



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

Three glass spheres are arranged on a light-colored, textured surface. The top sphere is red and contains a line graph with a red line and a green line. The middle sphere is blue and contains the word 'MONEY' in large, green, capital letters, with the phrase 'cruising to' in smaller, green, lowercase letters below it. The bottom sphere is yellow and contains a close-up of a US dollar bill, showing the serial number 'AB 76010466 B' and the Federal Reserve seal.

# 2006

## Interim 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 GEM of the Stock Exchange (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 enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## ■ Highlights

The Group recorded a turnover of approximately HK\$345,752,000 for the six months ended 30th June, 2006.

Net profit attributable to the equity holders of the Company for the six months ended 30th June, 2006 amounted to approximately HK\$41,000.

Profit per share was approximately 0.002 Hong Kong cents.

The Directors do not recommend the payment of a dividend for the six months ended 30th June, 2006.



## Interim Results (Unaudited)

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June, 2006 together with the comparative unaudited figures for the corresponding periods in 2005.

### Condensed Consolidated Income Statement

	Notes	Three months ended 30th June,		Six months ended 30th June,	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Turnover	3	157,675	691	345,752	1,801
Cost of sales		(151,700)	(389)	(338,909)	(389)
Gross profit		5,975	302	6,843	1,412
Other operating income and gain	5	374	109	1,046	177
		6,349	411	7,889	1,589
Amortisation of intangible assets		-	(167)	-	(333)
Depreciation of property, plant and equipment		(143)	(153)	(281)	(334)
Staff costs, including directors' remuneration		(2,308)	(1,133)	(4,800)	(2,017)
Other operating expenses		(1,159)	(1,417)	(2,767)	(3,235)
Profit/(loss) before income tax		2,739	(2,459)	41	(4,330)
Income tax	6	-	-	-	-
Net profit/(loss) for the period		2,739	(2,459)	41	(4,330)
Attributable to:					
Equity holders of the Company		2,739	(2,459)	41	(4,330)
Minority interest		-	-	-	-
		2,739	(2,459)	41	(4,330)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company					
- basic	7	0.134 cents	(0.17 cents)	0.002 cents	(0.39 cents)
- diluted	7	0.129 cents	N/A	0.002 cents	N/A

## Condensed Consolidated Balance Sheet

	Notes	At 30th June, 2006 HK\$'000 (unaudited)	At 31st December, 2005 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		1,212	1,437
Intangible assets		1,288	1,288
Statutory deposits		2,155	2,155
Available-for-sale financial assets		972	465
		<u>5,627</u>	<u>5,345</u>
<b>Current assets</b>			
Trade receivables	8	7,839	3,012
Investment in an associate classified as held for sale		12,608	-
Deposit for investment in an associate classified as held for sale		-	11,224
Other amounts receivable, prepayments and deposits		851	392
Bank balances and cash		25,428	32,266
		<u>46,726</u>	<u>46,894</u>
<b>Total assets</b>		<u>52,353</u>	<u>52,239</u>
<b>Current liabilities</b>			
Trade payables	9	5,750	5,252
Other amounts payable and accrued charges		281	873
		<u>6,031</u>	<u>6,125</u>
<b>Net current assets</b>		<u>40,695</u>	<u>40,769</u>
<b>Net assets</b>		<u>46,322</u>	<u>46,114</u>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	10	20,500	20,500
Share premium		99,621	99,621
Special reserve		4,779	4,779
Available-for-sale financial assets revaluation reserve		252	85
Accumulated losses		(78,830)	(78,871)
Total capital and reserves		<u>46,322</u>	<u>46,114</u>
<b>Minority interest</b>		-	-
<b>Total equity</b>		<u>46,322</u>	<u>46,114</u>



