management Limited	Hong Kong, Limited liability company	Provision of wealth management services in Hong Kong	5,500,000 ordinary shares of HK$1 each (2006: 4,500,000 ordinary shares of HK$1 each)
First China Bullion Limited	Hong Kong, Limited liability company	Not yet commenced business	6,000,000 ordinary shares of HK$1 each
Aceview International Limited	British Virgin Islands, Limited liability company	Investment holding	1 ordinary share of US$1 each
GoHi Holdings Limited	British Virgin Islands, Limited liability company	Investment holding	35,000 ordinary shares of US$1 each
首華證券諮詢(深圳)有限公司 (transliterated as First China Securities Consultancy (Shenzhen) Co., Ltd.)	PRC, Foreign wholly-owned enterprise	Provision of stock information and research in the PRC	Registered capital of RMB6,000,000

* Shares held directly by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INVESTMENTS IN ASSOCIATES

	The Group	
	2007	2006
	HK$	HK$
		(As restated)
Beginning of the year	**11,319,706**	–
Additions (Note (i))	**–**	12,607,758
Acquisition of subsidiaries	**–**	250,014
Impairment (Note (iii))	**(10,430,519)**	–
Share of loss	**(752,189)**	(1,538,066)
End of the year	**136,998**	11,319,706
Market value of listed shares (Note (ii))	**N/A**	14,682,456

Notes:

(i) On 10th March, 2006, the Group completed the acquisition of approximately 29.9% equity interests in Tastyfood Holdings Ltd. ("Tastyfood") at a cash consideration of S$2,440,000 (equivalent to approximately HK$11,224,000) and transaction costs of HK$1,383,758. Tastyfood is a company incorporated in Singapore and its shares are listed on the main board of the Singapore Exchange Securities Trading Limited. In accordance with the Company's accounting policy and HKAS 28 *Investments in Associates*, Tastyfood was regarded as an associate of the Group given the Group's power to exercise significant influence over Tastyfood through its equity interests and its representation on the board of directors of Tastyfood. Under HKAS 28 and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, temporary investments in associates are exempt from the requirement to apply the equity method, provided the "held for sale" criteria are met. At the time of acquisition, the Group was acquiring a proprietary position to realize the potential of its investment in Tastyfood exclusively with a view to its subsequent disposal at a profit. As the directors considered that the carrying amount of the Group's investment in Tastyfood would be recovered principally through a sale transaction, the investment was previously accounted for as "Investment in an associate classified as held for sale" and measured at the lower of its carrying amount and fair value less costs to sell.

During the year ended 31st December, 2007, the Group's investment in Tastyfood previously classified as held for sale no longer met the criteria to be so classified and accordingly, it has been accounted for using the equity method as from the date of its classification as held for sale in accordance with HKAS 28 *Investments in Associates*. The effect of this reclassification on these consolidated financial statements is further disclosed in Note 2.1.

(ii) It is impracticable to disclose the market value of listed shares as at 31st December, 2007, as trading of the listed shares of Tastyfood remained suspended since 25th April, 2007 through 31st December, 2007.

(iii) The impairment of investments in associates included in the consolidated income statement for the year ended 31st December, 2007 comprise an amount of HK$14 in respect of the Group's investment in Belgravia GT Asset Management Limited and an amount of HK$10,430,505 in respect of the Group's investment in Tastyfood. The impairment charge in respect of the Group's investment in Tastyfood was made taking into account the net liabilities and continuing losses of Tastyfood as at and for the year ended 31st December, 2007 based on its published financial information, and the prolonged suspension in trading of its listed shares.

20. INVESTMENTS IN ASSOCIATES *(continued)*

Details of the Group's principal associates as at 31st December, 2007 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
GTMI Limited	Hong Kong	Provision of wealth management services	250,000 ordinary shares of HK$1 each	50%
Tastyfood	Singapore	Investment holding	48,800,000 ordinary shares of S$0.10 each	29.9%

The following is the summarized financial information in respect of the Group's associates as extracted from unaudited management accounts or published financial information for the periods ended 31st December, 2006 and 2007:

	2007 HK$	2006 HK$
Assets	**308,893**	954,754
Liabilities	**8,119,045**	6,310,308
Revenues	**155,934**	–
Losses	**2,371,073**	5,130,621

