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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Finet Group Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
- (2) PROPOSED SHARE CONSOLIDATION**
- (3) PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**
- (4) APPLICATION FOR THE WHITEWASH WAIVER**
- (5) PROPOSED CHANGE OF DOMICILE**
- AND**
- (6) PROPOSED CAPITAL REDUCTION**

Financial adviser to the Company



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

Underwriter to the Open Offer

Maxx Capital International Limited

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 11 to 37 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Open Offer and the Whitewash Waiver is set out on page 38 of this circular. A letter from Altus Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice and recommendation in connection with the Open Offer and the Whitewash Waiver, is set out on pages 39 to 57 of this circular.

A notice convening the EGM of the Company to be held on Thursday, 19 May 2011 at 11:00 a.m. at Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong is set out on pages 165 to 170 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Open Offer is conditional, *inter alia*, upon the fulfillment of the conditions set out below under the section headed "Conditions of the Underwriting Agreement". In particular, the Open Offer is conditional upon the Whitewash Waiver having been granted by the Executive and the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described below. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement, on the occurrence of certain events, including but not limited to force majeure, as described in the section headed "Termination of the Underwriting Agreement" on pages 24 to 26 of this circular. Accordingly, the Open Offer may or may not proceed.

Any dealings in the Shares from the date of this circular up to the date on which all the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

26 April 2011

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	8
Letter from the Board	11
Letter from the Independent Board Committee	38
Letter from the Independent Financial Adviser	39
Appendix I — Financial information of the Group	58
Appendix II — Unaudited Pro Forma Financial Information of the Group	142
Appendix III — General information	148
Notice of EGM	165

DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“Acceptance Date”	3 June 2011 (or such other date as the Underwriter may agree in writing with the Company) the latest date for acceptance of, and payment for, the Offer Shares
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reduction becoming effective
“Announcement”	the announcement of the Company dated 25 March 2011 in relation to the 1) proposed increase in authorised share capital 2) the proposed Share Consolidation 3) the proposed Open Offer 4) application for the Whitewash Waiver 5) proposed Change of Domicile 6) proposed Capital Reduction
“Application Form(s)”	the application form(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the nominal value of the Consolidated Shares from HK\$0.25 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.24 on each of the issued Consolidated Shares and a subdivision of each unissued Consolidated Share into 25 Adjusted Shares resulting in the authorised share capital of the Company to become HK\$150,000,000 made up of 15,000,000,000 Adjusted Shares

DEFINITIONS

“Circular”	the circular dated 26 April 2011 setting out, among other things, (i) details about (a) the increase in authorised share capital; (b) the Share Consolidation; (c) the Open Offer; (d) the application for the Whitewash Waiver; (e) the Change of Domicile; and (f) the Capital Reduction; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Open Offer and Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver; and (iv) a notice of the EGM
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change of Domicile”	the proposed change of domicile of the Company from the Cayman Islands to Bermuda
“Companies Law”	the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Finet Group Limited (stock code: 8317), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Concert Party Group”	collectively Maxx Capital, Pablos and Ms. Lo and the parties acting in concert with any of them
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, passing the relevant resolutions to approve, among other things, (a) the increase in authorised share capital; (b) the Share Consolidation; (c) the Open Offer; (d) the application for the Whitewash Waiver by the underwriter; (e) the Change of Domicile; and (f) the Capital Reduction
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Financial Adviser”	Wallbanck Brothers Securities (Hong Kong) Limited, a licensed corporation authorised to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under SFO
“First Open Offer”	the offer for subscription at the subscription price of HK\$0.05 per share of HK\$0.01 each then in issue by the Company to the then qualifying shareholders of the Company in the proportion of one offer share for every two then existing shares held on 3 July 2009 by way of open offer, as set out in the announcement of the Company dated 5 May 2009 and the prospectus of the Company dated 9 July 2009
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed by the Company to advise the Independent Shareholders as to whether the Open Offer and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole

DEFINITIONS

“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a licensed corporation authorised to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under SFO, the independent financial adviser engaged by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver
“Independent Shareholder(s)”	Shareholders other than (i) the Underwriter and parties acting in concert with it; (ii) the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates; and (iii) those (if any) involved in or interested in the Underwriting Agreement or the Whitewash Waiver
“Independent Third Party(ies)”	third parties independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Last Trading Day”	25 March 2011, being the date of the Underwriting Agreement, which is a Stock Exchange trading day
“Latest Practicable Date”	21 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Maxx Capital” or “Underwriter”	Maxx Capital International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of Pablos with its ultimate beneficial owner being Ms. Lo, is the controlling shareholder of the Company holding an aggregate of 203,266,790 Shares, representing approximately 46.11% of the entire issued share capital of the Company as at the Latest Practicable Date
“Ms. Lo”	Ms. Lo Yuk Yee, an executive Director and the chairman of the Company, sole ultimate beneficial owner of entire issued share capital of Maxx Capital
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Open Offer to such shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Offer Shares”	a minimum of 352,650,440 Offer Shares, assuming no new Shares will be issued by the Company and no Outstanding Warrants will be exercised by the holders of the Outstanding Warrants after the Latest Practicable Date and up to the Record Date and a maximum of 360,620,012 Offer Shares, assuming no new Shares will be issued by the Company and the Outstanding Warrants being exercised in full on or before the Record Date, being the new Consolidated Shares proposed to be issued and allotted under the Open Offer
“Open Offer”	the proposed issue of the Offer Shares by the Company to the Qualifying Shareholders on the basis of four Offer Shares for every one Consolidated Share held on the Record Date at the Subscription Price of HK\$0.25 per Offer Share, which is subject to the terms and conditions stipulated in the Underwriting Agreement
“Outstanding Warrants”	the outstanding of 9,961,969 warrants issued by the Company as at the Latest Practicable Date
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“Pablos”	Pablos International Limited, a company incorporated in the British Virgin Islands and is wholly owned by Ms. Lo
“Posting Date”	20 May 2011 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only (as the case may be) to the Non-Qualifying Shareholders
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Open Offer
“Prospectus Documents”	the Prospectus and Application Forms
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholders

DEFINITIONS

“Record Date”	19 May 2011 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Open Offer are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited of Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Second Open Offer”	the offer for subscription at the subscription price of HK\$0.07 per share of HK\$0.01 each then in issue by the Company to the then qualifying shareholders of the Company in the proportion of one offer share for every then existing share held on 30 October 2009 by way of open offer, as set out in the announcement of the Company dated 25 September 2009 and the prospectus of the Company dated 4 November 2009
“Settlement Date”	Wednesday, 8 June 2011, being the second Business Day after latest time for acceptance of and payment for the Offer Shares (or such other time or date as the Underwriter and the Company may agree in writing)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company and to the extent applicable, shall include Consolidated Share(s) upon the Share Consolidation taking effect
“Share Consolidation”	the consolidation of every five issued and unissued Shares of HK\$0.05 each in the share capital of the Company into one Consolidated Share of HK\$0.25 each
“Shareholder(s)”	the holder(s) of issued Shares, Consolidated Shares or Adjusted Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.25 per Offer Share pursuant to the Open Offer
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 25 March 2011 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	a minimum of 190,037,008 Offer Shares and a maximum of 198,006,580 Offer Shares, representing the total number of Offer Shares to be issued pursuant to the Open Offer less those Offer Shares agreed and undertaken to be taken up by the Underwriter
“Warrantholders”	holders of Outstanding Warrants
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Underwriter to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by Underwriter which may otherwise arise as a result of the Underwriter taking up of the Underwritten Shares under the Open Offer and, in the context so permitted, include the application by the Underwriter to the Executive for such a waiver
“%” or “per cent.”	percentage or per centum

