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

06 Annual Report

CONTENTS

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.

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
Lok Chee Min

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

REGISTERED OFFICE
Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
19th Floor V-Heun Building
138 Queen's Road Central
Hong Kong

COMPANY WEBSITE
www.ifn.hk

STOCK CODE
8123

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

AUDITORS
HLB Hodgson Impey Cheng
31st Floor Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
P.O. Box 705 Butterfield House
68 Fort Street, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Hong Kong Registrars Limited
46th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CHIEF EXECUTIVE'S STATEMENT – OVERVIEW

Dear shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present this annual report which records a year of major restructuring and reorganisation for the Company and its subsidiaries (the "Group").

BUSINESS REVIEW

During the year the Board spent considerable time reviewing strategic direction and alternatives and how we should go about implementing the Group's strategies. The Board believes that the ongoing obligations in compliance and governance together with increasing demand from clients for larger financial commitments to deliver comprehensive financial services will cause smaller financial services firms, such as ours, considerable difficulties. Ultimately, it will lead to us to reassess our ability to remain competitive. The demand for such comprehensive financial services normally span the spectrum of securities trading, wealth management, fund management, corporate finance and share margin financing.

The Board believes the strategies of focused principal investment and shedding of non-core divisions will be necessary for the Group to continue to survive and grow. This strategy has been implemented late this year and will continue to the next financial year.

Our financial results reflected the continuing momentum created by the reshaping of this business model with turnover of the Group increased to HK$458 million (2005: HK$92 million) and the loss attributable to shareholders reduced to HK$10.9 million (2005: HK$12 million). Detailed results are discussed in the Management Discussion and Analysis Section.

While the reduction in loss was considered modest, it was achieved against the backdrop of de-emphasising non-core divisions (such as wealth and fund management) and reduction of staff personnel which started late this year and is expected to continue in 2007. These initiatives involved significant expenditure, much of which has been and will be fully absorbed into the operating expenditure of the Group. The Board believes these restructuring initiatives when completed will improve profitability in the coming year and beyond.

PRINCIPAL INVESTMENT

Through our continuous disclosure, shareholders would already be aware of the Group's major investment in Tastyfood Holdings Ltd ("Tastyfood"), a company listed on the Main board of the Singapore Exchange Securities Trading Limited. The Board believes the injection of assets by a third party into Tastyfood will be completed by mid 2007 and that this will deliver significant profits to the Group once the investment is realised.

BOARD CHANGES

During the year, Dr. Seah Chin Yew, who has been an Executive Director and CEO of the Group, stepped down for personal reasons and Mr. Lee Yiu Sun has been appointed to replace Dr. Seah. On behalf of all shareholders, I thank Dr. Seah for his contribution during his tenure.

I am pleased to review with you the financials and operating areas in the next section.

CHIEF EXECUTIVE'S STATEMENT – FINANCIAL AND OPERATION REVIEW

The year 2006 was a year of development and execution of a clear strategy for future growth. The highlights of the financial results are discussed below.

FINANCIAL REVIEW

The turnover of the Group was approximately HK$457,936,000 for the year ended 31st December, 2006 (2005: approximately HK$91,910,000). This represented an increase of about 4.98 times from that of the previous year. The increase was mainly due to the growth of the trading and principal investment activities, income from corporate finance business and commission from its newly-acquired wealth management and fund management business. The loss attributable to shareholders for the year ended 31st December, 2006 was approximately HK$10,858,000 compared with the loss of approximately HK$12,023,000 of the corresponding period in 2005. The loss is mainly attributable to integrating the newly acquired businesses into our existing range of services and subsequent disposal and de-emphasizing of the wealth and fund management divisions, which are non-core to the Group's strategy. The integration and restructuring to a certain extent, impacted on the performance of the Group.

Brokerage and Trading Platform

As a result of a more active market, the total revenue of this unit increased by 58% to HK$4.15 million for the year (2005: HK$2.62 million). The unit recorded a loss of HK$2.87 million for the year.

Trading and Principal Investment

The total revenue of the unit significantly increased to HK$441.07 million for the year (2005: HK$88.97 million). The unit contributed HK$0.43 million to the profit before taxation of the Group.

Corporate Finance Advisory Services

The total fee income of the unit significantly increased to HK$7.95 million for the year (2005: HK$0.32 million). The unit contributed HK$4.45 million to the profit before taxation of the Group.

Wealth and Fund Management

The Group acquired these business units in August 2006. The total fee income of this segment was HK$4.76 million for the year. This segment recorded a loss of HK$3.85 million for the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2006, the Group had total assets of approximately HK$62,868,000, an increase of 20.35% from total assets of approximately HK$52,239,000 as at 31st December, 2005. As at 31st December, 2006, the Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' funds, was 13.56%.

With net current assets of approximately HK$16,515,000, the Group remained in a financially liquid position as at 31st December, 2006 and could maintain the current line of business. However, with our strategy of strategic principal investment, it is vital that the group has sufficient working capital at any given time to take on significant and positive opportunities that come before the Group. The Board will continuously review this position.

Chief Executive's Statement – Financial and Operation Review

EMPLOYEES' INFORMATION

As at 31st December, 2006, the Group had a workforce of 51 employees (2005: 18). For the year ended 31st December, 2006, the total staff costs amounted to approximately HK$14,474,000 (2005: approximately HK$6,810,000). The Group's remuneration policies are determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares.

The Company and the Group have no 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 9th 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.

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

There were no material acquisitions and disposals of subsidiaries during the year. At present, the Group has no plans for material investments.

CHARGES ON GROUP ASSETS

As at 31st December, 2006, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31st December, 2006.

Chief Executive's Statement – Financial and Operation Review

OUTLOOK

Our strategy remains relatively simple and focused. Through principal investment, we hope to add value to our acquisition and deliver superior profits upon exit of the investments. This strategy is complemented by our securities and futures brokerage services, delivering profits to meet our normal expenditure.

I wish to extend my sincere thanks and appreciation on behalf of the Board to our clients, staff, business partners, and you, our shareholders, for your continuous commitment and support throughout the year.

Finally, my personal thanks to the Board's continual guidance and support, and I am honored to have worked with such experienced and esteemed Board members.

Lee Yiu Sun
Chief Executive Officer

Hong Kong, 23rd March, 2007

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Richard Yingneng Yin, aged 54, is the Chairman of the Company and joined the Group in May 2005. Mr. Yin has over 10 years of experience in various regulatory organizations. He held senior positions in the Australian Securities and Investments 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 the 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.

Mr. Lee Yiu Sun, aged 49, is the Chief Executive Officer, Compliance Officer and Qualified Accountant of the Company and joined the Group in May 2000. Mr. Lee has over 18 years of experience in the securities and financial service sector. He has been a Vice-Chairman of the Hong Kong Stockbrokers Association since 1997. 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 from 1997 to 1999 and a Committee Member of the Chinese Gold and Silver Exchange Society from 1994 to 1999. 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 Fellow of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Kennedy Wong Ying Ho, aged 44, is a Non-executive Director of the Company and joined the Group in September 2005. Mr. 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. Mr. Wong is the executive deputy chairman of Raymond Industrial Limited, a Hong Kong Main Board listed company controlled by his family and a director of China Overseas Land & Investment Ltd., Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited, Computime Group Limited, Great Wall Technology Company Limited and Capinfo Company Limited, all of which are Hong Kong listed companies. He is also a director of AXA Asia Pacific Holdings Limited, National Mutual Life Association of Australasia Limited, and Pacific Alliance Asia Opportunity Fund Limited, all are multi-national companies with substantial investments in China.