Amount due from and due to associates

The amount due from an associate is unsecured, interest bearing at 5% per annum, denominated in Singapore dollars and repayable on demand. The amount due to an associate is unsecured, interest-free, denominated in Hong Kong dollars and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2007 HK$	2006 HK$
Beginning of the year	**1,528,366**	465,524
Additions	**–**	526,237
Disposals	**(206,799)**	–
Impairment	**(322,850)**	–
Net gains transferred to equity	**253,343**	536,605
End of the year	**1,252,060**	1,528,366

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Available-for-sale financial assets include the following:

	The Group	
	2007	2006
	HK$	HK$
Equity securities listed on the Stock Exchange, at market value	**1,252,060**	1,205,516
Unlisted equity securities, at cost less impairment	**–**	322,850
	1,252,060	1,528,366

Available-for-sale financial assets are denominated in the following currencies:

	The Group	
	2007	2006
	HK$	HK$
Hong Kong dollars	**1,252,060**	1,205,516
Japanese Yen	**–**	322,850
	1,252,060	1,528,366

The Group's investment in unlisted equity securities issued by a private enterprise incorporated in Japan with original cost of HK$322,850 is measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors consider that its fair value cannot be measured reliably. A provision for impairment of HK$322,850 has been made for the year ended 31st December, 2007. The Group does not presently intend to dispose of this investment.

22. TRADE RECEIVABLES

	The Group	
	2007	2006
	HK$	HK$
Amounts receivable arising from securities broking:		
Margin clients	**2,207,961**	3,177,688
Cash clients	**790,256**	1,910,058
Brokers and dealers	**6**	249
HKSCC (net)	**977,460**	2,470,195
Amounts receivable arising from futures broking:		
Brokers and dealers	**–**	27,168
HKFECC	**222,945**	1,245,493
Other trade receivables	**35,288,417**	3,414,873
	39,487,045	12,245,724
Less: provision for impairment of receivables	**(2,193,375)**	–
Trade receivables, net	**37,293,670**	12,245,724

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities that are listed on the Stock Exchange with a total market value of approximately HK$16,117,000 as at 31st December, 2007 (2006: HK$36,234,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two trade days after the trade execution date, and those of amounts receivable arising from futures broking are one trade day after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

Other trade receivables arising from the provision of corporate finance services and wealth and fund management services are due immediately from date of billing but the Group will generally grant a credit period of 30 days on average to its customers. Trade receivables arising from the provision of stock information and research are with credit term of 5 to 10 days. Included in other trade receivables of the Group as at 31st December, 2007 were trade receivable from a related company of HK$16,050,450 (2006: Nil) which is controlled by a director of a subsidiary of the Company.

22. TRADE RECEIVABLES *(continued)*

The following is an aged analysis of other trade receivables at the balance sheet date:

	The Group	
	2007	2006
	HK$	HK$
0 – 30 days	**12,632,423**	3,389,873
31 – 90 days	**15,861,493**	–
91 – 180 days	**4,494,126**	25,000
181 – 365 days	**107,000**	–
Over 365 days	**2,193,375**	–
	35,288,417	3,414,873

As at 31st December, 2007, other trade receivables of HK$20,462,619 (2006: HK$25,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	The Group	
	2007	2006
	HK$	HK$
Up to 90 days	**15,861,493**	–
91 – 180 days	**4,494,126**	25,000
181 – 365 days	**107,000**	–
	20,462,619	25,000

As at 31st December, 2007, other trade receivables of HK$2,193,375 aged over 1 year (2006: Nil) were impaired due to unexpected difficulty in collecting the outstanding amounts.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

22. TRADE RECEIVABLES *(continued)*

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	The Group	
	2007	2006
	HK$	HK$
Hong Kong dollars	**6,113,792**	12,245,724
RMB	**31,179,878**	–
	37,293,670	12,245,724

23. OTHER RECEIVABLES

Included in other receivables of the Group as at 31st December, 2007 were amounts due from related companies of HK$24,301,742 (2006: Nil) which are controlled by a director of a subsidiary of the Company. The amounts due from these related companies are unsecured, interest-free, denominated in RMB and repayable on demand.

24. BANK BALANCES AND CASH

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**42,907,835**	28,675,822	**1,347,265**	115,985
Short-term bank deposit	**65,776,005**	–	**60,276,005**	–
Maximum exposure to credit risk	**108,683,840**	28,675,822	**61,623,270**	115,985

The effective interest rate on short-term bank deposit ranges from 2.90% to 3.55% per annum. The deposit had a maturity of 15 days.