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Open Offer, the Change of Domicile and the Capital Reduction as set out below is indicative only. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2011
(Hong Kong time)

Expected date of despatch of the Circular and form of proxy of the EGM	not later than Tuesday, 26 April
Last day of dealings in the Shares on a cum-entitlement basis for the Open Offer	Friday, 6 May
First day of dealings in the Shares on an ex-entitlement basis for the Open Offer	Monday, 9 May
Latest time for lodging transfer of the Shares in order to be qualified for the Open Offer	4:30 p.m. on Wednesday, 11 May
Register of members closes (both dates inclusive)	Thursday, 12 May to Thursday, 19 May
Latest time for return of form of proxy for the EGM (not less than 48 hours)	11:00 a.m. on Tuesday, 17 May
EGM	11:00 a.m. on Thursday, 19 May
Record Date for the Open Offer	Thursday, 19 May
Announcement of results of the EGM to be published on the Stock Exchange website	Thursday, 19 May
Register of members re-opens	Friday, 20 May
Prospectus Documents expected to be despatched	Friday, 20 May
Effective date of the Share Consolidation	Friday, 20 May
Commencement of dealings in Consolidated Shares	9:00 a.m. on Friday, 20 May
Original counter for trading in existing Shares in board lots of 2,000 Shares closes	9:00 a.m. on Friday, 20 May
Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 20 May

EXPECTED TIMETABLE

First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Friday, 20 May
Original counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	Friday, 3 June
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences	Friday, 3 June
Odd lot arrangement commences	Friday, 3 June
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Friday, 3 June
Open Offer expected to become unconditional	4:00 p.m. on Wednesday, 8 June
Announcement of allotment results	Monday, 13 June
Certificates for the Offer Shares expected to be despatched on or before	Tuesday, 14 June
Dealings in Offer Shares commence	Thursday, 16 June
Effective date of the Change of Domicile	Thursday, 16 June
Temporary counter for trading in Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes	Friday, 24 June
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends	Friday, 24 June
Odd lot arrangement ends	Friday, 24 June
Last day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Tuesday, 28 June
Effective date of the Capital Reduction	Wednesday, 6 July
Dealings in Adjusted Shares commence	Wednesday, 6 July

EXPECTED TIMETABLE

First day of free exchange of share certificates

for Consolidated Shares for new share

certificates for the Adjusted Shares Wednesday, 6 July

Last day of free exchange of share certificates

for Consolidated Shares for new share

certificates for the Adjusted Shares Wednesday, 10 August

Notes:

1. All times and dates in this timetable refer to Hong Kong local times and dates.
2. The latest time for acceptance of and payment for the Offer Shares will not take place on the Acceptance Date if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Acceptance Date, the dates mentioned in the above timetable may be affected. An announcement will be made by the Company in such an event as soon as practicable.

LETTER FROM THE BOARD



財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

Executive Directors:

Ms. Lo Yuk Yee
Mr. Lum Chor Wah, Richard
Mr. Chow Wing Chau
Mr. Yiu Wing Hei

Registered Office:

Cricket Square
Hutchins Drive, PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Wong Wai Kin
Mr. Siu Siu Ling, Robert
Mr. Leung Chi Hung

*Head Office and Principal Place
of Business:*

Room C, 11th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai,
Hong Kong

26 April 2011

To the Shareholders, and for information only to the Warrantholders,

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
(2) PROPOSED SHARE CONSOLIDATION
(3) PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER SHARES FOR
EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE
(4) APPLICATION FOR THE WHITEWASH WAIVER
(5) PROPOSED CHANGE OF DOMICILE
AND
(6) PROPOSED CAPITAL REDUCTION

INTRODUCTION

On 25 March 2011, the Company announced that, among other things,

- (1) the Company proposed to increase the authorised share capital of the Company from HK\$50,000,000, divided into 1,000,000,000 Shares of HK\$0.05 each to HK\$150,000,000 divided into 3,000,000,000 Shares of HK\$0.05 each by the creation of an additional 2,000,000,000 Shares of HK\$0.05;

LETTER FROM THE BOARD

- (2) the Company proposed to implement the Share Consolidation of every five issued and unissued Shares of HK\$0.05 each in the share capital of the Company into one Consolidated Share of HK\$0.25 each;
- (3) the Company proposed to raise a minimum of approximately HK\$88.2 million, before expenses, by way of the Open Offer of not less than 352,650,440 Offer Shares of the Company and a maximum of approximately HK\$90.2 million, before expenses, by way of the Open offer of not more than 360,620,012 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share on the basis of four Offer Shares for every one Consolidated Share in issue on the Record Date;
- (4) an application will be made by the Underwriter for the Whitewash Waiver;
- (5) the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda; and
- (6) the Company proposed to implement the Capital Reduction involving the reduction of the existing share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.24 on each of the issued Consolidated Shares and a subdivision of each unissued Consolidated Share into 25 Adjusted Shares so that the nominal value of each Consolidated Share will be reduced from HK\$0.25 to HK\$0.01.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (1) further details about (i) the increase in authorised share capital; (ii) the Share Consolidation; (iii) the Open Offer; (iv) the Whitewash Waiver; (v) the Change of Domicile; and (vi) the Capital Reduction; (2) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Open Offer and Whitewash Waiver; (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver; and (4) a notice of the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to accommodate the future expansion and growth of the Group and the issue of the Offer Shares pursuant to the Open Offer and the Underwriting Agreement, the Company proposes to increase the authorised share capital of the Company from HK\$50,000,000, divided into 1,000,000,000 Shares of HK\$0.05 each to HK\$150,000,000 divided into 3,000,000,000 Shares of HK\$0.05 each by the creation of an additional 2,000,000,000 Shares of HK\$0.05 each.

LETTER FROM THE BOARD

The increase in authorised share capital is subject to and conditional upon the passing of an ordinary resolution by the Shareholders at the EGM and, if required, the approval of the relevant regulatory authority.

PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation of every five issued and unissued Shares of HK\$0.05 each in the share capital of the Company into one Consolidated Share of HK\$0.25 each. The Share Consolidation will become effective upon the fulfillment of the conditions set out in the paragraph headed “Conditions of the Share Consolidation” below.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each, of which 440,813,053 Shares have been issued and are fully paid. On the basis of such issued share capital, there will be 88,162,610 Consolidated Shares in issue immediately upon the Share Consolidation becoming effective (assuming that no further Shares are issued or repurchased by the Company from the Latest Practicable Date to the effective date of the Share Consolidation). Upon the approval of the increase in authorised share capital by the Shareholders and the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$150,000,000 divided into 600,000,000 Consolidated Shares of HK\$0.25 each.

Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights or proportionate interests of the Shareholders.