## Condensed Consolidated Statement Of Changes In Equity

For the six months ended 30th June, 2006

	Attributable to equity holders of the Company					
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Special reserve HK\$'000 (unaudited)	Available- for-sale financial assets revaluation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
As at 1st January, 2005	7,649	80,974	4,779	-	(66,848)	26,554
Net loss for the period	-	-	-	-	(4,330)	(4,330)
Total income and expense for the period	-	-	-	-	(4,330)	(4,330)
Issued of new shares	12,851	20,529	-	-	-	33,380
Share issue expenses	-	(2,002)	-	-	-	(2,002)
As at 30th June, 2005	<u>20,500</u>	<u>99,501</u>	<u>4,779</u>	<u>-</u>	<u>(71,178)</u>	<u>53,602</u>
As at 1st January, 2006	20,500	99,621	4,779	85	(78,871)	46,114
Change in fair value of available-for-sale financial assets	-	-	-	167	-	167
Total income and expense recognized directly in equity	-	-	-	167	-	167
Net profit for the period	-	-	-	-	41	41
Total income and expense for the period	-	-	-	167	41	208
As at 30th June, 2006	<u>20,500</u>	<u>99,621</u>	<u>4,779</u>	<u>252</u>	<u>(78,830)</u>	<u>46,322</u>

## Condensed Consolidated Cash Flow Statement

	For the six months ended	
	30th June, 2006 <i>HK\$'000</i> (unaudited)	30th June, 2005 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(5,076)	(3,291)
Net cash used in investing activities	(1,780)	(9)
Net cash generated from financing activities	—	31,378
Net (decrease)/increase in cash and cash equivalents	(6,856)	28,078
Cash and cash equivalents at beginning of period	26,754	20,240
Cash and cash equivalents at end of period	<b>19,898</b>	<b>48,318</b>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	25,428	53,433
Less: Trust account balances	(5,530)	(5,115)
	<b>19,898</b>	<b>48,318</b>



Notes:

**1. Corporate Information**

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of financial services including the provision of a trading platform, brokerage, wealth management, securities margin financing, infrastructure brokering services comprising trading, clearing and settlement, corporate finance advisory services as well as trading and principal investment.

The Company is an exempted company with limited liability incorporated in the Cayman Islands and domiciled in Hong Kong. The Company is listed on the GEM board of the Stock Exchange.

The unaudited condensed consolidated financial information has been approved for issue by the Board of Directors on 8th August, 2006.

**2. Basis of Preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2005. The financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31st December, 2005.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000), unless otherwise stated.

**3. Turnover**

Turnover represents (i) the net invoiced value for fees and services charges in relation to the provision of trading platform; (ii) commission income, interest income and service fees arising from brokerage and securities margin financing business and infrastructure brokering services; (iii) fee income from provision of corporate finance advisory services; and (iv) the net invoiced value for trading and principal investment. Details of the turnover are analysed as follows:

	Three months ended		Six months ended	
	30th June, 2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)	30th June, 2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Income from trading platform	37	35	74	70
Commission, interest income/infrastructure broking service fees	715	214	1,641	1,289
Fee income from corporate finance advisory services	5,152	50	5,274	50
Trading and principal investment	151,771	392	338,763	392
	<b>157,675</b>	<b>691</b>	<b>345,752</b>	<b>1,801</b>



#### 4. Business Segments

For management purposes, the Group is currently organised into 4 main operating divisions, engaged in the following principal activities: (i) the provision of a trading platform; (ii) brokerage and securities margin financing business, and infrastructure broking services; (iii) corporate finance; and (iv) trading and principal investment. These divisions are the basis on which the Group reports its primary segment information.

The principal activities of the divisions are as follows:

- Provision of a trading platform
- Brokerage and securities margin financing, and infrastructure broking services
- Corporate finance advisory services
- Trading and principal investment

#### Income statement for the six months ended 30th June, 2006

	Provision of a trading platform	Brokerage and securities margin financing, and infrastructure broking services	Corporate finance advisory services	Trading and principal investment (note)	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>Revenue</b>					
Turnover	74	1,641	5,274	338,763	345,752
<b>Results</b>					
Segment profit/(loss)	(65)	(1,527)	4,146	581	3,135
Net unallocated corporate expenses					(3,094)
Profit before income tax					41
Income tax					-
Net profit for the period					41



Income statement for the six months ended 30th June, 2005

	Provision of a trading platform	Brokerage and securities margin financing, and infrastructure brokering services	Corporate finance advisory services	Trading and principal investment (note)	Total
	<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (unaudited)
<b>Revenue</b>					
Turnover	70	1,289	50	392	1,801
<b>Results</b>					
Segment profit/(loss)	(71)	(2,269)	50	3	(2,287)
Net unallocated corporate expenses					(2,043)
Loss before income tax					(4,330)
Income tax					-
Net loss for the period					(4,330)

*Note:* The Group considers trading and principal investment activities as one of the business segments. The sales proceeds of the investments are included in the segment's turnover and the segment's results represents net realized/unrealized gains or losses on investments and other operating expenses incurred in the segment.