Mr. Wong was selected as one of the 10 Outstanding Young Persons of Hong Kong by the then Hong Kong Junior Chamber in 1998 and one of the 10 Outstanding Young Persons of the World by the Junior Chamber International in 2003.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Michael Wu Wai Chung, aged 57, 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.

Mr. Japhet Sebastian Law, aged 56, joined the Group in June 2005. Mr. 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. Mr. 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. Mr. 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. Mr. 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. He is also a Member of the Social Welfare Advisory Committee.

Mr. Tsang Hing Lun, aged 57, joined the Group in June 2005. Mr. Tsang is the CEO of Influential Consultants Limited and an Independent Non-Executive Director of Beijing Media Corporation Limited, which is listed on the Stock Exchange of Hong Kong. He is also a Fellow Member of the Hong Kong Institute of Directors, Association of Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Tsang graduated from the Chinese University of Hong Kong with a bachelor degree in business administration (1st Class Hons.) in 1973. Mr. Tsang has served in a senior management capacity in several reputable publicly listed companies in Hong Kong and Singapore. Mr. Tsang joined the Hang Seng Bank group in 1973 and served in 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, Mr. Tsang returned to Hong Kong in 1992 and acted as an executive director of the Stock Exchange of Hong Kong 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, and an executive director of DigiTel Group Limited, a company listed on the GEM, from 2000 to 2001.

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, 2006.

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.

Pursuant to a special resolution duly passed by the Company's shareholders on 8th March, 2006, the name of the Company was changed from "Stockmartnet Holdings Ltd. 金融社控股有限公司" to "International Financial Network Holdings Ltd. 國際金融社控股有限公司".

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, 2006 are set out in the consolidated income statement on page 26.

The Directors do not recommend the payment of a dividend nor transfer of any amount to reserves for the year ended 31st December, 2006 (2005: 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 29 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions of 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$16,019,000 as at 31st December, 2006.

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 since 28th September 2006)*
Seah Chin Yew	*(Resigned as Chief Executive Officer and Executive Director on 28th September, 2006)*

Non-executive Director

Kennedy Wong Ying Ho

Independent Non-executive Directors

Michael Wu Wai Chung
Japhet Sebastian Law
Tsang Hing Lun

The Company has received confirmations from each of the existing Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent to the Company.

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Richard Yingneng Yin and Mr. Tsang Hing Lun 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 and Dr. Seah Chin Yew are directors 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, 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 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 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

	Number of shares beneficially held			
Name of Directors	Personal Interests	Corporate Interests	Total	Approximate Percentage of shareholding
Richard Yingneng Yin	45,000,000 *(note 1)*	1,280,006,000 *(note 2)*	1,325,006,000	64.63%
Kennedy Wong Ying Ho	–	237,032,000 *(note 3)*	237,032,000	11.56%
Lee Yiu Sun	54,719,000	–	54,719,000	2.67%
Seah Chin Yew	25,000,000 *(note 4)*	–	25,000,000	1.22%

Notes:

(1) 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 237,032,000 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".

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

(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 *(note 5)*	200,000,000	9.76%
Lee Yiu Sun	50,000,000 *(note 6)*	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 scheme 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.

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

Notes on underlying shares of the Company *(continued)*

(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 corporation controlled by Mr. Richard Yingneng Yin), Mr. Richard Yingneng Yin and Dr. Seah Chin Yew on a one-off basis. The transaction was approved by the shareholders at an extraordinary general meeting of the Company held on 1st April, 2005. The number of outstanding share options are as follow:

Name of grantee	Date of grant	Number of share options: Outstanding as at 1st January, 2006	Exercised during the year	Outstanding as at 31st December, 2006	Exercise period	Exercise price per share HK$
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
		70,000,000	–	70,000,000		

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.

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

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

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

Save as disclosed herein, as at 31st December, 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 31st December, 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 OF THE COMPANY

As at 31st December, 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	237,032,000	11.56%

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 237,032,000 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%

Notes:

(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.

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

Long positions in the debentures of the Company

During the year ended 31st December, 2006, there were no debt securities issued by the Group at any time. Save as disclosed above, as at 31st December, 2006, 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.

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 (and acted as a non-executive director up to 1st January, 2007) 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.

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, 23rd March, 2007

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 appointed on three-year terms.

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) and Dr. Seah Chin Yew (ex-Chief Executive Officer) are directors of and beneficially own Asia Network Holdings Limited, the controlling shareholder of the Company.

Mr. Richard Yingneng Yin and Mr. Kennedy Wong Ying Ho are shareholders and directors of a company that intends to engage in private equity funds.

THE BOARD OF DIRECTORS *(continued)*

There were 6 board meetings during the year. The attendance of Directors at the board meetings is as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Richard Yingneng Yin	6/6
Lee Yiu Sun	6/6
Kennedy Wong Ying Ho	4/6
Michael Wu Wai Chung	4/6
Japhet Sebastian Law	3/6
Tsang Hing Lun	5/6
Seah Chin Yew (Resigned on 28th September, 2006)	3/5

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, Mr. Japhet Sebastian Law and Mr. Tsang Hing Lun; and one executive director, Mr. Richard Yingneng Yin. Mr. 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 two meetings during the year and the attendance of its members is as follows:

Members	Attendance No. of meetings attended/ No. of meetings during term of service
Japhet Sebastian Law	2/2
Tsang Hing Lun	2/2
Richard Yingneng Yin	2/2

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, and making recommendations on employee remuneration for the year 2006.

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, Mr. Japhet, Sebastian Law and Mr. Tsang Hing Lun; and one executive director, Mr. Richard Yingneng Yin. Mr. 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 is 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 includes reviewing the structure, size, independence and composition of the Board of Directors and making recommendations thereon.

AUDITORS' REMUNERATION

For the year ended 31st December, 2006, 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	2006 Approximately HK$
Audit for the Group	200,000
Non-audit services	
– Professional services on acting as reporting accountants	300,000
– Taxation services	28,000
– Company secretarial services	28,000
	556,000

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, Mr. Tsang Hing Lun, Mr. Japhet Sebastian Law and Mr. Michael Wu Wai Chung. Chaired by Mr. 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, 2006 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 the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

AUDIT COMMITTEE *(continued)*

The Audit Committee held four meetings during the year and the attendance of its members is 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	3/4

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 24 to 25.

The directors have conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries.