The board lot size for trading of the Consolidated Shares on the Stock Exchange will remain unchanged at 2,000 Consolidated Shares upon the Share Consolidation becoming effective.

Implementation of the Share Consolidation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses.

Reasons for the Share Consolidation

The proposed Share Consolidation will increase the nominal value of the Shares and reduce the total number of Shares currently in issue. It is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction costs for dealing in the Consolidated Shares. Accordingly, the Directors are of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing by Shareholders of an ordinary resolution at the EGM by way of poll to approve the Share Consolidation;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective; and
- (iii) the approval of the relevant regulatory authority, if required.

Subject to the fulfillment of the above conditions, it is expected that the Share Consolidation will become effective on the next Business Day following the date of passing the relevant resolutions to approve the Share Consolidation.

Listing and Dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of Share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, from 20 May 2011 to 28 June 2011 (both dates inclusive), submit existing certificates for the Shares in board lot of 2,000 Shares, which is orange in color, to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in exchange for the new share certificates for the Consolidated Shares, at the expense of the Company, which will be purple in color. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 or such higher amount as may from time to time be allowed by the Stock Exchange for each existing share certificate of the Shares cancelled or each new share certificate to be issued for the Consolidated Shares,

LETTER FROM THE BOARD

whichever number of certificates cancelled/issued is higher, payable by the Shareholders to the branch share registrar of the Company. Existing certificates for the Shares will not be accepted for delivery, trading and settlement purpose.

Nevertheless, existing certificates for the Shares will continue to be good evidence of legal title on the basis of five Shares for one Consolidated Share and may be exchanged for certificates for the Consolidated Shares at any time in accordance with the foregoing.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares, the Company has appointed, Finet Securities Limited, a wholly-owned subsidiary of the Company as agent, to stand in the market to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 3 June 2011 to 24 June 2011 (both dates inclusive). Holders of odd lots of Consolidated Shares who wish to take advantage of this arrangement either to dispose of their odd lots of the Consolidated Shares or top up to a full board lot may, directly or through their brokers, contact Mr. Lo Kai Ngai of Finet Securities Limited by phone at 2169 0088 during this period. Holders of odd lots of Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares would be made on a best effort basis but would not be guaranteed. Any Shareholder who is in doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	: Four Offer Shares for every one Consolidated Share held on the Record Date
Number of Shares in issue	: 440,813,053 Shares as at the Latest Practicable Date
Number of Outstanding Warrants in issue	: 9,961,969 Outstanding Warrants as at the Latest Practicable Date
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	: 88,162,610 Consolidated Shares (assuming no exercise of the Outstanding Warrants on or before the Record Date) or 90,155,003 Consolidated Shares (assuming the Outstanding Warrants being exercised in full on or before the Record Date)
Minimum number of Offer Shares (<i>Note 1</i>)	: 352,650,440 Offer Shares

LETTER FROM THE BOARD

Maximum number of Offer Shares (*Note 2*) : 360,620,012 Offer Shares

Subscription Price : HK\$0.25 per Offer Share

Minimum number of Consolidated Shares : 440,813,050 Consolidated Shares
in issue upon completion of the Open
Offer assuming no exercise of the
Outstanding Warrants on or before the
Record Date

Maximum number of Consolidated Shares : 450,775,015 Consolidated Shares
in issue upon completion of the Open
Offer assuming the Outstanding Warrants
being exercised in full on or before the
Record Date

Note:

1.
 - (a) The minimum number of Offer Shares is arrived at assuming no exercise of the Outstanding Warrants on or before the Record Date.
 - (b) The minimum number of 352,650,440 Offer Shares would represent:
 - (i) 400% of the Company's existing issued share capital; and
 - (ii) 80% of the Company's issued share capital as enlarged by the issue of the Offer Shares, assuming no exercise of the Outstanding Warrants.
2.
 - (a) The maximum number of Offer Shares is based on four Offer Shares for every one Consolidated Share held on the Record Date and assuming the full exercise of the Outstanding Warrants on or prior to the Record Date.
 - (b) The maximum number of 360,620,012 Offer Shares would represent:
 - (i) approximately 409.04% of the Company's existing issued share capital; and
 - (ii) 80% of the Company's issued share capital as enlarged by the issue of the Offer Shares, assuming full exercise of the Outstanding Warrants.
3. As at the Latest Practicable Date, the Company has 9,961,969 Outstanding Warrants. The Outstanding Warrants entitle the holders thereof to subscribe for Shares at the exercise price of HK\$0.45 (subject to adjustment) per Share. Save for the Outstanding Warrants, the Company has no outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.25 per Offer Share is payable in full upon acceptance of the relevant offer of Offer Shares.

The Subscription Price represents:

- (i) a discount of approximately 83.33% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 84.47% to the average closing prices of approximately HK\$1.61 per Consolidated Share, based on the average closing price of approximately HK\$0.322 per Share for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 84.45% to the average closing prices of approximately HK\$1.6075 per Consolidated Share, based on the average closing price of approximately HK\$0.3215 per Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 50.0% to the theoretical ex-entitlement price of approximately HK\$0.50 per Consolidated Share, based on the closing price per Share of HK\$0.30 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (v) a discount of approximately 83.33% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (vi) a discount of approximately 78.13% to the audited consolidated net assets value per Consolidated Share of approximately HK\$1.1431 as at 31 March 2010, based on the audited consolidated net assets value as at 31 March 2010 and the number of Shares in issue as at 31 March 2010, adjusted for the effect of Share Consolidation.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. The Directors (excluding independent non-executive Directors whose opinion on the matter will be set forth in the "Letter from the Independent Board Committee" in this circular after having been advised by the

LETTER FROM THE BOARD

Independent Financial Adviser in this regard) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Basis of provisional allotments

The basis of the Open Offer will be four Offer Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date at a Subscription Price of HK\$0.25 per Offer Share.

Application for all or any part of a Qualifying Shareholder's assured entitlement should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being applied for.

Status of the Offer Shares

The Offer Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Consolidated Shares then in issue. Holders of Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Offer Shares.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Offer Shares to be issued and allotted pursuant to the Open Offer.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares (in board lots of 2,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any Application Forms to the Non-Qualifying Shareholders.

LETTER FROM THE BOARD

To qualify for the Open Offer, a Shareholder must (i) be registered as a member of the Company at the close of business on the Record Date; and (ii) be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. on 11 May 2011.

Closure of register of members

The register of members of the Company will be closed from 12 May 2011 to 19 May 2011, both dates inclusive, for the purpose of determining the entitlements of the Qualifying Shareholders for the Open Offer. No transfers of Shares will be registered during the book closure period. In order to qualify for the Open Offer, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by 4:30 p.m. on 11 May 2011.

Certificates of the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by 14 June 2011 to those Shareholders entitled thereto by ordinary post at their own risks.

Rights of Non-Qualifying Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any Application Forms to them on the Posting Date.

The entitlements of the Non-Qualifying Shareholders will be aggregated and sold in the market. The proceeds of such sale less expense will be received for the benefit of the Company.

LETTER FROM THE BOARD

No application for excess Offer Shares

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures.