5. Other Operating Income and Gain

	Three months ended 30th June, 2006		Six months ended 30th June, 2005	
	<i>HK\$ '000</i> (unaudited)	2005 <i>HK\$ '000</i> (unaudited)	<i>HK\$ '000</i> (unaudited)	2005 <i>HK\$ '000</i> (unaudited)
<b>Other operating income</b>				
CCASS fee income	19	-	40	-
Handling fee income	3	-	8	-
Interest income on bank deposits	7	64	52	67
Other interest income	29	-	37	-
Sundry income	114	45	117	110
	172	109	254	177
<b>Other gain</b>				
Net exchange gains	202	-	792	-
	374	109	1,046	177

## 6. Income Tax

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates. No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred a tax loss for the period (2005: Nil).

## 7. Earnings/(Loss) Per Share – Basic and Diluted

The calculation of basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company for the three and six months ended 30th June, 2006 together with the comparative figures for 2005 are based on the following data:

	Three months ended		Six months ended	
	30th June,		30th June,	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u>2,739</u>	<u>(2,459)</u>	<u>41</u>	<u>(4,330)</u>
<b>Number of shares</b>				
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>2,050,034</u>	1,465,045	<u>2,050,034</u>	1,116,899
Effect of dilutive potential ordinary shares assumed exercised of share options	<u>70,000</u>	<u>236,154</u>	<u>70,000</u>	<u>118,729</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>2,120,034</u>	<u>1,701,199</u>	<u>2,120,034</u>	<u>1,235,628</u>

The computation of diluted loss per share for the year 2005 has not assumed the exercise of options outstanding during the periods because their exercise would reduce loss per share.



## 8. Trade Receivables

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Accounts receivable arising from equities broking:		
Margin clients	<b>797</b>	2,432
Cash clients	<b>792</b>	42
Hong Kong Securities Clearing Company Limited ("HKSCC") (net)	<b>713</b>	–
Accounts receivable arising from futures broking:		
Brokers and dealers	<b>27</b>	259
HKFE Clearing Corporation Limited ("HKFECC")	<b>279</b>	189
Other trade receivables	<b>5,231</b>	90
	<b>7,839</b>	3,012

Accounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' securities that are listed on the Stock Exchange with a market value of approximately HK\$5,457,000 as at 30th June, 2006 (31st December, 2005: approximately HK\$12,550,000). No aged analysis is disclosed as, in the opinion of the Directors of the Company, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of accounts receivable arising from equities broking are one or two trade days after the trade execution date, and accounts receivable arising from futures broking are one trade day after the trade execution date.

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

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
0 – 30 days	<b>5,206</b>	27
31 – 60 days	–	–
61 – 90 days	–	–
91 – 181 days	<b>25</b>	63
	<b>5,231</b>	90

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The fair value of the Group's trade receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

## 9. Trade Payables

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Accounts payable arising from equities broking:		
Margin clients	<b>3,218</b>	1,872
Cash clients	<b>1,860</b>	2,397
HKSCC (net)	-	390
Accounts payable arising from futures broking:		
Clients	<b>431</b>	352
Other trade payables	<b>241</b>	241
	<b>5,750</b>	5,252

Accounts 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 of the Company, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

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

Accounts 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 of the Company, the aged analysis does not give additional value in view of the nature of business of future contracts dealing.

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

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
0 – 30 days	<b>231</b>	1
31 – 60 days	-	-
61 – 90 days	-	-
91 – 180 days	-	-
181 – 365 days	-	87
Over 365 days	<b>10</b>	153
	<b>241</b>	241

The fair value of the Group's payable included in the amounts at the balance sheet date approximate the corresponding carrying amounts.



**10. Share Capital**

	<b>Number of shares</b>	<i>HK\$'000</i>
	<i>'000</i>	
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 30th June, 2006 and 31st December, 2005	<u>10,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 30th June, 2006 and 31st December, 2005	<u>2,050,034</u>	<u>20,500</u>

**11. Dividend**

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30th June, 2006 (for the six months ended 30th June, 2005: Nil).