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.
國際金融社控股有限公司
(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 26 to 78, which comprise the consolidated and company balance sheets as at 31st December, 2006, 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, 2006 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, 23rd March, 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2006

	Note	2006 HK$	2005 HK$
Revenue	5	457,935,641	91,909,528
Cost of sales		(441,384,716)	(88,905,026)
Gross profit		16,550,925	3,004,502
Other gains	7	–	7,908
Other income	8	449,284	607,482
Depreciation of property, plant and equipment	16	(861,747)	(650,410)
Amortization of intangible assets	17	(666,432)	(743,600)
Employee benefits expenses	10	(14,473,809)	(6,810,180)
Other operating expenses		(11,850,382)	(7,438,542)
Share of loss of associates		(5,445)	–
Loss before income tax	9	(10,857,606)	(12,022,840)
Income tax	13	–	–
Loss for the year		(10,857,606)	(12,022,840)
Attributable to:			
Equity holders of the Company	14	(10,857,606)	(12,022,840)
Minority interests		–	–
		(10,857,606)	(12,022,840)
Loss per share for loss attributable to the equity holders of the Company during the year			
– Basic and diluted	15	(0.53) HK cents	(0.75) HK cents

BALANCE SHEETS

As at 31st December, 2006

		The Group		The Company	
		2006	2005	**2006**	2005
	Note	**HK$**	HK$	**HK$**	HK$
Non-current assets					
Property, plant and equipment	*16*	**2,266,986**	1,436,649	**993,486**	1,196,654
Intangible assets	*17*	**621,632**	1,288,064	**–**	–
Statutory deposits	*18*	**2,180,000**	2,155,000	**–**	–
Investments in subsidiaries	*19*	**–**	–	**7,114,760**	7,114,760
Investments in associates	*20*	**244,569**	–	**–**	–
Available-for-sale financial assets	*22*	**1,528,366**	465,524	**–**	–
		6,841,553	5,345,237	**8,108,246**	8,311,414
Current assets					
Deposit for investment in an associate classified as held for sale	*21*	**–**	11,224,000	**–**	–
Trade receivables	*23*	**12,245,724**	3,012,339	**–**	–
Other receivables	*24*	**2,496,749**	391,781	**269,783**	139,463
Amounts due from subsidiaries	*19*	**–**	–	**41,783,079**	37,395,965
Bank balances and cash	*25*	**28,675,822**	32,266,369	**115,985**	1,309,731
		43,418,295	46,894,489	**42,168,847**	38,845,159
Investment in an associate classified as held for sale	*21*	**12,607,758**	–	**–**	–
		56,026,053	46,894,489	**42,168,847**	38,845,159
Total assets		**62,867,606**	52,239,726	**50,277,093**	47,156,573
Current liabilities					
Trade payables	*26*	**19,976,241**	5,252,218	**–**	–
Other payables	*27*	**1,813,772**	873,316	**780,843**	663,030
Amounts due to subsidiaries	*19*	**–**	–	**8,101,696**	982,618
Amount due to an associate	*20*	**238,763**	–	**–**	–
Bank overdrafts	*28*	**4,875,000**	–	**4,875,000**	–
		26,903,776	6,125,534	**13,757,539**	1,645,648
Net current assets		**16,514,519**	40,768,955	**28,411,308**	37,199,511
Net assets		**35,963,830**	46,114,192	**36,519,554**	45,510,925

Balance Sheets

As at 31st December, 2006

		The Group		The Company	
		2006	2005	**2006**	2005
	Note	**HK$**	HK$	**HK$**	HK$
Capital and reserves attributable to the Company's equity holders					
Share capital	29	**20,500,340**	20,500,340	**20,500,340**	20,500,340
Share premium	29	**99,621,355**	99,621,355	**99,621,355**	99,621,355
Special reserve	30	**4,778,740**	4,778,740	**–**	–
Available-for-sale investments revaluation reserve		**621,240**	84,635	**–**	–
Translation reserve		**170,639**	–	**–**	–
Accumulated losses		**(89,728,489)**	(78,870,883)	**(83,602,141)**	(74,610,770)
		35,963,825	46,114,187	**36,519,554**	45,510,925
Minority interests		**5**	5	**–**	–
Total equity		**35,963,830**	46,114,192	**36,519,554**	45,510,925

Richard Yingneng Yin
Director

Lee Yiu Sun
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31st December, 2006

	Attributable to the equity holders of the Company								
	Share capital HK$ *(Note 29)*	Share premium HK$ *(Note 29)*	Special reserve HK$ *(Note 30)*	Available-for-sale investments revaluation reserve HK$	Translation reserve HK$	Accu-mulated losses HK$	Total reserves HK$	Minority interests HK$	Total equity HK$
The Group									
Balance at 1st January, 2005	7,648,860	80,974,438	4,778,740	–	–	(66,848,043)	18,905,135	–	26,553,995
Change in fair value of available-for-sale financial assets	–	–	–	92,543	–	–	92,543	–	92,543
Total income and expense recognized directly in equity	–	–	–	92,543	–	–	92,543	–	92,543
Loss for the year	–	–	–	–	–	(12,022,840)	(12,022,840)	–	(12,022,840)
Total recognized income and expense for the year	–	–	–	92,543	–	(12,022,840)	(11,930,297)	–	(11,930,297)
Net gain transferred to profit or loss on disposal	–	–	–	(7,908)	–	–	(7,908)	–	(7,908)
Acquisition of subsidiaries	–	–	–	–	–	–	–	5	5
Issue of ordinary shares	12,851,480	20,528,520	–	–	–	–	20,528,520	–	33,380,000
Share issue costs	–	(1,881,603)	–	–	–	–	(1,881,603)	–	(1,881,603)
Balance at 31st December, 2005 and 1st January, 2006	**20,500,340**	**99,621,355**	**4,778,740**	**84,635**	**–**	**(78,870,883)**	**25,613,847**	**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	–	–	–	–	–	(10,857,606)	(10,857,606)	–	(10,857,606)
Total recognized income and expense for the year	–	–	–	536,605	170,639	(10,857,606)	(10,150,362)	–	(10,150,362)
Balance at 31st December, 2006	**20,500,340**	**99,621,355**	**4,778,740**	**621,240**	**170,639**	**(89,728,489)**	**15,463,485**	**5**	**35,963,830**

Statements of Changes in Equity

For the year ended 31st December, 2006

	Share capital HK$ *(Note 29)*	Share premium HK$ *(Note 29)*	Accumulated losses HK$	Total reserves HK$	Total equity HK$
The Company					
Balance at 1st January, 2005	7,648,860	80,974,438	(61,261,513)	19,712,925	27,361,785
Loss for the year and total recognized income and expense for the year	–	–	(13,349,257)	(13,349,257)	(13,349,257)
Issue of ordinary shares	12,851,480	20,528,520	–	20,528,520	33,380,000
Share issue costs	–	(1,881,603)	–	(1,881,603)	(1,881,603)
Balance at 31st December, 2005 and 1st January, 2006	**20,500,340**	**99,621,355**	**(74,610,770)**	**25,010,585**	**45,510,925**
Loss for the year and total recognized income and expense for the year	–	–	(8,991,371)	(8,991,371)	(8,991,371)
Balance at 31st December, 2006	**20,500,340**	**99,621,355**	**(83,602,141)**	**16,019,214**	**36,519,554**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2006