After arm's length negotiation with the Underwriter and taking into account the administrative costs to be incurred by excess application arrangement, the Board has decided that the Qualifying Shareholders would not be entitled to apply for any Offer Shares which are in excess of their assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter. The absence of excess application and the alternative arrangement for the disposal of the Offer Shares not taken up must be specifically approved by the Independent Shareholders at the EGM by way of poll for the purpose of compliance with Rule 10.42(2) of the GEM Listing Rules.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

Fraction of Offer Share (if any)

Entitlement to Offer Shares will be rounded down to the nearest whole number. Fractional entitlements to the Offer Shares will not be issued but will be aggregated and sold for the benefit of the Company.

Conditions of the Open Offer

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

LETTER FROM THE BOARD

THE UNDERWRITING ARRANGEMENT AND UNDERTAKINGS

The Underwriting Agreement

- Date : 25 March 2011 (after trading hours)
- Underwriter : Maxx Capital International Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of Pablos with its ultimate beneficial owner being Ms. Lo, is the controlling Shareholder of the Company holding an aggregate of 203,266,790 Shares, representing approximately 46.11% of the entire issued share capital of the Company as at the Latest Practicable Date
- Total number of Offer Shares being underwritten by the Underwriter : The Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, the Offer Shares not validly accepted by Qualifying Shareholders (other than itself) subject to the terms and conditions of the Underwriting Agreement
- Commission : 1.5% of the aggregate Subscription Price of the Underwritten Shares as determined on the Record Date underwritten by the Underwriter

The underwriting commission payable to the Underwriter constitutes a connected transaction and is only subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules and is exempt from the Independent Shareholders' approval requirements under chapter 20 of the GEM Listing Rules.

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Information of the Underwriter

The Underwriter is an investment holding company incorporated in the British Virgin Islands and a direct wholly owned subsidiary of Pablos. Pablos is a company incorporated in the British Virgin Islands and is wholly owned by Ms. Lo. The ultimate beneficial owner of the Underwriter is Ms. Lo who, through Pablos, indirectly owns the entire beneficial interests in the issued share capital of the Underwriter. Ms. Lo is the sole director of Pablos. Ms. Lo and Chan Kwai Yuet are the directors of the Underwriter.

LETTER FROM THE BOARD

The Company has approached several securities brokerage houses to invite them to act as underwriters for the Open Offer. However, in view of the unsatisfactory performance of the Company, they were not interested in underwriting the Open Offer.

Intention of the Underwriter regarding the Group

The Underwriter proposes to continue the existing business of the Group but will regularly conduct a review of the current business activities and assets of the Group for the purpose of formulating long-term business plans and strategies for the future business development of the Group. The Underwriter does not intend to make any major changes to the business of the Group including the redeployment of fixed assets of the Group. The Underwriter intends to maintain the employment of the current employees of the Group.

The Underwriter believes that the Open Offer would strengthen the Group's financial position and enhance the value of its investments in the Group in the long run.

Irrevocable undertakings from the Underwriter and Ms. Lo

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it were interested in an aggregate of 203,266,790 Shares, representing approximately 46.11% of the entire issued share capital of the Company.

On 25 March 2011, the Underwriter has irrevocably undertaken to the Company, among other things, that (i) it will not dispose of the 203,266,790 Shares beneficially owned by it up to the Record Date; and (ii) it will accept and pay for its entitlement to the subscription of 162,613,432 Offer Shares under the Open Offer in respect of the 203,266,790 Shares held by it as at the date of the Underwriting Agreement.

On 25 March 2011, Ms. Lo has irrevocably undertaken to the Company, among other things, that she will procure parties acting in concert with her (i) not to dispose of the Shares beneficially owned by them up to the Record Date; and (ii) to accept and pay for their entitlements to such number of Offer Shares under the Open Offer in respect of the Shares held by them.

Further to the aforesaid undertaking and on 25 March 2011, Ms. Lo has irrevocably and unconditionally undertaken to the Underwriter and the Company, among other things, that she will forthwith upon written demand advance such clear funds as required by the Underwriter for its performance of its obligations under the Underwriting Agreement.

Placing arrangement for maintaining public float

Pursuant to the public float requirements under Rule 11.23 of the GEM Listing Rules, the public Shareholders, at all times, must at least hold 25% of the total issued share capital of the Company. Accordingly, the Underwriter has irrevocably undertaken to the Company that if the underwriting arrangement in respect of the Open Offer results in less than 25% of the total issued share capital of the Company held by the public Shareholders, the

LETTER FROM THE BOARD

Underwriter has undertaken to place down its shareholding interest in the Company to Independent Third Parties after the completion of the Open Offer in order to comply with the public float requirement under the GEM Listing Rules.

Conditions of Underwriting Agreement

The Underwriting agreement is conditional, among other things, upon the following conditions being fulfilled:

- (i) the passing by the Shareholders of ordinary resolution(s) at the EGM by way of poll to approve the increase in authorised share capital and Share Consolidation;
- (ii) the Share Consolidation becoming effective on or before the Record Date;
- (iii) the passing by the Independent Shareholders of ordinary resolution(s) at the EGM by way of poll to approve the Underwriting Agreement, the Open Offer, the Whitewash Waiver, the allotment and issue of the Offer Shares and the transactions contemplated thereunder;
- (iv) the Executive granting the Whitewash Waiver to the Underwriter (and parties acting in concert with it as defined in Takeovers Code) and the satisfaction of any condition(s) attached to the Whitewash Waiver granted;
- (v) the delivery to the Stock Exchange and the registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and, if required, the delivery and filing with the Registrar of Companies in the Cayman Islands in accordance with the requirements of the Companies Law of one copy of each of the Prospectus Documents each duly certified as required by the Companies Law and otherwise complying with the requirements of the Companies Ordinance, the Companies Law and the GEM Listing Rules;
- (vi) the posting on the Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus marked “For information only” to the Non-Qualifying Shareholders;
- (vii) the GEM Listing Committee of the Stock Exchange granting of the listing of, and permission to deal in, (a) the Consolidated Shares; and (b) the Offer Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before the first day of dealings of the Offer Shares;
- (viii) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of

LETTER FROM THE BOARD

more than 5 trading days (other than any suspension pending clearance of the Announcement) and no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;

- (ix) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and
- (x) compliance with and performance by the Underwriter and parties acting in concert with it of the undertakings and obligations contained in their undertakings as more particularly described in the paragraph headed “Irrevocable undertakings from the Underwriter and Ms. Lo” and “Placing arrangement for maintaining public float” above.

Conditions set out above are not capable of being waived. If the above conditions are not fulfilled in whole or in part by the Underwriter by 8 June 2011 or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise. If the Underwriting Agreement terminates in accordance with its terms, the Open Offer will not proceed. The irrevocable undertaking by Underwriter and parties acting in concert as described above will lapse.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company by the Underwriter at any time prior to 4:00 p.m. on the 2nd Business Day following the Acceptance Date (or such later time or date as may be agreed between the Company and the Underwriter) if:

- (a) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will, in the reasonable opinion of the Underwriter, have a material and adverse effect on the business, financial or trading position of the Company; or
- (b) the Underwriter shall receive notification pursuant to the provisions of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer; or

LETTER FROM THE BOARD

- (c) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company;
- (d) there shall be:
 - (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere); or
 - (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, industrial, economic, taxation, exchange control or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict, or affecting local securities market; or
 - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
 - (iv) any material adverse change in the financial or trading position of the Group as a whole; or
 - (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the shares of the Company generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (vi) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
 - (vii) the commencement by any third party of any litigation or claim against any member of the Group which is or might be material to the Group taken as a whole; or
 - (viii) the imposition of economic or other sanctions, in whatever form directly or indirectly, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group,

LETTER FROM THE BOARD

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer.