## Management Discussion and Analysis

### Business Review

The strategies pursued by the Group appear to be on the right track. Our newly set-up corporate finance operations and supporting cross-border infrastructures have started to make contributions to revenue. The Group has continued to control costs and expenses while at the same time pursued organic growth in each of its core business segments. These efforts resulted in quarterly and half-yearly profits being recorded for the first time by the Company.

The Group also continued its trading and principal investment activities, which contributed to a total Group turnover of approximately HK\$345.75 million for the first six months of 2006. This was an increase of about 192 times that of the turnover for the corresponding period in 2005. The Group recorded a profit of approximately HK\$41,000 for the period under review, and approximately HK\$2,739,000 for the three months ended 30 June 2006.

### Outlook

The Group will continue with its strategies. It will endeavour to strengthen its cross-border capabilities, continue to pursue more business opportunities in the region and expand its revenue base. Besides continuing to build on its overseas network of affiliates and alliances, it will enhance its securities and futures brokering services. The Group will also work towards taking good value strategic proprietary positions in private and public companies.

To complement its securities and financial advisory business, the Group will also focus on providing wealth management and asset management services.

### Financial Review

The Group recorded a turnover of approximately HK\$345.75 million for the six months ended 30th June, 2006, an increase of about 192 times as compared with the turnover of approximately HK\$1.80 million for the corresponding period ended 30th June, 2005. The increase was mainly due to the growth of the trading and principal investment activities and income from corporate finance business of the Group. As at 30th June, 2006, the Group held an investment in an associate classified as held-for-sale asset at total cost of approximately HK\$12.61 million (market value as at 7th August, 2006 was approximately HK\$16.74 million). The Group recorded a profit attributable to shareholders for the six-month period ended 30th June, 2006 of approximately HK\$41,000 compared to a loss of approximately HK\$4.33 million for the corresponding period in 2005.

As at 30th June, 2006, the Group had total assets of approximately HK\$52.35 million, slightly increased by 0.2% from total assets of approximately HK\$52.24 million as at 31st December, 2005. The Group did not incur any bank overdraft or loan during the period under review. As at 30th June, 2006, the Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' fund, was nil.

The Group financed its operations entirely with its own internal funding. With net assets of approximately HK\$46.32 million, the Group remained in a financially liquid position as at 30th June, 2006 and could maintain the current line of business.

The Group hedges its foreign currency risks as and when appropriate.



## Capital Structure

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

## Significant Investments

The Group entered into an acquisition agreement on 12th December 2005 pursuant to which the Group agreed to purchase and a third party agreed to sell approximately 29.9% of the issued share capital of Tastyfood Holdings Ltd. ("Tastyfood"), a Singapore mainboard listed company, for a consideration of S\$2,440,000 (equivalent to approximately HK\$11,224,000). The acquisition was completed on 10th March, 2006. On 9 June 2006, Tastyfood entered into a conditional sale and purchase agreement for the acquisition by Tastyfood of the entire share capital of Full Fortune Holdings Pte Ltd for an aggregate consideration of S\$104 million to be satisfied in full by the allotment and issuance of 1,386,666,667 Tastyfood shares. The transaction is subject to various conditions precedent.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30th June, 2006, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (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 have taken or deemed to have 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 and underlying shares of the Company

Name of Directors	Number of shares beneficially held			Approximate Percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Richard Yingneng Yin	45,000,000 <i>(note 1)</i>	1,280,006,000 <i>(note 2)</i>	1,325,006,000	64.63%
Kennedy Wong Ying Ho	-	202,832,000 <i>(note 3)</i>	202,832,000	9.89%
Lee Yiu Sun	54,719,000	-	54,719,000	2.67%
Seah Chin Yew	25,000,000 <i>(note 4)</i>	-	25,000,000	1.22%



*Notes:*

- (1) Mr. Richard Yingneng Yin has an outstanding option to purchase 45,000,000 shares of the Company, the details of which are referred to in "Notes on underlying shares of the Company".
- (2) Mr. Richard Yingneng Yin was deemed to be interested in 1,280,006,000 shares through his controlling interest in Asia Network Holdings Limited. For details of the shareholdings of Asia Network Holdings Limited in the Company, please refer to Note (5) and Note (6) hereto.
- (3) Mr. Kennedy Wong Ying Ho was deemed to be interested in 202,832,000 shares through his controlling interest in Limin Corporation Limited. In addition, please refer to "Short positions in shares and underlying shares of the Company" for details of Mr. Kennedy Wong Ying Ho's short positions in underlying shares of the Company.
- (4) Dr. Seah Chin Yew has an outstanding option to purchase 25,000,000 shares of the Company, the details of which are referred to in "Notes on underlying shares of the Company".