As at 31st December, 2007, the Group had bank balances and cash of approximately HK$5,216,658 (2006: Nil) which are denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

The bank balances are deposited with creditworthy banks with no recent history of default.

24. BANK BALANCES AND CASH *(continued)*

Cash, bank balances and bank overdrafts include the following for the purposes of the cash flow statement:

	The Group	
	2007	2006
	HK$	HK$
Cash at bank and in hand	**42,907,835**	28,675,822
Short-term bank deposit	**65,776,005**	–
	108,683,840	28,675,822
Segregated trust bank balances	**(11,876,059)**	(11,577,895)
Bank overdrafts – unsecured (Note 27)	**–**	(4,875,000)
Cash, cash equivalents and bank overdrafts	**96,807,781**	12,222,927

25. TRADE PAYABLES

	The Group	
	2007	2006
	HK$	HK$
Amounts payable arising from securities broking:		
Margin clients	**1,023,880**	3,280,592
Cash clients	**10,244,358**	12,300,837
HKSCC (net)	**–**	–
Amounts payable arising from futures broking:		
Clients	**806,810**	1,898,551
Other trade payables	**4,704,610**	2,496,261
	16,779,658	19,976,241

Amounts payable to margin clients are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

25. TRADE PAYABLES *(continued)*

Amounts payable to clients arising from futures broking are margin deposits received from clients for their trading of futures contracts. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of futures broking.

The following is an aged analysis of other trade payables at the balance sheet date:

	The Group	
	2007	2006
	HK$	HK$
0 – 30 days	**2,001,384**	2,472,209
31 – 90 days	**687,780**	17,594
91 – 180 days	**2,014,654**	6,458
181 – 365 days	**792**	–
	4,704,610	2,496,261

The carrying amounts of the Group's trade payables are denominated in Hong Kong dollars.

26. OTHER PAYABLES

Included in other payables of the Group as at 31st December, 2007 were dividends payable to former shareholders of a subsidiary of HK$19,390,014 (2006: Nil) prior to acquisition by the Group and amounts due to related companies of HK$1,184,000 (2006: Nil) which are controlled by a director of a subsidiary of the Company. The amounts due to these related companies are unsecured, interest-free, denominated in RMB and repayable on demand.

27. BANK OVERDRAFTS – UNSECURED

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Bank overdrafts (Note 24)	**–**	4,875,000	**–**	4,875,000

The effective interest rate of the bank overdrafts was approximately 8.75% as at 31st December, 2006. The bank overdrafts were denominated in Hong Kong dollars and repayable on demand.

28. SHARE CAPITAL AND PREMIUM

	Note	Number of issued shares (in thousands)	Ordinary shares HK$	Share premium HK$	Total HK$
As at 1st January, 2006, 31st December 2006 and 1st January, 2007		2,050,034	20,500,340	99,621,355	120,121,695
Issue of shares through:					
Placement	(i)	350,000	3,500,000	26,600,000	30,100,000
Exercise of employee share options	(ii)	8,400	84,000	1,831,200	1,915,200
Exercise of options granted under a subscription agreement	(iii)	30,000	300,000	480,000	780,000
Placement	(iv)	100,000	1,000,000	61,500,000	62,500,000
Share issue costs	(i), (iv)	–	–	(3,927,500)	(3,927,500)
Transfer upon exercise of employee share options	30	–	–	1,484,322	1,484,322
As at 31st December, 2007		**2,538,434**	**25,384,340**	**187,589,377**	**212,973,717**

The total authorized number of ordinary shares is 10,000,000,000 shares (2006: 10,000,000,000 shares) with a par value of HK$0.01 per share (2006: HK$0.01 per share). All issued share are fully paid.

Notes:

(i) On 27th April, 2007, 350,000,000 shares of HK$0.01 each were issued by way of placement at a placing price of HK$0.086 per placing share. The related share issue costs amounting to HK$677,500 have been accounted for as a deduction from share premium in equity.

(ii) On 11th September, 2007, 12th September, 2007, 14th November, 2007 and 7th December, 2007, 4,000,000 shares, 2,000,000 shares, 2,000,000 shares and 400,000 shares of HK$0.01 each respectively were issued at an exercise price of HK$0.228 per share by exercise of share options granted under the Share Option Scheme (Note 30).

