



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

INTERIM REPORT  
2007



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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed issuers are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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

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



## Highlights

The Company completed a placing of 350,000,000 shares in the Company on 27th April, 2007, thereby raising approximately HK\$29,400,000 additional working capital.

The Group recorded a turnover of approximately HK\$12,046,000 for the six months ended 30th June, 2007.

Loss attributable to the equity holders of the Company for the six months ended 30th June, 2007 amounted to approximately HK\$8,788,000.

The Directors do not recommend the payment of a dividend for the six months ended 30th June, 2007.

## Interim Results (Unaudited)

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June, 2007 together with the comparative unaudited figures for the corresponding periods in 2006.

### Condensed Consolidated Income Statement

	Notes	Three months ended		Six months ended	
		30th June, 2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	30th June, 2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	3	5,355	157,675	12,046	345,752
Cost of sales		—	(151,700)	(203)	(338,909)
Gross profit		5,355	5,975	11,843	6,843
Other income	5	369	374	575	1,046
Amortization of intangible assets		5,724	6,349	12,418	7,889
Depreciation of property, plant and equipment		(167)	—	(333)	—
Loss on disposal of property, plant and equipment		(239)	(143)	(582)	(281)
Employee benefits expenses, including directors' remuneration		(427)	—	(427)	—
Other operating expenses		(3,020)	(2,308)	(7,595)	(4,800)
		(5,905)	(1,159)	(12,275)	(2,767)
(Loss)/profit before income tax		(4,034)	2,739	(8,794)	41
Income tax	6	—	—	—	—
(Loss)/profit for the period		(4,034)	2,739	(8,794)	41
Attributable to:					
Equity holders of the Company		(4,028)	2,739	(8,788)	41
Minority interests		(6)	—	(6)	—
		(4,034)	2,739	(8,794)	41
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company					
– basic	7	(0.175) cent	0.134 cent	(0.404) cent	0.002 cent
– diluted	7	(0.175) cent	0.129 cent	(0.404) cent	0.002 cent

## Condensed Consolidated Balance Sheet

		At 30th June, 2007	At 31st December, 2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,829</b>	2,267
Intangible assets		<b>288</b>	622
Statutory deposits		<b>2,180</b>	2,180
Investments in associates		<b>245</b>	245
Available-for-sale financial assets		<b>1,316</b>	1,528
		<b>5,858</b>	6,842
<b>Current assets</b>			
Trade receivables	8	<b>12,388</b>	12,246
Other receivables		<b>1,345</b>	2,496
Bank balances and cash		<b>39,970</b>	28,676
		<b>53,703</b>	43,418
Investment in an associate classified as held for sale		<b>12,652</b>	12,608
		<b>66,355</b>	56,026
<b>Total assets</b>		<b>72,213</b>	62,868

		<b>At 30th June, 2007</b>	At 31st December, 2006
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(audited)
<b>Current liabilities</b>			
Trade payables	9	<b>13,613</b>	19,976
Other payables		<b>1,926</b>	1,814
Amount due to an associate		<b>81</b>	239
Bank overdrafts		—	4,875
		<b>15,620</b>	26,904
<b>Net current assets</b>		<b>38,083</b>	16,514
<b>Net assets</b>		<b>56,593</b>	35,964
<b>Capital and reserves attributable to of the Company's equity holders</b>			
Share capital	10	<b>24,000</b>	20,500
Share premium		<b>125,543</b>	99,621
Special reserve		<b>4,779</b>	4,779
Available-for-sale investments revaluation reserve		<b>612</b>	621
Translation reserve		<b>175</b>	171
Accumulated losses		<b>(98,516)</b>	(89,728)
		<b>56,593</b>	35,964
<b>Minority interests</b>		—	—
<b>Total equity</b>		<b>56,593</b>	35,964