	Note	2006 HK$	2005 HK$
Cash flows from operating activities			
Loss before income tax		(10,857,606)	(12,022,840)
Adjustments for:			
– Depreciation of property, plant and equipment		861,747	650,410
– Amortization of intangible assets		666,432	743,600
– Share of loss of associates		5,445	–
– Loss on disposal of property, plant and equipment		–	351,413
– Net gain transferred from equity on disposal of available-for-sale financial assets		–	(7,908)
– Dividend income		(45,947)	–
– Interest income		(573,260)	(564,813)
Changes in working capital		(9,943,189)	(10,850,138)
– Statutory deposits		(25,000)	25,000
– Trade receivables		(8,906,054)	5,655,146
– Other receivables		(843,583)	124,217
– Bank trust accounts		(6,065,984)	(887,954)
– Trade payables		13,172,238	(6,786,594)
– Other payables		937,687	373,508
Cash used in operations		(11,673,885)	(12,346,815)
Dividend received		45,947	–
Interest received		573,260	564,813
Net cash used in operating activities		(11,054,678)	(11,782,002)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,686,210)	(1,605,471)
Purchase of available-for-sale financial assets		(526,237)	(2,281,183)
Proceeds from sale of available-for-sale financial assets		–	1,908,202
Advances to associates		(186,946)	–
Acquisition of subsidiaries, net of cash acquired	33	135,659	–
Deposit for investment in an associate classified as held for sale		–	(11,224,000)
Transaction costs paid relating to the acquisition of investment in an associate classified as held for sale		(1,383,758)	–
Net cash used in investing activities		(3,647,492)	(13,202,452)

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

	Note	2006 HK$	2005 HK$
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	33,380,000
Share issue costs		–	(1,881,603)
Capital contributions from minority shareholders of a subsidiary		–	5
Net cash generated from financing activities		–	31,498,402
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(14,702,170)**	6,513,948
Cash and cash equivalents at beginning of year		**26,754,458**	20,240,510
Exchange gains on cash and cash equivalents		**170,639**	–
Cash, cash equivalents and bank overdrafts at end of year	*25*	**12,222,927**	26,754,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2006

1. GENERAL INFORMATION

International Financial Network Holdings Ltd. (the "Company") and its subsidiaries (together the "Group") is 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 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.

Pursuant to a special resolution passed by the Company's shareholders on 8th March, 2006, the name of the Company was changed from "Stockmartnet Holdings Ltd. 金融社控股有限公司" to "International Financial Network Holdings Ltd. 國際金融社控股有限公司".

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

As at 31st December, 2006, the Group is controlled by Asia Network Holdings Limited, a company incorporated in the British Virgin Islands ("BVI"). The ultimate holding company is First Vanguard Group Limited, a company incorporated in the BVI and wholly owned by Mr. Richard Yingneng Yin, the chairman and executive director of the Company.

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 23rd March, 2007.

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 and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.1 Basis of preparation *(continued)*

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 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.

(a) *Standards, amendments and interpretations effective in 2006 but not relevant to the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January, 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 (Amendment), Net Investment in a Foreign Operation;
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 (Amendment), The Fair Value Option;
- HKAS 39 and HKFRS 4 (Amendments), Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS-Int 4, Determining whether an Arrangement contains a Lease;
- HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for annual periods beginning on or after 1st December, 2005).

(b) *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 that are mandatory for the Group's accounting periods beginning on or after 1st May, 2006 or later periods but that the Group has not early adopted:

- HKFRS 7, Financial Instruments: Disclosures and HKAS 1 (Amendment), Presentation of Financial Statements — Capital Disclosures (effective for annual periods beginning on or after 1st January, 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to HKAS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1st January, 2007;

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.1 Basis of preparation *(continued)*

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

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1st May, 2006). HK(IFRIC)-Int 8 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 — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st January, 2007, but it is not expected to have a significant impact on the Group's financial statements;

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November, 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st January, 2007, but it is not expected to have a significant impact on the Group's financial statements; and

- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 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, 2007, but it is not expected to have a significant impact on the Group's financial statements.

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations*
The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May, 2006 or later periods but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1st March, 2006). HK(IFRIC)-Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations; and

- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June, 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.2 Basis of consolidation

The consolidated financial statements incorporate 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.2 Basis of consolidation *(continued)*

(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 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.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.3 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

2.4 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.5 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.5 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.

2.6 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 years
Computer equipment	3 years
Motor vehicle	3 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.

2.7 Intangible assets

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

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

Assets that have an indefinite useful life or have 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. The classification depends on the purpose 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.

(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 in the balance sheet.

(c) *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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.9 Financial assets *(continued)*

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement, 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.

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 in 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.10 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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deposits held at call with banks and other financial institutions (excluding clients' monies in segregated trust accounts with banks), and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with current liabilities on the balance sheets.

2.12 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.

2.13 Trade payables

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

2.14 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.15 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*.

2.16 Deferred income tax

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 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 substantially 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.

2.17 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 HK$Nil (2005: HK$44,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.17 Employee benefits *(continued)*

(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.

2.18 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

2.19 Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the 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 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.

2.20 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 operates mainly in Hong Kong and Singapore and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars and Singapore dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

As the Group's principal businesses are mainly conducted and recorded in Hong Kong dollars, the directors consider that the Group does not have significant foreign exchange risk.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group manages this exposure by maintaining a portfolio of investments with different risk profiles.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

(b) Credit risk

The Group has no significant credit risk. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

3.2 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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. However, there are no critical accounting estimates or assumptions used in these financial statements that the directors expect will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. REVENUE

	2006 HK$	2005 HK$
Income from provision of trading platform	147,970	141,169
Commission income from securities and futures brokerage, and infrastructure broking services fee	3,564,998	2,332,701
Interest income from clients	439,597	147,921
Income from provision of corporate finance services	7,953,687	320,000
Trading and principal investment	441,067,166	88,967,737
Income from provision of wealth management services	4,414,987	–
Income from provision of fund management services	347,236	–
	457,935,641	91,909,528

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 31st December, 2006, the Group is organized into 5 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; and

(v) Provision of wealth and fund management services.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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$	Total HK$
Segment revenue	147,970	4,004,595	7,953,687	441,067,166	4,762,223	457,935,641
Segment results	13,868	(2,882,159)	4,451,087	426,921	(3,848,441)	(1,838,724)
Share of loss of associates						(5,445)
Net unallocated corporate expenses						(9,013,437)
Loss before income tax						(10,857,606)
Income tax						–
Loss for the year						(10,857,606)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. SEGMENT INFORMATION *(continued)*

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

The segment results for the year ended 31st December, 2005 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$	Total HK$
Segment revenue	141,169	2,480,622	320,000	88,967,737	91,909,528
Segment results	10,972	(9,184,808)	(539,143)	57,946	(9,655,033)
Net unallocated corporate expenses					(2,367,807)
Loss before income tax					(12,022,840)
Income tax					–
Loss for the year					(12,022,840)

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 infra-structure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth and fund management services HK$	Unallocated HK$	Total HK$
Depreciation and amortization	–	1,024,435	2,567	–	4,603	496,574	1,528,179

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. SEGMENT INFORMATION *(continued)*

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

Other segment information for the year ended 31st December, 2005 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$	Unallocated HK$	Total HK$
Depreciation and amortization	–	1,069,368	–	–	324,642	1,394,010

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 infra-structure broking services HK$	Corporate finance services HK$	Trading and principal investment HK$	Wealth and fund management services HK$	Unallocated HK$	Total HK$
Segment assets	118,260	39,150,525	4,029,329	14,163,231	4,657,270	748,991	62,867,606
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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

6. SEGMENT INFORMATION *(continued)*

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

The segment assets and liabilities as at 31st December, 2005 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$	Unallocated HK$	Total HK$
Segment assets	203,214	35,092,351	2,926,447	11,320,970	2,696,744	52,239,726
Segment liabilities	1,342	5,343,662	59,900	–	720,630	6,125,534
Capital expenditure						
Additions of property, plant and equipment	–	287,290	–	–	1,318,181	1,605,471

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.