(iii) On 14th November, 2007, 30,000,000 shares of HK$0.01 each were issued at a subscription price of HK$0.026 per share by exercise of options granted under a subscription agreement (Note 31).

(iv) On 20th December, 2007, 100,000,000 shares of HK$0.01 each were issued by way of placement at a placing price of HK$0.625 per placing share. The related share issue costs amounting to HK$3,250,000 have been accounted for as a deduction from share premium in equity.

The ordinary shares issued during the year have the same rights as the other shares then in issue.

29. SPECIAL RESERVE

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 of the issued share capital and share premium of First China Financial Holdings (BVI) Limited (formerly known as International Financial Network Holdings (BVI) Limited) acquired pursuant to the corporate reorganization undertaken in preparation for the listing of the Company's shares on GEM on 11th January, 2002.

30. SHARE OPTION SCHEME

The Company operates a share option scheme under which persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company. The number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes 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 maximum number of shares issued and to be issued upon exercise of options granted and to be granted pursuant to the Share Option Scheme and any other share options schemes of the Company to any person (including both exercised and outstanding options) in any 12-month period up to the date of grant of options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

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 Group.

HK$1 is payable on the acceptance of the option per grant. 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, 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.

30. SHARE OPTION SCHEME *(continued)*

On 5th September, 2007, share options to subscribe for an aggregate of 32,400,000 shares of the Company were granted to the directors and certain employees of the Company. The following table discloses movement of the share options granted under the Share Option Scheme during the year ended 31st December, 2007:

Name of grantee	Date of grant	Exercise price	Exercisable period	Number of share options: Granted during the year	Exercised during the year	Outstanding as at 31st December, 2007
Executive directors						
Mr. Richard Yingneng Yin	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	16,000,000	–	16,000,000
Mr. Lee Yiu Sun	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	4,000,000	–	4,000,000
Non-executive director						
Dr. Kennedy Wong Ying Ho	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	4,000,000	(4,000,000)	–
Independent non-executive directors						
Mr. Michael Wu Wai Chung	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	2,000,000	–	2,000,000
Dr. Japhet Sebastian Law	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	2,000,000	(2,000,000)	–
Dr. Tsang Hing Lun	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	2,000,000	(2,000,000)	–
Sub-total for directors				30,000,000	(8,000,000)	22,000,000
4 employees	5th September, 2007	HK$0.228	05/09/2007– 04/09/2017	1,900,000	(400,000)	1,500,000
1 employee	5th September, 2007	HK$0.228	05/09/2008– 04/09/2017	500,000	–	500,000
Sub-total for employees				2,400,000	(400,000)	2,000,000
Total				32,400,000	(8,400,000)	24,000,000

No share options were granted under the Share Option Scheme during the year ended 31st December, 2006.

30. SHARE OPTION SCHEME *(continued)*

The fair values of share options granted during the year were determined based on independent professional valuation which incorporated an option pricing model. The significant inputs into the model include share price of HK$0.228 at the grant date, exercise price of HK$0.228, volatility of 102.57%, dividend yield of 0%, expected option life of 5.01 years and on annual risk-free rate of 4.26%. The volatility was determined based on the historical volatility of the share prices of the Company over a period that is equal to the expected option life before the grant date.

The fair value of the share-based compensation amounting to HK$5,725,242 (2006: Nil) has been included in the consolidated income statement with a corresponding credit to the share-based compensation reserve.

The 8,400,000 share options exercised during the year resulted in the issue of 8,400,000 ordinary shares of the Company and new share capital of HK$84,000 and share premium of HK$1,831,200, as further disclosed in Note 28 to the consolidated financial statements. The related weighted average share price at the time of exercise was HK$0.436 per share.

As at 31st December, 2007, the Company had 24,000,000 share options outstanding for the share options granted under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 24,000,000 additional ordinary shares of the Company and additional share capital of HK$240,000 and share premium of HK$5,232,000.