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Special reserve	Available-for-sale investments revaluation reserve	Translation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2006	20,500	99,621	4,779	85	—	(78,871)	25,614	—	46,114
Change in fair value of available-for-sale financial assets	—	—	—	167	—	—	167	—	167
Total income and expense recognized directly in equity	—	—	—	167	—	—	167	—	167
Profit for the period	—	—	—	—	—	41	41	—	41
Total recognized income and expense for the period	—	—	—	167	—	41	208	—	208
Balance at 30th June, 2006	<u>20,500</u>	<u>99,621</u>	<u>4,779</u>	<u>252</u>	<u>—</u>	<u>(78,830)</u>	<u>25,822</u>	<u>—</u>	<u>46,322</u>
Balance at 1st January, 2007	20,500	99,621	4,779	621	171	(89,728)	15,464	—	35,964
Change in fair value of available-for-sale financial assets	—	—	—	(9)	—	—	(9)	—	(9)
Currency translation differences	—	—	—	—	4	—	4	—	4
Total income and expense recognized directly in equity	—	—	—	(9)	4	—	(5)	—	(5)
Loss for the period	—	—	—	—	—	(8,788)	(8,788)	(6)	(8,794)
Total recognized income and expense for the period	—	—	—	(9)	4	(8,788)	(8,793)	(6)	(8,799)
Issue of ordinary shares	3,500	26,600	—	—	—	—	26,600	—	30,100
Share issue costs	—	(678)	—	—	—	—	(678)	—	(678)
Arising from acquisition of subsidiary	—	—	—	—	—	—	—	6	6
Balance at 30th June, 2007	<u>24,000</u>	<u>125,543</u>	<u>4,779</u>	<u>612</u>	<u>175</u>	<u>(98,516)</u>	<u>32,593</u>	<u>—</u>	<u>56,593</u>

## Condensed Consolidated Cash Flow Statement

	<b>For the six months ended</b>	
	<b>30th June, 2007 HK\$'000 (unaudited)</b>	30th June, 2006 HK\$'000 (unaudited)
Net cash used in operating activities	<b>(7,687)</b>	(5,076)
Net cash used in investing activities	<b>(364)</b>	(1,780)
Net cash generated from financing activities	<b>29,423</b>	—
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>21,372</b>	(6,856)
Cash and cash equivalents at beginning of period	<b>12,223</b>	26,754
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>33,595</b>	19,898
	<hr/>	<hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<b>39,970</b>	25,428
Less: Trust account balances	<b>(6,375)</b>	(5,530)
	<hr/>	<hr/>
	<b>33,595</b>	19,898
	<hr/>	<hr/>

Notes:

### 1. Corporate Information

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

The Company was incorporated an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company is listed on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial information was approved and authorized for issue by the Board of Directors on 13th August, 2007.



## 2. **Basis of Preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards "HKFRS" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated interim financial statements include applicable disclosure required by the GEM Listing Rules.

The unaudited condensed consolidated interim 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 accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were consistent with those applied for the financial statements of the Group for the year ended 31st December, 2006. The Group has adopted new/revised standards and interpretations of HKFRS which are effective for accounting periods commencing on or after 1st January, 2007. The adoption of these standards does not have significant impact on the accounting policies of the Group.

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

### 3. Revenue

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

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Income from provision of trading platform	42	37	81	74
Commission income from securities and futures brokerage, and infrastructure broking services fee	1,817	625	4,049	1,476
Interest income from clients	68	90	178	165
Income from provision of corporate finance services	126	5,152	335	5,274
Trading and principal investment	—	151,771	207	338,763
Income from provision of wealth management services	3,302	—	7,109	—
Income from provision of fund management services (note)	—	—	87	—
	<b>5,355</b>	<b>157,675</b>	<b>12,046</b>	<b>345,752</b>

Note : In early 2007, the Group disposed of its fund management operations.

### 4. Segment information

#### (a) Primary reporting format – business segments

As at 30th June, 2007, the Group was 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.

The segment results for the six months ended 30th June, 2007 are as follows:

	Provision of a trading platform	Brokerage and securities margin financing, and infrastructure broking services	Corporate finance services	Trading and principal investment <i>(note)</i>	Wealth and fund management services	Total
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
<b>Segment</b>						
Revenue	81	4,227	335	207	7,196	12,046
Segment results	8	(658)	(2,465)	4	(1,469)	(4,580)
Net unallocated corporate expenses						(4,214)
Loss before income tax						(8,794)
Income tax						—
Loss for the period						(8,794)

The segment results for the six months ended 30th June, 2006 are as follows:

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

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

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

No geographical segment information is presented for the period ended 30th June, 2007 and 2006, as over 90% of the Group's revenue was derived from customers based in Hong Kong.