(b) Secondary reporting format – geographical segments

For the year ended 31st December, 2006

	Revenue HK$	Total assets HK$	Capital expenditure HK$
Hong Kong	457,577,895	48,685,355	1,651,282
Singapore	357,746	13,614,832	40,802
Japan	–	322,850	–
	457,935,641	62,623,037	1,692,084
Investments in associates		244,569	
		62,867,606	

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For the year ended 31st December, 2006

6. SEGMENT INFORMATION *(continued)*

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

No geographical segment information is presented for the year ended 31st December, 2005 as over 90% of the Group's revenue was derived from customers based in Hong Kong and over 90% of the Group's assets were located in Hong Kong.

7. OTHER GAINS

	2006 HK$	2005 HK$
Net gain transferred from equity on disposal of available-for-sale financial assets	–	7,908

8. OTHER INCOME

	2006 HK$	2005 HK$
CCASS fee income	106,327	32,849
Handling fee income	57,453	89,393
Interest income on bank deposits	63,862	407,535
Other interest income	69,801	9,357
Dividend income from listed investments	45,947	–
Sundry income	105,894	68,348
	449,284	607,482

9. LOSS BEFORE INCOME TAX

	2006 HK$	2005 HK$
Loss before income tax has been arrived at after charging:		
Auditors' remuneration	200,000	150,000
Loss on disposal of property, plant and equipment	–	351,413
Operating lease rentals in respect of rented office premises	860,824	886,128

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

10. EMPLOYEE BENEFITS EXPENSES

	2006 HK$	2005 HK$
Wages and salaries	14,103,413	6,766,020
Pension costs – defined contribution schemes	370,396	44,160
Employee benefits expenses, including directors' remuneration	14,473,809	6,810,180

11. DIRECTORS' REMUNERATION

Year ended 31st December, 2006

Name of director	*Note*	Fees HK$	Salaries, allowances and benefits in kind HK$	Employer's contributions to pension scheme HK$	Total 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	*(i)*	–	1,035,000	9,000	1,044,000
Non-executive director					
Mr. Kennedy Wong Ying Ho		240,000	–	–	240,000
Independent non-executive directors					
Mr. Michael Wu Wai Chung		84,990	–	–	84,990
Mr. Japhet Sebastian Law		95,000	–	–	95,000
Mr. Tsang Hing Lun		90,000	–	–	90,000
		509,990	3,615,000	33,000	4,157,990

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

11. DIRECTORS' REMUNERATION *(continued)*

Year ended 31st December, 2005

Name of director	*Note*	Fees HK$	Salaries, allowances and benefits in kind HK$	Employer's contributions to pension scheme HK$	Total HK$
Executive directors					
Mr. Richard Yingneng Yin	*(ii)*	–	805,000	7,000	812,000
Mr. Lee Yiu Sun		–	700,000	7,000	707,000
Dr. Seah Chin Yew	*(ii)*	–	805,000	7,000	812,000
Mr. Lee Sing Kai, Albert	*(iii)*	–	225,000	5,000	230,000
Mr. So Kin Wing	*(iv)*	–	301,667	3,000	304,667
Mr. Chick Siu Yee, Eddy	*(v)*	–	72,840	1,000	73,840
Non-executive directors					
Mr. Kennedy Wong Ying Ho	*(vi)*	60,000	–	–	60,000
Mr. Seto Gin Chung, John	*(iv)*	–	–	–	–
Mr. Yue Wai Keung	*(iv)*	–	–	–	–
Mr. Henry Chan	*(iv)*	–	–	–	–
Mr. Chan Kai Yu, Martin	*(iv)*	–	–	–	–
Mr. Chan Hung Ti	*(iv)*	–	–	–	–
Mr. Cheng Chi Lam	*(iv)*	–	–	–	–
Mr. Anthony Espina	*(iv)*	–	–	–	–
Mr. Lee Jor Hung	*(iv)*	–	–	–	–
Mr. Lee Sheung Yam	*(iv)*	–	–	–	–
Mr. Wong Wai Sum	*(iv)*	–	–	–	–
Independent non-executive directors					
Mr. Michael Wu Wai Chung	*(vii)*	49,593	–	–	49,593
Mr. Japhet Sebastian Law	*(viii)*	47,500	–	–	47,500
Mr. Tsang Hing Lun	*(viii)*	45,000	–	–	45,000
Mr. Chung Shui Ming, Timpson	*(iv)*	50,000	–	–	50,000
Mr. Tsui Yiu Wa, Alec	*(iv)*	50,000	–	–	50,000
Mr. Fung Cheong Yee Alfred	*(iv)*	50,000	–	–	50,000
		352,093	2,909,507	30,000	3,291,600

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

11. DIRECTORS' REMUNERATION *(continued)*

Notes:

(i) 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.

(ii) Appointed on 11th May, 2005.

(iii) Appointed on 3rd January, 2005 and resigned on 1st June, 2005. In addition to the director's remuneration of HK$230,000 disclosed above, Mr. Lee Sing Kai, Albert also received employee's emoluments of HK$357,000 for the period from the date of his resignation as an executive director of the Company to 31st December, 2005.

(iv) Resigned on 1st June, 2005.

(v) Resigned on 21st January, 2005.

(vi) Appointed on 9th September, 2005.

(vii) Appointed on 1st June, 2005.

(viii) Appointed on 30th June, 2005.

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 (2005: Nil). None of the directors waived or agreed to waive any remuneration during the year (2005: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2005: four) directors, details of whose remuneration are set out in Note 11. The emoluments payable to the remaining two (2005: one) individuals for the year are as follows:

	2006 HK$	2005 HK$
Salaries, allowances and benefits in kind	2,006,078	531,290
Pension costs — defined contribution scheme	47,202	6,000
	2,053,280	537,290

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

12. FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Their emoluments fell within the following bands:

	2006 Number of individuals	2005 Number of individuals
HK$1,000,001 to HK$1,500,000	1	–
Nil to HK$1,000,000	1	1
	2	1

13. INCOME TAX

Hong Kong profits tax is calculated at the rate of 17.5% (2005:17.5%) on the estimated assessable profit arising in Hong Kong for the year. 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. No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred a tax loss for the year (2005: Nil).

No deferred tax liabilities are recognized in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of liabilities and their carrying amounts as at 31st December, 2006 (2005: 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, 2006, the unrecognized deferred tax assets of the Group and of the Company are as follows:

	The Group		The Company	
	2006 HK$	2005 HK$	2006 HK$	2005 HK$
Unused tax losses	15,364,032	11,868,992	7,004,177	2,907,234

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

14. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$8,991,371 (2005: HK$13,349,257).

15. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company for the year ended 31st December, 2006 of HK$10,857,606 (2005: HK$12,022,840) by the weighted average number of 2,050,034,000 (2005: 1,587,301,540) 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, 2005 and 2006 since their exercise would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment and furniture	Computer equipment	Motor vehicle	Total
	HK$	HK$	HK$	HK$	HK$
The Group					
As at 1st January, 2005					
Cost	998,243	908,046	1,062,128	–	2,968,417
Accumulated depreciation	(550,703)	(803,601)	(781,112)	–	(2,135,416)
Net book amount	447,540	104,445	281,016	–	833,001
Year ended 31st December, 2005					
Opening net book amount	447,540	104,445	281,016	–	833,001
Additions	953,497	60,074	319,140	272,760	1,605,471
Disposals	(327,967)	(932)	(22,514)	–	(351,413)
Depreciation	(225,516)	(109,254)	(270,180)	(45,460)	(650,410)
Closing net book amount	847,554	54,333	307,462	227,300	1,436,649
As at 31st December, 2005					
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**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

	Leasehold improvements HK$	Office equipment and furniture HK$	Computer equipment HK$	Total HK$
The Company				
As at 1st January, 2005				
Cost	958,252	236,929	350,232	1,545,413
Accumulated depreciation	(530,130)	(209,103)	(286,740)	(1,025,973)
Net book amount	428,122	27,826	63,492	519,440
Year ended 31st December, 2005				
Opening net book amount	428,122	27,826	63,492	519,440
Additions	953,497	60,074	304,610	1,318,181
Disposals	(316,325)	–	–	(316,325)
Depreciation	(217,740)	(33,567)	(73,335)	(324,642)
Closing net book amount	847,554	54,333	294,767	1,196,654
As at 31st December, 2005				
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**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

17. INTANGIBLE ASSETS

	Trading rights HK$
The Group	
As at 1st January, 2005	
Cost	3,592,000
Accumulated amortization	(1,560,336)
Net book amount	2,031,664
Year ended 31st December, 2005	
Opening net book amount	2,031,664
Amortization charge	(743,600)
Closing net book amount	1,288,064
As at 31st December, 2005	
Cost	3,592,000
Accumulated amortization	(2,303,936)
Net book amount	1,288,064
Year ended 31st December, 2006	
Opening net book amount	1,288,064
Amortization charge	(666,432)
Closing net book amount	**621,632**
As at 31st December, 2006	
Cost	3,592,000
Accumulated amortization	(2,970,368)
Net book amount	**621,632**

The intangible assets as at 31st December, 2006 represent two trading rights in the Stock Exchange and one trading right in the Hong Kong Futures Exchange Limited.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

18. STATUTORY DEPOSITS

	The Group	
	2006	2005
	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**	5,000
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	**250,000**	250,000
	2,180,000	2,155,000

The directors consider that the carrying amounts of statutory deposits approximate their fair values.

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$	HK$
Unlisted shares, at cost	**7,114,760**	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. The directors consider that the carrying amounts approximate their fair values.

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For the year ended 31st December, 2006

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following is a list of the Company's principal subsidiaries as at 31st December, 2006, all of which are limited liability companies and wholly owned by the Group:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital
International Financial Network Holdings (BVI) Limited*	BVI	Investment holding in Hong Kong	611,700 ordinary shares of US$1 each
International Financial Network Capital (Singapore) Pte. Ltd.*	Singapore	Provision of corporate finance services in Singapore	500,000 ordinary shares of S$1 each
Stockmartnet Limited	Hong Kong	Securities trading in Hong Kong	3 ordinary shares of HK$1 each
International Financial Network Capital Limited	Hong Kong	Provision of corporate finance services in Hong Kong	1,500,000 ordinary shares of HK$1 each
IFN-GT Securities Limited (Formerly known as International Financial Network Securities Limited)	Hong Kong	Securities brokerage and securities margin financing, and infrastructure broking services in Hong Kong	50,000,000 ordinary shares of HK$1 each
IFN-GT Futures Limited (Formerly known as International Financial Network Futures Limited)	Hong Kong	Futures brokerage in Hong Kong	12,000,000 ordinary shares of HK$1 each
International Financial Network Processing Services Limited	Hong Kong	Provision of a trading platform in Hong Kong	2 ordinary shares of HK$1 each
IFN Financial Services Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each
IFN-GT Financial Holdings Limited (Formerly known as International Financial Network Strategic Investments Limited)	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each
GT Wealth Management Limited	Hong Kong	Provision of wealth management services in Hong Kong	4,500,000 ordinary shares of HK$1 each

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For the year ended 31st December, 2006

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital
GT Asset Management Limited	Hong Kong	Provision of asset management services in Hong Kong	9,600,000 ordinary shares of HK$1 each
GT Asset Management International (Cayman) Limited	Cayman Islands	Investment management of offshore fund	1 ordinary share of US$1 each
GT Fund Management (Cayman) Limited	Cayman Islands	Investment management of offshore fund	1 ordinary share of US$1 each

* *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	
	2006	2005
	HK$	HK$
Beginning of the year	–	–
Additions through acquisition of subsidiaries *(Note 33)*	250,014	–
Share of loss of associates	(5,445)	–
End of the year	244,569	–

Details of the Group's principal unlisted associate as at 31st December, 2006 are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
GTMI Limited (Formerly known as GT Finance Limited)	Hong Kong	Inactive	250,000 ordinary shares of HK$1 each	50%

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For the year ended 31st December, 2006

20. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarized financial information of the Group's associates as extracted from their respective unaudited management accounts for the year ended 31st December, 2006:

	2006 HK$	2005 HK$
Assets	489,138	–
Liabilities	–	–
Revenues	–	–
Loss	4,800	–

Amount due to an associate

The amount due to an associate is unsecured, interest-free and repayable on demand. The directors consider that the carrying amount approximates its fair value.

21. INVESTMENT IN AN ASSOCIATE CLASSIFIED AS HELD FOR SALE

	2006 HK$	2005 HK$
Shares listed overseas	12,607,758	–
Market value of listed shares	14,682,456	–

As at 31st December, 2006, the carrying amount of the Group's investment in an associate classified as held for sale exceeded 10% of the Group's total assets. Details of the associate classified as held for sale are as follows:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Tastyfood Holdings Ltd.	Singapore	Investment holding	48,800,000 ordinary shares	29.9%

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For the year ended 31st December, 2006

21. INVESTMENT IN AN ASSOCIATE CLASSIFIED AS HELD FOR SALE *(continued)*

On 12th December, 2005, Stockmartnet Limited (an indirect, wholly-owned subsidiary of the Company) entered into a conditional sale and purchase agreement with Mr. Lim Chee Tet, an independent third party, for the acquisition of 48,800,000 shares (the "Sale Shares") in the capital of Tastyfood Holdings Ltd. ("Tastyfood"), at a cash consideration of S$2,440,000 (the "Tastyfood Acquisition"). Tastyfood is a company incorporated in Singapore and its shares are listed on the main board of the Singapore Exchange Securities Trading Limited. The Sale Shares represented approximately 29.9% of the entire issued share capital of Tastyfood as at the date of the aforesaid agreement. As at 31st December, 2005, the Group had paid a deposit of S$2,440,000 (equivalent to approximately HK$11,224,000), which was shown as "Deposit for investment in an associate classified as held for sale" on the consolidated balance sheet as at 31st December, 2005. The Tastyfood Acquisition was subsequently approved by the Company's shareholders pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 8th March, 2006, and the Tastyfood Acquisition was completed on 10th March, 2006.