31. SUBSCRIPTION AGREEMENT INVOLVING GRANTING OF OPTIONS ON THE COMPANY'S SHARES

Pursuant to a conditional subscription agreement dated 4th February, 2005, the Company, inter alia, granted on an one-off basis an aggregate of 350,000,000 new options, of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin ("Mr. Yin")) and Mr. Yin. Each option represents the right to subscribe for one new ordinary share of HK$0.01 each in the capital of the Company at an exercise price of HK$0.026 per share. The exercisable period of these options is from 29th April, 2005 to 28th April, 2009.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Exercise price per share	**Number of options**	Exercise price per share	Number of options
As at 1st January	**HK$0.026**	**70,000,000**	HK$0.026	70,000,000
Exercised	**HK$0.026**	**(30,000,000)**	–	–
As at 31st December	**HK$0.026**	**40,000,000**	HK$0.026	70,000,000

31. SUBSCRIPTION AGREEMENT INVOLVING GRANTING OF OPTIONS ON THE COMPANY'S SHARES *(continued)*

The options exercised in the year ended 31st December, 2007 resulted in 30,000,000 ordinary shares of HK$0.01 each being issued at HK$0.026 each. The related weighted average share price at the time of exercise was HK$0.850 per share.

The exercise in full of the outstanding options as at 31st December, 2007 would, under the present capital structure of the Company, result in the issue of 40,000,000 additional ordinary shares of the Company and additional share capital of HK$400,000 and share premium of HK$640,000.

32. BUSINESS COMBINATIONS

During the year ended 31st December, 2007, the Company and its wholly-owned subsidiary, Aceview International Limited entered into a sale and purchase agreement dated 11th July, 2007 (as amended by a supplemental agreement dated 30th July, 2007) with Fame Treasure Limited (the "Seller") and Mr. Wang Wenming (the "Warrantor"), in relation to the acquisition of the entire issued share capital of GoHi Holdings Limited. GoHi Holdings Limited and its wholly-owned subsidiary, First China Securities Consultancy (Shenzhen) Co., Ltd. (collectively, the "GoHi Group") are principally engaged in the provision of stock information and research in the PRC.

Pursuant to the agreements, the consideration for the acquisition is contingent on, inter alia, specified levels of net profits being achieved by the GoHi Group in future periods and is to be satisfied in the following manner:

(i) Issue of 200,000,000 new shares of HK$0.01 each in the capital of the Company (the "Consideration Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(ii) Grant of an option (the "Option") to the Warrantor to subscribe for a maximum of 60,000,000 new shares of HK$0.01 each in the capital of the Company (the "Option Shares") at an exercise price of HK$0.15 per Option Share, of which 20,000,000 Option Shares are exercisable at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements.

(iii) Issue of a maximum of 160,000,000 new shares of HK$0.01 each in the capital of the Company (the "Bonus Shares") at each of the next three anniversary dates after completion, subject to the fulfillment of certain conditions as stipulated in the agreements. The actual number of Bonus Shares to be issued for each period, if any, is based on the excess of the actual net profits being achieved by the GoHi Group in future periods over the net profit guarantee given by the Seller and the Warrantor and the Company's share prices in future periods.

32. BUSINESS COMBINATIONS *(continued)*

Completion of the aforesaid acquisition took place on 16th November, 2007. The fair value of the Consideration Shares to be issued was based the published price of the Company's shares as quoted on the Stock Exchange on 16th November, 2007. The fair value of the Option has been included in the cost of combination at the time of initially accounting for the combination to the extent the adjustment to the cost of combination is considered probable, and such fair value was estimated by reference to an independent professional valuation which incorporated an option pricing model with annual risk free rate of 2.67%, volatility of 106.67%, dividend yield of 0% and other parameters according to the terms of the agreements. The fair value of the Bonus Shares to be issued has not been included in the cost of the combination at the time of initially accounting for the combination as it cannot be measured reliably.

Details of net assets acquired and goodwill are as follows:

	HK$
Purchase consideration:	
– Fair value of the Consideration Shares	504,000,000
– Fair value of the Option	14,460,609
– Direct costs relating to the acquisition	1,247,414
Total purchase consideration	519,708,023
Fair value of net assets acquired – shown as below	(28,044,180)
Goodwill (Note 17)	491,663,843

Goodwill arising from acquisition of the GoHi Group is attributable to the anticipated profitability and future development of the GoHi Group in the provision of stock information and research in the PRC and the synergies expected to arise after the Group's acquisition of the GoHi Group.