**(b) Short positions in shares and underlying shares of the Company**

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

*Notes:*

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



## Notes on Underlying Shares of the Company

### (A) Share Option Scheme of the Company

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 "Share Option Scheme").

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.

No option under the Share Option Scheme has ever been granted.

### (B) Subscription agreement involving granting of share options

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

Name of grantee	Date of grant	Number of share options			Exercise period	Exercise price per share HK\$
		Outstanding as at 1st January, 2006	Exercised during the period	Outstanding as at 30th June, 2006		
Richard Yingneng Yin	29/04/2005	45,000,000	-	45,000,000	29/04/2005 - 28/04/2009	0.026
Seah Chin Yew	29/04/2005	25,000,000	-	25,000,000	29/04/2005 - 28/04/2009	0.026
		<u>70,000,000</u>	<u>-</u>	<u>70,000,000</u>		

**Long positions in debentures of the Company**

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

**Director's interests in shares of the associated corporations of the Company (within the meaning of Part XV of the SFO)**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Approximate percentage shareholdings</b>
Richard Yingneng Yin	Asia Network Holdings Limited	80%
Seah Chin Yew	Asia Network Holdings Limited	20%
Richard Yingneng Yin	First Vanguard Group Limited	100%

Save as disclosed herein, as at 30th June, 2006, none of the Directors or chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 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.

**Interests and Short Positions of Shareholders**

So far as is known to any Director or chief executive of the Company, as at 30th June, 2006, the persons/companies (not being a Director or chief executive of the Company) who have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:



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

As at 30th June, 2006, the following companies had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long positions in shares and underlying shares of the Company

Name of Shareholders	Capacity	No. of Shares held	Approximate percentage of shareholdings
First Vanguard Group Limited (Notes 1 & 2)	Interest in a controlled corporation	1,280,006,000	62.44%
Asia Network Holdings Limited (Note 2)	Beneficial owner	1,280,006,000	62.44%
Limin Corporation Limited (Note 3)	Beneficial owner	202,832,000	9.89%

#### Notes:

1. First Vanguard Group Limited was deemed to be interested in 1,280,006,000 shares through its controlling interest of 80% in Asia Network Holdings Limited.
2. The 1,280,006,000 shares held by each of Mr. Richard Yingneng Yin, a director of the Company, as deemed interest of his controlled corporations First Vanguard Group Limited and Asia Network Holdings Limited refer to the same parcel of shares. Among the 1,280,006,000 shares, 250,000,000 shares represent the aggregate interests in 200,000,000 shares and 50,000,000 shares under the two respective option deeds entered into by Asia Network Holdings Limited with Limin Corporation Limited (a corporation controlled by a director of the Company Mr. Kennedy Wong Ying Ho) and with Mr. Lee Yiu Sun (a director of the Company). Pursuant to the former option deed, Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the Company at such time and such price when Limin Corporation Limited intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Limin Corporation Limited ceases to be interested in the shares. Pursuant to the other option deed entered into with Mr. Lee Yiu Sun, Mr. Lee 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.
3. The 202,832,000 shares held by each of Mr. Kennedy Wong Ying Ho and Limin Corporation Limited refer to the same parcel of shares.

### Short positions in shares and underlying shares of the Company

Name of Shareholder	Capacity	No. of Shares held	Approximate percentage of shareholding
Limin Corporation Limited (Note 4)	Beneficial owner	200,000,000	9.76%

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

### Long positions in the debentures of the Company

During the period ended 30th June, 2006, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 30th June, 2006, the Company had not been notified of any other person (other than the Directors or chief executive whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" 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.

### Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme and the subscription agreement as described above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or 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 period.

### Purchase, Redemption or Sale of Listed Securities

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

### Interest in Competitors

An independent non-executive director of the Company, Mr. Michael Wu Wai Chung, also acts as a non-executive director of another listed company 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.



## **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.

## **Audit Committee**

The audit committee has reviewed the financial statements of the Group for the six-month period ended 30th June, 2006 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

## **Corporate Governance**

The Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 of the GEM Listing Rules.

By order of the Board  
**Richard Yingneng Yin**  
*Chairman*

Hong Kong, 8th August, 2006

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