If the Underwriter exercises such right, the Open Offer will not proceed.

Upon giving any of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and no party thereunder shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Company shall not be liable to pay any underwriting commission.

WARNING OF THE RISK OF DEALING IN THE SHARES

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out above under the section headed “Conditions of the Underwriting Agreement”. In particular, the Open Offer is conditional upon the Whitewash Waiver having been granted by the Executive and the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described in this circular. The Open Offer is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Open Offer may or may not proceed.

Any dealings in the Shares from the date of this circular up to the date on which all the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date to immediately after completion of the Open Offer for illustration purpose only:

(a) Scenario 1

Assuming there is no exercise of Outstanding Warrants on or before the Record Date:

Shareholder	As at the Latest Practicable Date		Immediately after the Share Consolidation but before the completion of the Open Offer		Upon completion of the Open Offer assuming all Shareholders take up their respective entitlements to the Open Offer in full		Upon completion of the Open Offer assuming no other Shareholder takes up any Underwritten Shares and all Underwritten Shares are taken up by the Underwriter		Upon completion of the Open Offer assuming no other Shareholder takes up any Underwritten Shares and all Underwritten Shares are taken up by the Underwriter; while the public Shareholders do not hold less than 25% of the issued share capital of the Company (Note 2)	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
The Underwriter and parties acting in concert with it (Note 1)	203,266,790	46.11	40,653,358	46.11	203,266,790	46.11	393,303,798	89.22	330,609,787	75.00
Other public Shareholders	237,546,263	53.89	47,509,252	53.89	237,546,260	53.89	47,509,252	10.78	110,203,263	25.00
Total	440,813,053	100.00	88,162,610	100.00	440,813,050	100.00	440,813,050	100.00	440,813,050	100.00

(b) Scenario 2

Assuming the Outstanding Warrants have been exercised in full on or before the Record Date:

Shareholder	As at the Latest Practicable Date		Immediately after the Share Consolidation but before the completion of the Open Offer		Assuming the Outstanding Warrants being exercised in full on or before the Record Date		Upon completion of the Open Offer assuming all Shareholders take up their respective entitlements to the Open Offer in full		Upon completion of the Open Offer assuming no other Shareholder takes up any Underwritten Shares and all Underwritten Shares are taken up by the Underwriter		Upon completion of the Open Offer assuming no other Shareholder takes up any Underwritten Shares and all Underwritten Shares are taken up by the Underwriter; while the public Shareholders do not hold less than 25% of the issued share capital of the Company (Note 2)	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
The Underwriter and parties acting in concert with it (Note 1)	203,266,790	46.11	40,653,358	46.11	40,653,358	45.09	203,266,790	45.09	401,273,370	89.02	338,081,261	75.00
Other public Shareholders	237,546,263	53.89	47,509,252	53.89	49,501,645	54.91	247,508,225	54.91	49,501,645	10.98	112,693,754	25.00
Total	440,813,053	100.00	88,162,610	100.00	90,155,003	100.00	450,775,015	100.00	450,775,015	100.00	450,775,015	100.00

LETTER FROM THE BOARD

Note:

1. The entire issued share capital of the Underwriter or Maxx Capital is wholly and beneficially owned by Ms. Lo, an executive Director and the chairwoman of the Company.
2. The Underwriter has irrevocably undertaken to the Company that if the underwriting arrangement in respect of the Open Offer results in less than 25% of the total issued share capital of the Company held by the public Shareholders, the Underwriter has undertaken to place down its shareholding interest in the Company to Independent Third Parties in order to comply with the public float requirement under the GEM Listing Rules.

The Directors (excluding the independent non-executive Directors) believe that the Open Offer is fair and reasonable and in the interest of Shareholders given the dilution effect of approximately 80% is still within the range as indicated in the Comparables quoted in the “Letter from the Independent Financial Adviser”.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
29 September 2010	Placing of new Shares	HK\$30,000,000	General working capital	Used in the securities and futures business

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the Latest Practicable Date.

OTHER ALTERNATIVES OF FINANCING

Given that equity financing is interest free and security free by nature, the Directors consider that equity financing serves as a cost effective means of raising additional capital for the Group as general working capital and to fund any additional investment requirements of existing or other new project development opportunities that may be identified in the future. In addition, the Directors are of the view that equity financing has merits over bank/debt financing to fund the Group’s capital needs as the former could broaden the shareholder base of the Company without creating any additional interest burden to the Company. The Directors believe that the Open Offer will provide the Company with an additional alternative method of equity funding when there is a funding requirement or when any business opportunities arise in the future. The Directors consider that the Open Offer could enhance the financing flexibility of the Company to raise equity funds and offers existing Shareholders an opportunity to participate in the funding raising exercise in proportion to their shareholdings in the Company and to participate in the future growth and development of the Company.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China.

LETTER FROM THE BOARD

The Company will raise a minimum of approximately HK\$88.2 million, before expenses, by way of Open Offer of not less than 352,650,440 Offer Shares of the Company and a maximum of approximately HK\$90.2 million, before expenses, by way of Open Offer of not more than 360,620,012 Offer Shares and the estimated expenses in respect of the Open Offer will be approximately HK\$2.8 million. The price per Offer Share net of expenses is approximately HK\$0.24. The Company intends to use the net proceeds for strengthening the capital base of the securities and futures business for approximately HK\$40 million and the balance for purchasing additional hardware, software and working capital for the provision of financial information services business.

As the aforesaid funding requirement for the expansion of the Company, the Directors consider that the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Directors consider that fund raising through the Open Offer is in the best interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholding in the Company will be diluted.**

IMPLICATION UNDER THE TAKEOVERS CODE AND THE WHITEWASH WAIVER

Maxx Capital, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of Pablos with its ultimate beneficial owner being Ms. Lo, is the Underwriter and is the controlling shareholder of the Company holding an aggregate of 203,266,790 Shares, representing approximately 46.11% of the entire issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, save for 203,266,790 Shares, there was:

- (a) no outstanding derivative in respect of securities in the Company entered into by the Underwriter and parties acting in concert with it; and
- (b) no existing holding of voting rights and rights over Shares (i) which the Underwriter owns or over which it has control or direction; (ii) which is owned or controlled or directed by any person acting in concert with the Underwriter; (iii) in respect of which the Underwriter or any person acting in concert with it has received an irrevocable commitment to accept the Open Offer; and (iv) in respect of which the Underwriter or any person acting in concert with it holds convertible securities, warrants or options of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has irrevocably undertaken to the Company that if the underwriting arrangement in respect of the Open Offer results in less than 25% of the total issued share capital of the Company held by the public Shareholders, the Underwriter has undertaken to place down its shareholding interest in the Company to Independent Third Parties after the completion of the Open Offer in order to comply with the public float requirement under the GEM Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the placing arrangement pursuant to the Underwriting Agreement, there was:

- (a) no arrangements (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company, and which might be material to the Open Offer;
- (b) no agreements or arrangements to which the Underwriter is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Open Offer; and
- (c) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Underwriter or any person acting in concert with it has borrowed or lent.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (i) have not made any dealings in Shares with any Shareholders of the Company in the last six months prior to the date of the Announcement; and (ii) have not made or entered into any arrangements with any Shareholders of the Company which have favorable conditions not extended to all Shareholders of the Company in the last six months prior to the date of the Announcement.