In accordance with the Company's accounting policy and HKAS 28 *Investments in associates*, Tastyfood is 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 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.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2006	2005
	HK$	HK$
Beginning of the year	**465,524**	–
Additions	**526,237**	2,281,183
Disposals	**–**	(1,908,202)
Net gains transferred to equity	**536,605**	92,543
End of the year	**1,528,366**	465,524

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For the year ended 31st December, 2006

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

Available-for-sale financial assets include the following:

	The Group	
	2006	2005
	HK$	HK$
Equity securities listed on the Stock Exchange, at market value	**1,205,516**	465,524
Unlisted equity securities, at cost	**322,850**	–
	1,528,366	465,524

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

	The Group	
	2006	2005
	HK$	HK$
Hong Kong dollar	**1,205,516**	465,524
Japanese Yen	**322,850**	–
	1,528,366	465,524

The Group's investment in unlisted equity securities issued by a private enterprise incorporated in Japan 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.

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For the year ended 31st December, 2006

23. TRADE RECEIVABLES

	The Group	
	2006	2005
	HK$	HK$
Amounts receivable arising from securities broking:		
Margin clients	**3,177,688**	2,432,150
Cash clients	**1,910,058**	41,852
Brokers and dealers	**249**	6
HKSCC (net)	**2,470,195**	–
Amounts receivable arising from futures broking:		
Brokers and dealers	**27,168**	258,955
HKFECC	**1,245,493**	188,889
Other trade receivables	**3,414,873**	90,487
	12,245,724	3,012,339

Amounts 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$36,234,000 as at 31st December, 2006 (2005: HK$12,550,000). 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.

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

	The Group	
	2006	2005
	HK$	HK$
0 – 30 days	**3,389,873**	26,757
31 – 90 days	**–**	–
91 – 180 days	**25,000**	63,730
	3,414,873	90,487

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

23. TRADE RECEIVABLES *(continued)*

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The directors consider that the carrying amounts of trade receivables approximate their fair values.

24. OTHER RECEIVABLES

The directors consider that the carrying amounts of other receivables approximate their fair values.

25. BANK BALANCES AND CASH

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**28,675,822**	27,185,227	**115,985**	1,309,731
Short-term bank deposit	**–**	5,081,142	**–**	–
	28,675,822	32,266,369	**115,985**	1,309,731

The effective interest rate on the short-term bank deposit was 3.6% per annum. The deposit had a maturity of 15 days.

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

	The Group	
	2006	2005
	HK$	HK$
Cash at bank and in hand	**28,675,822**	27,185,227
Short-term bank deposit	**–**	5,081,142
	28,675,822	32,266,369
Segregated trust account balances	**(11,577,895)**	(5,511,911)
Bank overdrafts – unsecured *(Note 28)*	**(4,875,000)**	–
Cash, cash equivalents and bank overdrafts	**12,222,927**	26,754,458

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

26. TRADE PAYABLES

	The Group	
	2006	2005
	HK$	HK$
Amounts payable arising from securities broking:		
Margin clients	**3,280,592**	1,872,390
Cash clients	**12,300,837**	2,397,144
HKSCC (net)	**–**	389,420
Amounts payable arising from futures broking:		
Clients	**1,898,551**	352,011
Other trade payables	**2,496,261**	241,253
	19,976,241	5,252,218

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

26. TRADE PAYABLES *(continued)*

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

	The Group	
	2006	2005
	HK$	HK$
0 – 30 days	**2,472,209**	1,342
31 – 90 days	**17,594**	–
91 – 180 days	**6,458**	–
181 – 365 days	**–**	86,729
Over 365 days	**–**	153,182
	2,496,261	241,253

The directors consider that the carrying amounts of trade payables approximate their fair values.

27. OTHER PAYABLES

The directors consider that the carrying amounts of other payables approximate their fair values.

28. BANK OVERDRAFTS – UNSECURED

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Bank overdrafts *(Note 25)*	**4,875,000**	–	**4,875,000**	–

At the balance sheet date, the effective interest rate of the bank overdrafts is approximately 8.75%. The bank overdrafts are denominated in Hong Kong dollars and repayable on demand. The directors consider that the carrying amounts of bank overdrafts approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

29. SHARE CAPITAL

	Note	Number of issued shares (in thousands)	Ordinary shares HK$	Share premium HK$	Total HK$
As at 1st January, 2005		764,886	7,648,860	80,974,438	88,623,298
Issue of shares through:					
Subscription	*(i)*	1,000,000	10,000,000	16,000,000	26,000,000
Pre-IPO Share Option Plan	*(ii)*	5,148	51,480	48,520	100,000
Subscription	*(iii)*	280,000	2,800,000	4,480,000	7,280,000
Share issue costs	*(i)*	–	–	(1,881,603)	(1,881,603)
As at 31st December, 2005 and 2006		**2,050,034**	**20,500,340**	**99,621,355**	**120,121,695**

The total authorized number of ordinary shares is 10,000,000,000 shares (2005: 10,000,000,000 shares) with a par value of HK$0.01 per share (2005: HK$0.01 per share). All issued shares are fully paid.

Notes:

(i) On 29th April, 2005, 1,000,000,000 shares of HK$0.01 each were issued by way of subscription at a subscription price of HK$0.026 per share. The ordinary shares issued have the same rights as the other shares then in issue. The related share issue costs amounting to HK$1,881,603 have been accounted for as a deduction from share premium in equity.

(ii) On 1st June, 2005, 5,148,000 shares of HK$0.01 each were issued at a subscription price of approximately HK$0.019 per share by exercise of options granted under the Pre-IPO Share Option Plan *(Note 31)*. The ordinary shares issued have the same rights as the other shares then in issue.

(iii) On 29th June, 2005, 280,000,000 shares of HK$0.01 each were issued at a subscription price of HK$0.026 per share by exercise of options granted under a conditional subscription agreement *(Note 32)*. The ordinary shares issued have the same rights as the other shares then in issue.

30. 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

31. SHARE OPTION SCHEMES

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.

(a) Share Option Scheme

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.

No options were granted under the Share Option Scheme during the years ended 31st December, 2005 and 2006.

(b) Pre-IPO Share Option Plan

The purpose of the Pre-IPO Share Option Plan was to recognize and motivate the contribution of certain directors and employees of the Group to the growth of the Group and/or to the listing of the Company's shares on GEM.

Pursuant to the Pre-IPO Share Option Plan of the Company adopted on 17th December, 2001, the Board granted options comprising a total of 20,592,000 underlying shares to the executive directors of the Company and its subsidiaries at a subscription price of approximately HK$0.019 per share, representing approximately a 94.9% discount to the issue price pursuant to the Company's listing on GEM.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

31. SHARE OPTION SCHEMES *(continued)*

(b) Pre-IPO Share Option Plan *(continued)*

Options granted under the Pre-IPO Share Option Plan may be exercised at any time after the two-year lock-up period ending 11th January, 2004 in accordance with the terms of the Pre-IPO Share Option Plan. No further options will be offered or granted upon listing of the shares of the Company on GEM.