5. **Other Income**

	Three months ended		Six months ended	
	30th June,		30th June,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Other operating income</b>				
CCASS fee income	76	19	160	40
Handling fee income	17	3	30	8
Interest income on bank deposits	156	7	165	52
Other interest income	11	29	23	37
Sundry income	109	114	197	117
	<u>369</u>	<u>172</u>	<u>575</u>	<u>254</u>
<b>Other gain</b>				
Net exchange gains	—	202	—	792
	<u>369</u>	<u>374</u>	<u>575</u>	<u>1,046</u>

6. **Income Tax**

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

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

The calculation of basic and diluted (loss)/earnings per share attributable to the equity holders of the Company for the three and six months ended 30th June, 2007 together with the comparative figures for 2006 are based on the following data:

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
(Loss) / profit for the purpose of basic and diluted (loss)/earnings per share	<b>(4,028)</b>	2,739	<b>(8,788)</b>	41
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>2,300,034</b>	2,050,034	<b>2,175,725</b>	2,050,034
Effect of dilutive potential ordinary shares assumed exercised of share options	<b>70,000</b>	70,000	<b>70,000</b>	70,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>2,370,034</b>	2,120,034	<b>2,245,725</b>	2,120,034

The computation of diluted loss per share did not assume the exercise of the Company's share options outstanding during the period ended 30th June, 2007 because the exercise of which would reduce loss per share.

## 8. Trade Receivables

	<b>30th June, 2007 HK\$'000 (unaudited)</b>	31st December, 2006 HK\$'000 (audited)
Amounts receivable arising from securities broking:		
Margin clients	<b>2,277</b>	3,178
Cash clients	<b>2,008</b>	1,910
HKSCC (net)	<b>3,540</b>	2,470
Amounts receivable arising from futures broking:		
Brokers and dealers	—	27
HKFECC	<b>1,653</b>	1,246
Other trade receivables	<b>2,910</b>	3,415
	<b>12,388</b>	12,246

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\$9,474,000 as at 30th June, 2007 (30th June, 2006: approximately HK\$5,457,000). 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 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.

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

	<b>30th June, 2007 HK\$'000 (unaudited)</b>	31st December, 2006 HK\$'000 (audited)
0 – 30 days	<b>692</b>	3,390
31 – 60 days	—	—
61 – 90 days	—	—
91 – 181 days	<b>2,218</b>	25
	<b>2,910</b>	3,415

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 the trade receivables approximate their fair value.

## 9. Trade Payables

	<b>30th June, 2007 HK\$'000 (unaudited)</b>	31st December, 2006 HK\$'000 (audited)
Amounts payable arising from securities broking:		
Margin clients	<b>2,431</b>	3,281
Cash clients	<b>7,857</b>	12,301
Amounts payable arising from futures broking:		
Clients	<b>2,062</b>	1,898
Other trade payables	<b>1,263</b>	2,496
	<b>13,613</b>	19,976

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 business of securities margin financing.

The settlement terms of amounts payable arising from the 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 business of future broking.



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

	<b>30th June, 2007 HK\$'000 (unaudited)</b>	31st December, 2006 HK\$'000 (audited)
0 – 30 days	<b>1,263</b>	2,472
31 – 60 days	—	18
61 – 90 days	—	—
91 – 180 days	—	6
181 – 365 days	—	—
Over 365 days	—	—
	<b>1,263</b>	<b>2,496</b>

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

#### 10. Share Capital

	<b>Number of issued shares (in thousands)</b>	<b>Ordinary shares HK\$</b>	<b>Share premium HK\$</b>	<b>Total HK\$</b>
As at 1st January, 2007	2,050,034	20,500,340	99,621,355	120,121,695
Issue of shares through:				
Placement (note)	350,000	3,500,000	26,600,000	30,100,000
Share issue costs (note)	—	—	(677,500)	(677,500)
As at 30th June, 2007	<b>2,400,034</b>	<b>24,000,340</b>	<b>125,543,855</b>	<b>149,544,195</b>

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

Notes:

On 27th April, 2007, 350,000,000 shares of HK\$0.01 each were issued by way of placement at a placement price of HK\$0.086 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\$677,500 have been accounted for as a deduction from share premium in equity.

#### 11. Dividend

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30th June, 2007 (for the six months ended 30th June, 2006: Nil).