As set out in the section headed “Underwriting Arrangement and Undertakings”, the Underwriter pursuant to the Underwriting Agreement has agreed to take up those Offer Shares not validly accepted by the Qualifying Shareholders and the entire entitlement to Offer Shares under the Open Offer. In the event that none of the Qualifying Shareholders accepts any Offer Shares, the Underwriter will be required to take up all the Offer Shares that are not validly accepted under the Open Offer. To ensure the compliance with the public float requirements under Rule 11.23 of the GEM Listing Rules, the Underwriter, pursuant to the Underwriting Agreement, has irrevocably undertaken to place down its shareholding interest in the Company to Independent Third Parties. Accordingly, the total number of Shares as held by the Underwriter will be increased from 203,266,790 Shares (representing approximately 46.11% of the entire issued share capital of the Company as at the Latest Practicable Date) to a minimum of 393,303,798 Consolidated Shares (representing approximately 89.22% of the total number of Consolidated Shares in issue as enlarged by the Open Offer) or a maximum of 401,273,370 Consolidated Shares (representing approximately 89.02% of the total number of Consolidated Shares in issue as enlarged by the Open Offer).

Accordingly, without the Whitewash Waiver the taking up of the Underwritten Shares by the Underwriter may trigger an obligation on the part of the Underwriter to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned by or agreed to be acquired by the Underwriter.

If the Underwriter holds more than 50% of the voting rights of the Company upon completion of the Open Offer, the Underwriter may increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

LETTER FROM THE BOARD

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll.

It is one of the conditions of the Underwriting Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

PROPOSED CHANGE OF DOMICILE

The Company proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda.

Effect of the Change of Domicile

Other than the expenses to be incurred, the Change of Domicile will not alter the underlying assets, investments, management or financial position of the Company nor the proportionate interests of the Shareholders. The Company's legal advisers as to the laws of the Cayman Islands and Bermuda is of the view that the continuation of the Company into Bermuda does not create a new legal entity or prejudice or affect the continuity of the Company. The Company will continue to maintain a principal place of business in Hong Kong.

The Change of Domicile also will not involve the formation of a new holding company, the withdrawal of listing of the Shares, any issue of new Shares, any transfer of assets of the Company or any change in the existing shareholding of the Company. Implementation of the Change of Domicile will not affect its listing status of the Shares on GEM.

To facilitate the Change of Domicile, it is proposed that a memorandum of continuance and a new set of bye-laws will be adopted by the Company to replace the existing memorandum of association and the articles of association respectively in order to comply with Bermuda company law.

Reasons for the Change of Domicile

If the Company proceeds with the Capital Reduction in the Cayman Islands, the sanction by the Grand Court of the Cayman Islands would be required, such sanction cannot be obtained in a commercially expedient time frame. If the Capital Reduction will be effected by way of a change of domicile of the Company from the Cayman Islands to Bermuda through de-registration in the Cayman Islands and continuation in Bermuda, the legal advisers of the Company as to the laws of the Cayman Islands and Bermuda have advised that no court order is required in the Cayman Islands or Bermuda for the Change of

LETTER FROM THE BOARD

Domicile and the Capital Reduction. The Directors consider that it would save the Company's time and costs for the carrying out of the Capital Reduction in Bermuda by first implementing the Change of Domicile.

The Directors believe that the Change of Domicile is beneficial to and in the interests of the Company and the Shareholders as a whole.

Conditions of the Change of Domicile

The Change of Domicile is conditional upon the fulfillment of the following conditions:

- (i) the passing of ordinary resolution by the Shareholders at the EGM to approve the increase in authorised share capital and Share Consolidation;
- (ii) the Share Consolidation becoming effective;
- (iii) the passing of the necessary special resolution(s) by the Shareholders at the EGM to approve (a) an amendment to the memorandum of association and articles of association of the Company to facilitate the Change of Domicile, (b) the Change of Domicile, and (c) the adoption of the new memorandum of continuance and bye-laws of the Company; and
- (iv) compliance with the relevant procedures and requirements under the laws of the Cayman Island and Bermuda, including the obtaining of the permission from the Bermuda Monetary Authority.

Free exchange of certificates for the Outstanding Warrants

Subject to the Change of Domicile becoming effective, holders of the Outstanding Warrants may, from 6 July 2011 to 10 August 2011 (both dates inclusive), submit existing certificates for the Outstanding Warrants to the branch registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in exchange for the new certificates in registered form in the name of such holder(s) in respect of the Outstanding Warrants, at the expense of the Company.

Notwithstanding the foregoing, existing certificates for the Outstanding Warrants will continue to be good evidence of legal title and will remain valid in accordance with the agreement relating to the Outstanding Warrants after the Change of Domicile becomes effective.

PROPOSED CAPITAL REDUCTION

The Company proposes to implement the Capital Reduction involving the reduction of the existing share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.24 on each of the issued Consolidated Shares and a sub-division of each unissued Consolidated Shares into 25 Adjusted Shares of HK\$0.01

LETTER FROM THE BOARD

each. After the Capital Reduction, the authorised share capital of the Company shall be HK\$150,000,000 divided into 15,000,000,000 Adjusted Shares of HK\$0.01 each. The Capital Reduction will become effective upon the fulfillment of the conditions set out in the paragraph headed “Conditions of the Capital Reduction” below.

Effect of the Capital Reduction

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$50,000,000 divided into 1,000,000,000 Shares of HK\$0.05 each, of which 440,813,053 Shares have been issued and are fully paid. Upon the approval of the increase in authorised share capital by the Shareholders, the Share Consolidation becoming effective and the completion of the Open Offer, the authorised share capital of the Company will become HK\$150,000,000 divided into 600,000,000 Consolidated Shares of HK\$0.25 each, of which a minimum of 440,813,050 Consolidated Shares or a maximum of 450,775,015 Consolidated Shares will be in issue. On the assumption that no further Shares (save and except for the Offer Share pursuant to the Open Offer) will be issued or repurchased by the Company after the Latest Practicable Date, the nominal value of the issued share capital of the Company immediately before the Capital Reduction becoming effective will be a minimum of approximately HK\$110.2 million or a maximum of approximately HK\$112.7 million. As such, a credit of a minimum of approximately HK\$105.8 million or a maximum of approximately HK\$108.2 million will arise as a result of the Capital Reduction. Such credit will be applied by the Directors to set off against the accumulated losses of the Company and the balance (if any) will be transferred to a distributable reserve called contributed surplus account of the Company. The accumulated losses of the Company was approximately HK\$146.3 million as shown in the audited financial statements of the Company for the year ended 31 March 2010.