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

	2005	
	Exercise price per share HK$	Number of options
As at 1st January	HK$0.019	5,148,000
Exercised	HK$0.019	(5,148,000)
As at 31st December		–

The options exercised in the year ended 31st December, 2005 resulted in 5,148,000 ordinary shares of HK$0.01 each being issued at approximately HK$0.019 each. The related weighted averaged share price at the time of exercise was HK$0.037 per share.

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

The Company entered into a conditional subscription agreement dated 4th February, 2005 (as amended by a supplemental agreement dated 15th March, 2005) with Asia Network Holdings Limited (a company incorporated in the BVI and beneficially owned as to 80% by Mr. Richard Yingneng Yin ("Mr. Yin") and as to 20% by Dr. Seah Chin Yew ("Dr. Seah")), Mr. Yin and Dr. Seah, pursuant to which the Company agreed to, *inter alia*, grant an aggregate of 350,000,000 new options to Asia Network Holdings Limited, Mr. Yin and Dr. Seah. Each option represents the right to subscribe for one new ordinary share of HK$0.01 each in the capital of the Company at a price of HK$0.026 per share. The options are not transferable and are exercisable by the holder thereof at any time from 29th April, 2005 to 28th April, 2009.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

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

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

	2006		2005	
	Exercise price per share HK$	Number of options	Exercise price per share HK$	Number of options
As at 1st January	HK$0.026	70,000,000	HK$0.026	–
Granted	–	–	HK$0.026	350,000,000
Exercised	–	–	HK$0.026	(280,000,000)
As at 31st December	HK$0.026	70,000,000	HK$0.026	70,000,000

The options exercised in the year ended 31st December, 2005 resulted in 280,000,000 ordinary shares of HK$0.01 each being issued at HK$0.026 each. The related weighted averaged share price at the time of exercise was HK$0.038 per share.

The exercise in full of the outstanding options as at 31st December, 2006 would, under the present capital structure of the Company, result in the issue of 70,000,000 additional ordinary shares of the Company and additional share capital of HK$700,000 and share premium of HK$1,120,000 (before expenses).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

33. BUSINESS COMBINATIONS

On 1st August, 2006, the Group acquired 100% of the issued share capital of each of GT Asset Management International (Cayman) Limited, GT Fund Management (Cayman) Limited, GT Advisors Limited, GT Asset Management Limited and GT Wealth Management Limited (collectively, the "GT Group") for a cash consideration of HK$224,339. The GT Group was principally engaged in the provision of wealth and fund management services.

The assets and liabilities as of 1st August, 2006 arising from the acquisition are as follows:

	Acquirees' carrying amount before combination and fair value HK$
Net assets acquired	
Investments in associates	250,014
Property, plant and equipment	5,874
Trade receivables	327,331
Other receivables	1,261,385
Bank balances and cash	359,998
Trade payables	(1,551,785)
Other payables	(2,769)
Amount due to an associate	(425,709)
Fair value of net assets acquired	224,339
Goodwill	–
Total purchase consideration, settled in cash	224,339
Net cash inflow on acquisition of subsidiaries:	
Cash consideration paid	(224,339)
Bank balances and cash acquired	359,998
	135,659

The GT Group contributed revenues of HK$4,762,223 and net loss of HK$3,851,619 to the Group for the period from 1st August, 2006 to 31st December, 2006. If the acquisition had occurred on 1st January, 2006, total group revenue for the year ended 31st December, 2006 would have been HK$461,344,157, and loss for the year would have been HK$18,418,702. 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, 2006, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

34. OPERATING LEASE COMMITMENTS

As at 31st December, 2006, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented office premises which fall due as follows:

	The Group	
	2006	2005
	HK$	HK$
No later than 1 year	**1,587,491**	688,470
Later than 1 year and no later than 5 years	**1,770,538**	975,366
	3,358,029	1,663,836

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

35. FINANCIAL COMMITMENTS

On 8th January, 2003, two subsidiaries of the Group, namely International Financial Network Processing Services Limited ("IFN Processing Services") and IFN-GT Securities Limited (formerly known as International Financial Network Securities Limited) ("IFN-GT Securities"), entered into two agreements ("Standard Services Agreement" and "Enhanced Services Agreement") with 2GoTrade.com Limited ("2Go Trade") respectively to enable the Group to operate a trading engine and trade securities, futures and options through the technology platform provided by 2Go Trade.

The Standard Services Agreement does not carry minimum monthly charge. IFN Processing Services does not have any future financial commitments and the fee payable depends on the level of usage with back-to-back commitments from IFN Processing Services's clients.

According to the Enhanced Services Agreement, IFN-GT Securities was committed to pay a fixed monthly minimum charges. The agreement ended on 30th November, 2006 and was not renewed by the parties.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

		The Group	
		2006	2005
	Note	**HK$**	HK$
Brokerage commission income earned from directors	*(i)*	**651,867**	267,557
Rentals paid to a related company in which a director has beneficial interest	*(ii)*	**94,774**	59,900
Legal and professional fees paid to a law firm in which a non-executive director is a partner	*(ii)*	**75,000**	75,000
Compensation to key management personnel			
– Salaries and other short-term employee benefits		**6,131,068**	4,242,890
– Post-employment benefits		**80,202**	36,000
		6,211,270	4,278,890

Notes:

(i) The commission rates were substantially in line with those normally offered by the Group to third party clients. As at 31st December, 2006, the outstanding balances with these related parties amounted to HK$630,044 (2005: HK$970,212) in aggregate, which were included in the amounts payable to cash clients arising from securities broking *(Note 26)*. The amounts due were unsecured, interest-free and repayable within one or two trade days after the trade execution date.

(ii) The fees and charges were made according to prices and terms comparable with those contracted with independent third parties. There was no outstanding balance with these related parties as at 31st December, 2006 (2005: Nil).

The Company has given a corporate guarantee to the extent of HK$45,000,000 (2005: 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, 2006, such facility was not utilized by the subsidiary (2005: 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.

37. EVENT AFTER THE BALANCE SHEET DATE

As part of an effort to focus on its core business, on 23rd February, 2007, IFN-GT Financial Holdings Limited (a wholly-owned subsidiary of the Company) as vendor entered into an agreement with and sold 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 (the ultimate holding company of the Company). The transaction was on an arm's length basis and was neither significant nor a notifiable transaction under the GEM Listing Rules.

FINANCIAL SUMMARY

For the year ended 31st December, 2006

A summary of the results and of the assets and liabilities 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,				
	2006	2005	2004	2003	2002
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Turnover	**457,935,641**	91,909,528	6,737,390	5,320,157	1,764,834
Loss before income tax	**(10,857,606)**	(12,022,840)	(10,757,886)	(16,963,614)	(22,646,492)
Income tax	**–**	–	–	–	–
Loss attributable to equity holders of the Company	**(10,857,606)**	(12,022,840)	(10,757,886)	(16,963,614)	(22,646,492)

	As at 31st December,				
	2006	2005	2004	2003	2002
	HK$	HK$	HK$	HK$	HK$
ASSETS AND LIABILITIES					
Total assets	**62,867,606**	52,239,726	39,092,615	53,219,141	59,657,217
Total liabilities	**(26,903,776)**	(6,125,534)	(12,538,620)	(15,907,280)	(5,381,742)
Net assets	**35,963,830**	46,114,192	26,553,995	37,311,861	54,275,475