## Management Discussion and Analysis

### Business Review

The Company completed a placing of 350,000,000 new shares at HK\$0.086 per share on 27th April, 2007 ("the Placing"). The Placing raised approximately HK\$29,400,000 of new capital, which would be used as additional working capital for the Group. With the completion of the Placing, the liquidity position was much strengthened, which has added vitality to the Group for its organic growth.

The Group has continued to focus on its core business in securities and brokerage activities, which had contributed a turnover of about HK\$4.2 million in the first half of 2007. This represents an increase of 158% as compared to the corresponding period last year.

While focusing on its core business, the Group has also been seeking investment opportunities in quality enterprises with a view to expanding its revenue base. The Group entered into a conditional agreement to acquire a financial information services company in China known as First China Investment Services Ltd 首華證券諮詢(深圳)有限公司 ("First China") on 11th July, 2007 (the "Acquisition"). An announcement for the Acquisition was issued on 30 July 2007. The Acquisition is subject to approval by the shareholders of the Company at an extraordinary general meeting which is expected to be held in the last quarter of this year.

### Outlook


In addition to pursuing the growth of its core business, the Group will continue to explore acquisition/investment opportunities that will provide synergies to its existing operations. First China is a good fit for this acquisition strategy.

The Company believes that the acquisition is at an attractive price, at low single-digit earnings multiple and is earnings-accretive to the Company. With the existing client base of First China, it also believes that the synergy benefits will be realised.

Upon completion of the Acquisition which is expected to be in the last quarter of this year, First China would provide the Group with a ready business platform in Mainland China. As the consideration for the Acquisition will be settled by the Company's newly issued shares, there will be no cash outflow from this Acquisition and thus no adverse impact on the cash position of the Group.

### Financial Review

The turnover of the Group was approximately HK\$12.05 million for the six months ended 30th June, 2007 as compared to the turnover of approximately HK\$345.75 million for the corresponding period ended 30th June, 2006. The decrease was mainly due to the significant reduction of the trading and principal investment activities which was a conscious decision as the Company believes the market was overpriced in the first half of the year. However, with the



recent correction of the market, these activities will commence and looking ahead, the Company hopes to realise profits from such activities. The Group recorded a loss attributable to shareholders for the six-month period ended 30th June, 2007 of approximately HK\$8.79 million compared to a profit of approximately HK\$41,000 for the corresponding period in 2006.

As at 30th June, 2007, the Group had total assets of approximately HK\$72.21 million, an increased by 14.86% from total assets of approximately HK\$62.87 million as at 31st December, 2006. The increase was mainly due to the new funds raised to strengthen capital bases during the reporting period. As at 30th June, 2007, the Group's gearing ratio, defined as the Group's total borrowings divided by shareholders' fund, was nil.

The Group remained in a healthy and sound liquidity position as at 30th June, 2007. Total bank balances and cash of the Group amounted to approximately HK\$40 million. The current ratio, which is based on the total current assets of approximately HK\$53.7 million to the total current liabilities of approximately HK\$15.6 million, was about 4 to 1. The net assets value of the Group was approximately HK\$56.59 million, representing HK\$0.024 per share.

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

## **Capital Structure**

The capital of the Company comprises only ordinary shares. After the Placing, the total number of the ordinary shares of the Company has been increased to 2,400,034,000 shares. The Group did not have borrowings and long-term debts at the end of June 2007.

## **Charges On Group Assets**

As at 30th June, 2007, the Group did not have any charges on its assets.

## **Information on employees**

As at 30th June, 2007, the Group had a workforce of 28 employees. The total staff costs, including the directors' emoluments, amounted to HK\$7,595,000 for the half year under review. The Group's remuneration policies are determined by reference to market terms as well as the performance, qualification and experience of individual employee.

## **Significant Investments**

The Group acquired approximately 29.9% of the issued share capital of Tastyfood Holdings Ltd. ("Tastyfood"), a Singapore mainboard listed company, on 10th March, 2006 for a consideration of S\$2,440,000 (equivalent to approximately HK\$11,224,000). On 9th June, 2006, Tastyfood entered into a conditional sale and purchase agreement to acquire the entire share capital of Full Fortune Holdings Pte Ltd for a consideration of S\$104,000,000 to be satisfied in full by the allotment and issuance of 1,386,666,667 Tastyfood shares. The transaction lapsed on 30th June, 2007. Tastyfood has continued to explore other investment alternatives. At the request of

Tastyfood, the trading of Tastyfood's shares on the Singapore Exchange Securities Trading Limited has been suspended since 25th April, 2007. The last closing price of Tastyfood shares was S\$0.08 per share.