Implementation of the Capital Reduction will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Directors believe that the Capital Reduction will not have any adverse effect on the financial position of the Company and its subsidiaries and the Directors believe that on the date the Capital Reduction becoming effective, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reduction and, except for the expenses involved in relation to the Capital Reduction which is expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reduction becoming effective. The Capital Reduction does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company. The Capital Reduction will not result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Reasons for the Capital Reduction

The Directors consider that the Capital Reduction will give greater flexibility to the Company to raise funds through the issue of new Adjusted Shares in the future and the elimination of the Company's accumulated losses will allow greater flexibility for the Company to pay dividends in the future. As such, the Board is of the view that the Capital Reduction is in the interests of the Company and the Shareholders as a whole.

At this stage, there can be no assurance that a dividend will be declared or paid in future even if the Capital Reduction becomes effective.

Conditions of the Capital Reduction

The Capital Reduction is conditional upon the fulfillment of the following conditions:

- (i) the Change of Domicile becoming effective;
- (ii) the passing by Shareholders of a special resolution at the EGM by way of poll to approve the Capital Reduction; and
- (iii) the compliance with the relevant procedures and requirements under Bermuda law (where applicable) and the GEM Listing Rules to effect the Capital Reduction.

Listing and Dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Change of Domicile and Capital Reduction.

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Free exchange of share certificates

Subject to the Change of Domicile and/or the Capital Reduction becoming effective, Shareholders may, from 6 July 2011 to 10 August 2011 (both dates inclusive), submit certificates for the Consolidated Shares in board lot of 2,000 Consolidated Shares, which is purple in color, to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in exchange for the new

LETTER FROM THE BOARD

share certificates for the Adjusted Shares, at the expense of the Company, which will be pink in color. Thereafter, certificates for the Consolidated Shares will be accepted for exchange only on payment of a fee of HK\$2.50 or such higher amount as may from time to time be allowed by the Stock Exchange for each share certificate of the Consolidated Shares cancelled or each new share certificate to be issued for the Adjusted Shares, whichever number of certificates cancelled/issued is higher, payable by Shareholders to the branch share registrar of the Company. After the Change of Domicile and/or the Capital Reduction becoming effective, certificates for the Consolidated Shares will not be accepted for delivery, trading and settlement purposes. Nevertheless, certificates for the Consolidated Shares will continue to be good evidence of legal title after the Change of Domicile and/or Capital Reduction has become effective and may be exchanged for certificates for the Adjusted Shares at any time in accordance with the foregoing.

ADJUSTMENT TO THE OUTSTANDING WARRANTS

As at the Latest Practicable Date, the Company has 9,961,969 Outstanding Warrants. The Outstanding Warrants entitle the holders thereof to subscribe for Shares at the exercise price of HK\$0.45 (subject to adjustment) per Share.

Upon the Share Consolidation becoming effective and the completion of the Open Offer, the exercise price and the number of the Consolidated Shares to be issued under the Outstanding Warrants will be adjusted in accordance with the relevant provisions of the agreement relating to the Outstanding Warrants. Such adjustments will be reviewed and certified by auditors or an independent financial adviser to be appointed by the Company. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

GENERAL

The Open Offer is conditional on, among other things, the approval of the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Open Offer will not proceed.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it were interested in an aggregate of 203,266,790 Shares, representing approximately 46.11 % of the entire issued share capital of the Company. The Underwriter and parties acting in concert with it shall abstain from voting at EGM in respect of the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

Subject to (i) the increase in authorised share capital and Share Consolidation being approved by the Shareholders at the EGM by way of poll; (ii) the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver being approved by the Independent Shareholders at the EGM by way of poll; and (iii) the Share Consolidation becoming effective, the Prospectus Documents (or the Prospectus, where appropriate) containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

EGM

A notice convening the EGM is set out from page 165 to 170 of this circular. The EGM will be convened on Thursday, 19 May 2011 at 11:00 a.m., at Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at which resolutions will be proposed to the Shareholders (where applicable, the Independent Shareholders) to consider and, if thought fit, to approve (a) the increase in authorised share capital; (b) the Share Consolidation; (c) the Open Offer; (d) the Whitewash Waiver; (e) the Change of Domicile; and (f) the Capital Reduction.

The proposed increase in authorised share capital and the Share Consolidation are subject to the approval of ordinary resolution passed by the Shareholders and the Change of Domicile and the Capital Reduction are subject to the approval of a special resolution passed by the Shareholders. As none of the Shareholders is interested in the proposed increase in authorised share capital, the Share Consolidation, Change of Domicile and the Capital Reduction, no Shareholders is required to abstain from voting at the EGM.

The Underwriter and parties acting in concert with it and those who are involved in or interested in the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver and their respective associates are required to abstain from voting on resolutions approving the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver. Save as aforesaid, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholders are required to abstain from voting on the relevant resolutions at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The resolutions proposed to be approved at the EGM will be taken by way of poll and an announcement will be made by the Company after the EGM regarding the results of the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the terms of the proposed increase in authorised share capital and the Share Consolidation are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors also believe that the Change of Domicile and Capital Reduction are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

You are advised to read carefully the letter from the Independent Board Committee and the letter from the Independent Financial Adviser set out on page 39 to 57 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Open Offer and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Open Offer and the Whitewash Waiver at the EGM.

Upon passing of the necessary resolutions by the Shareholders (where applicable, the Independent Shareholders) at the EGM approving the Open Offer and the Whitewash Waiver, the Prospectus Documents will be dispatched to the Qualifying Shareholders as soon as practicable in accordance with the Takeovers Code.

FURTHER INFORMATION

Your attention is drawn to the financial and general information set out in the appendices to this circular.

By Order of the Board
Finet Group Limited
Lo Yuk Yee
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver



財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

26 April 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER SHARES
FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE
AND APPLICATION FOR THE WHITEWASH WAIVER**

We refer to the circular of the Company dated 26 April 2011 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise you as to whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise Independent Shareholders on how to vote on the resolutions approving the Open Offer and the Whitewash Waiver at the EGM. Altus Capital Limited has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 39 to 57 of the Circular, we are of the opinion that the terms of the Open Offer and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Open Offer and the Whitewash Waiver.