32. BUSINESS COMBINATIONS *(continued)*

The assets and liabilities as of 16th November, 2007 arising from the acquisition are as follows:

	Fair value HK$	Acquiree's carrying amount HK$
Property, plant and equipment	3,315,622	3,315,622
Trade receivables	14,172,274	14,172,274
Other receivables	59,565,049	59,565,049
Bank balances and cash	2,727,948	2,727,948
Other payables	(48,234,535)	(48,234,535)
Current income tax liabilities	(3,502,178)	(3,502,178)
Net assets		28,044,180
Fair value of net assets acquired	28,044,180	

The GoHi Group contributed revenue of HK$10,110,172 and net profit of HK$7,647,036 to the Group for the period from 16th November, 2007 to 31st December, 2007. If the acquisition had occurred on 1st January, 2007, total group revenue for the year ended 31st December, 2007 would have been HK$149,663,553 and profit for the year would have been HK$20,093,970. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1st January, 2007, nor is it intended to be a projection of future results.

33. DISPOSAL OF SUBSIDIARIES

On 23rd February, 2007, the Group disposed of the entire issued share capital in each of GT Asset Management Limited, GT Advisors Limited, GT Asset Management International (Cayman) Limited and GT Fund Management (Cayman) Limited to First Vanguard Group Limited (a substantial shareholder of the Company) at a cash consideration of HK$427,575 and recorded a gain on disposal of HK$1,500. The results of the subsidiaries disposed of for the year ended 31st December, 2007 had no significant impact on the Group's consolidated revenue or loss for the year.

34. OPERATING LEASE COMMITMENTS

As at 31st December, 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	The Group	
	2007	2006
	HK$	HK$
No later than one year	**1,669,165**	1,587,491
Later than one year and no later than five years	**1,765,369**	1,770,538
	3,434,534	3,358,029

Leases in respect of rented office premises are negotiated for an average period of three years.

The Company did not have significant operating lease commitments at 31st December, 2007 (2006: Nil).

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

		The Group	
		2007	2006
	Note	**HK$**	HK$
Brokerage commission income earned from directors	**(i)**	**692,567**	651,867
Income from provision of stock information and research receivable from a related company which is controlled by a director of a subsidiary of the Company	**(ii)**	**4,664,836**	–
Key management compensation			
– Salaries and other short-term employee benefits		**3,580,868**	6,131,068
– Post-employment benefits		**54,258**	80,202
– Share-based payments		**5,477,855**	–
		9,112,981	6,211,270

35. SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) The commission rates were substantially in line with those normally offered by the Group to third party clients. As at 31st December, 2007, the outstanding balances with these related parties amounted to HK$948,358 (2006: HK$630,044) in aggregate, which were included in the amounts payable to cash clients arising from securities broking (Note 25). The amounts due were unsecured, interest-free and repayable within one or two trade days after the trade execution date.

(ii) The transaction is based on the relevant agreement. This related party transaction also constitutes a continuing connected transaction under the GEM Listing Rules.

(iii) The Company has given a corporate guarantee to the extent of HK$45,000,000 (2006: HK$45,000,000) to a bank in respect of general banking facility granted to one of its subsidiaries. During the year ended 31st December, 2007, such facility was not utilized by the subsidiary (2006: Nil). In the opinion of the directors, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business and the fair value of the corporate guarantee granted by the Company is immaterial.

FINANCIAL SUMMARY

For the year ended 31st December, 2007

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years as extracted from the published audited financial statements is set out below.

	Year ended 31st December,				
	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
		(As restated)			
RESULTS					
Revenue	**112,268,909**	457,935,641	91,909,528	6,737,390	5,320,157
Loss before income tax	**(23,318,083)**	(12,390,227)	(12,022,840)	(10,757,886)	(16,963,614)
Income tax expense	**(1,349,477)**	–	–	–	–
Loss for the year	**(24,667,560)**	(12,390,227)	(12,022,840)	(10,757,886)	(16,963,614)
Attributable to:					
Equity holders of the Company	**(24,655,055)**	(12,390,227)	(12,022,840)	(10,757,886)	(16,963,614)
Minority interests	**(12,505)**	–	–	–	–
	(24,667,560)	(12,390,227)	(12,022,840)	(10,757,886)	(16,963,614)

	As at 31st December,				
	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
		(As restated)			
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Total assets	**673,835,146**	61,334,985	52,239,726	39,092,615	53,219,141
Total liabilities	**(47,408,434)**	(26,903,776)	(6,125,534)	(12,538,620)	(15,907,280)
Minority interests	**(85,496)**	(5)	–	–	–
	626,341,216	34,431,204	46,114,192	26,553,995	37,311,861