## Contingent Liabilities

As at 30th June, 2007, the Group did not have any significant contingent liabilities.

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

As at 30th June, 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in shares and underlying shares of the Company

Name of Directors	Number of shares beneficially held			Approximate Percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Richard Yingneng Yin	45,000,000 <i>(Note 1)</i>	1,280,006,000 <i>(Note 2)</i>	1,325,006,000	55.21%
Kennedy Wong Ying Ho	—	200,000,000 <i>(Note 3)</i>	200,000,000	8.33%
Lee Yiu Sun	54,719,000	—	54,719,000	2.28%

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 (4) and Note (5) hereto.

- (3) Mr. Kennedy Wong Ying Ho was deemed to be interested in 200,000,000 shares through his controlling interest in Limin Corporation Limited. In addition, please refer to "Short positions in shares and underlying shares of the Company" for details of Mr. Kennedy Wong Ying Ho's short positions in underlying shares of the Company.

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

<b>Name of Director</b>	<b>Number of shares beneficially held</b>	<b>Total</b>	<b>Approximate percentage shareholdings</b>
Kennedy Wong Ying Ho	200,000,000 <i>(Note 4)</i>	200,000,000	8.33%
Lee Yiu Sun	50,000,000 <i>(Note 5)</i>	50,000,000	2.08%

*Notes:*

- (4) 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.
- (5) 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 option schemes of the Company to any person (including both exercised and outstanding options) in any 12-month period up to the date of grant of options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders.

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

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

The Company entered into a conditional subscription agreement pursuant to which the Company, amongst others, granted an aggregate of 350,000,000 new share options to Asia Network Holdings Limited (a 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 follows:

Name of grantee	Date of grant	Number of share options			Exercised period	Exercise price per share HK\$
		Outstanding as at 1st January, 2007	Exercise during the year	Outstanding as at 30th June, 2007		
Richard Yingneng Yin	29/04/2005	45,000,000	—	45,000,000	29/04/2005 – 28/04/2009	0.026
Seah Chin Yew	29/04/2005	25,000,000	—	25,000,000	29/04/2005 – 28/04/2009	0.026
		<u>70,000,000</u>	<u>—</u>	<u>70,000,000</u>		

### **Long positions in debentures of the Company**

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

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

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

Save as disclosed herein, as at 30th June, 2007, none of the Directors or chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of, the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## Interests and Short Positions of Shareholders

So far as is known to any Director or chief executive of the Company, as at 30th June, 2007, the persons/companies (not being a Director or chief executive of the Company) who have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

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

As at 30th June, 2007, 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	53.33%
Asia Network Holdings Limited (Note 2)	Beneficial owner	1,280,006,000	53.33%
Limin Corporation Limited (Note 3)	Beneficial owner	200,000,000	8.33%

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 200,000,000 shares held by each of Mr. Kennedy Wong Ying Ho and Limin Corporation Limited refer to the same parcel of shares.

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

Name of Shareholder	Capacity	No. of Shares held	Approximate percentage of shareholding
Limin Corporation Limited (Note 4)	Beneficial owner	200,000,000	8.33%

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.

### Long positions in the debentures of the Company

During the half year ended 30th June, 2007, there were no debt securities issued by the Group at any time. Save as disclosed above, as at 30th June, 2007, the Company had not been notified of any other person (other than the Directors or Chief Executive whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### Directors' Rights to Acquire Shares or Debentures

Other than the share option scheme and the subscription agreement as described above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

### Purchase, Redemption or Sale of Listed Securities

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



## Interest in Competitors

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

## Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

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

## Audit Committee

The Audit Committee has reviewed the financial statements of the Group for the six-month period ended 30th June, 2007 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

## Corporate Governance

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

By order of the Board  
**International Financial Network Holdings Ltd.**  
**Lee Yiu Sun**  
Chief Executive Officer

Hong Kong, 13th August, 2007

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