Yours faithfully,

Independent Board Committee

Mr. Wong Wai Kin
*Independent
non-executive Director*

Mr. Siu Siu Ling, Robert
*Independent
non-executive Director*

Mr. Leung Chi Hung
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

26 April 2011

To the Independent Board Committee and the Independent Shareholders
Finet Group Limited
Room C, 11th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
- (2) PROPOSED SHARE CONSOLIDATION**
- (3) PROPOSED OPEN OFFER ON THE BASIS OF FOUR OFFER SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**
- (4) APPLICATION FOR THE WHITEWASH WAIVER**
- (5) PROPOSED CHANGE OF DOMICILE**
- AND**
- (6) PROPOSED CAPITAL REDUCTION**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Whitewash Waiver. Details of the transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 26 April 2011 (“**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 25 March 2011, the Company announced, among other things, the Open Offer and the Whitewash Waiver. Conditional upon the increase in authorised share capital and the Share Consolidation becoming effective, the Company proposes to raise a minimum of approximately HK\$88.2 million, before expenses, by way of the Open Offer of not less than 352,650,440 Offer Shares and a maximum of approximately HK\$90.2 million, before expenses, by way of the Open Offer of not more than 360,620,012 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share on the basis of four Offer Shares for every one Consolidated Share in issue on the Record Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Maxx Capital International Limited, a direct wholly-owned subsidiary of Pablos International Limited with its ultimate beneficial owner being Ms Lo Yuk Yee, is the Underwriter and controlling shareholder of the Company holding an aggregate of 203,266,790 Shares, representing approximately 46.11% of the total number of Shares in issue as at the Latest Practicable Date. The total number of Shares upon the completion of the Open Offer, as held by the Underwriter will be increased from 203,266,790 Shares (representing approximately 46.11% of the total number of Shares in issue of the Company as at the Latest Practicable Date) to a minimum of 393,303,798 Consolidated Shares (representing approximately 89.22% of the total number of Consolidated Shares in issue as enlarged by the Open Offer) or a maximum of 401,273,370 Consolidated Shares (representing approximately 89.02% of the total number of Consolidated Shares in issue as enlarged by the Open Offer) to the extent underwriting is required.

Accordingly, without the Whitewash Waiver, the taking up of the Underwritten Shares by the Underwriter may trigger an obligation on the part of the Underwriter to make a mandatory general offer under Rule 26 of the Takeovers Code. An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll.

In short, the Open Offer is conditional, among other things, upon the following conditions being fulfilled:

- (i) the passing by the Independent Shareholders of ordinary resolution(s) at the EGM by way of poll to approve, ratify (where applicable) and confirm the Underwriting Agreement, the Open Offer, the Whitewash Waiver, the allotment and issue of the Offer Shares and the transactions contemplated thereunder; and
- (ii) the Executive granting of the Whitewash Waiver to the Underwriter and parties acting in concert with it and the satisfaction of any condition(s) attached to the Whitewash Waiver granted.

An extraordinary general meeting for the Company will be convened to approve, amongst other things, the Open Offer and the Whitewash Waiver. As at the Latest Practicable Date, the Underwriter and parties acting in concert with it were interested in an aggregate of 203,266,790 Shares, representing approximately 46.11% of the total number of Shares in issue. The Underwriter and parties acting in concert with it and those who are involved in or interested in the Open Offer and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the Open Offer (including the absence of excess application arrangement) and the Whitewash Waiver.

As at the Latest Practicable Date, the Independent Board Committee comprising all the independent non-executive Directors, namely Messrs. Wong Wai Kin, Siu Siu Ling, Robert and Leung Chi Hung, has been established to make recommendations to the Independent Shareholders as to whether the Open Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Open Offer and the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Open Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolutions relating to the Open Offer and the Whitewash Waiver at the EGM.

Apart from the normal advisory fee payable to us in connection with our appointment, with the approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management. We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions, and representation provided to us by the Directors, the Company and its management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Open Offer and the Whitewash Waiver, we have taken into consideration the following principal factors:

1. Background information of the Company

(a) Principal business

The Group is principally engaged in the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China and in securities and futures business.

(b) Historical financial information

Set out below is a summary of the audited financial results of the Group for each of the three years ended 31 March 2010 as extracted from the Group's annual reports and for the unaudited financial results of the Group for the nine months ended 31 December 2010 as extracted from the Company's relevant third quarterly report. Your attention is also drawn to the "Financial information of the Group" set out in Appendix I to the Circular.

	For the nine months ended 31 December 2010 (unaudited) HK\$'000	For the year ended 31 March 2010 (audited) HK\$'000	For the year ended 31 March 2009 (audited) HK\$'000	For the year ended 31 March 2008 (audited) HK\$'000
Revenue	26,801	31,029	33,088	35,829
Gross profit	18,688	21,706	22,948	25,798
Gross profit margin	69.73%	69.95%	69.35%	72.00%
(Loss)/Profit before income tax	(27,949)	(48,139)	(62,654)	3,285
(Loss)/Profit for the year/period	(27,994)	(48,242)	(62,742)	3,285
		As at 31 March 2010 (audited) HK\$'000	As at 31 March 2009 (audited) HK\$'000	As at 31 March 2008 (audited) HK\$'000
Cash and cash equivalents		33,681	7,444	7,556
Net assets		84,008	53,090	113,933
Gearing ratio		4%	8%	3%

Source: Company's annual and quarterly reports

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2009

Based on the Company's annual report for the year ended 31 March 2009 (the "**2009 Annual Report**"), the Group recorded consolidated revenue of approximately HK\$33,088,000 representing a decrease of approximately 8% from approximately HK\$35,829,000 for the financial year ended 31 March 2008. Loss for the year amounted to approximately HK\$62,742,000 for the financial year ended 31 March 2009 as compared to the profit for the year of approximately HK\$3,285,000 for the financial year ended 31 March 2008.

As set out in the 2009 Annual Report, due to the global financial crisis, Mainland China and Hong Kong were both experiencing significant economic slowdown and financial market crashes and the Group's financial information business had experienced sharp slowdown in sales growth in Mainland China, while the online gaming business went through a strategic reorganization and was still developing its fundamentals in 2008 as a relatively new business to the Group.

In addition, due to the increasing research & development expenses in online games development and financial information products, plus impairment of goodwill from the acquisition of Hangzhou Tianchang Network Technology Limited ("**Tianchang**") in 2007, the Group attained a loss of approximately HK\$62,742,000 for the fiscal year ended 31 March 2009.

On 24 September 2008, the Group reached an agreement with a group of domestic buyers to dispose of the 100% equity interest of Tianchang, the then wholly-owned subsidiary of China Game & Digital Entertainment Limited ("**China Game**"), for RMB20 million. The disposal enabled China Game to focus its resources on its online gaming business while at the same time the cash generated from the transaction can be used for further business development. The Group's cash and cash equivalents as at 31 March 2009 were approximately HK\$7,444,000 (31 March 2008: approximately HK\$7,556,000).

According to the 2009 Annual Report, the Group's gearing ratio was approximately 8% (2008: approximately 3%), based on total borrowings of approximately HK\$4,476,000 (2008: approximately HK\$3,452,000) and total equity of the Group of approximately HK\$53,090,000 (2008: approximately HK\$113,933,000).

For the year ended 31 March 2010

Based on the Company's annual report for the year ended 31 March 2010 (the "**2010 Annual Report**"), the Group recorded consolidated revenue of approximately HK\$31,029,000, representing a decrease of approximately 6% from approximately HK\$33,088,000 for the fiscal year ended 31 March

2009. Loss for the year amounted to approximately HK\$48,242,000 for the financial year ended 31 March 2010 as compared to the loss for the year of approximately HK\$62,742,000 for the financial year ended 31 March 2009.

According to the 2010 Annual Report, the decrease in revenue was mainly due to the fierce competition in the Group's core business of financial data and news distribution. The Group's online games were still undergoing developing and testing, and the loss was also partly contributed by an impairment charge of approximately HK\$27 million in the online gaming business in the fiscal year ended 31 March 2010.

On 19 May 2010, the Group acquired the entire issued share capital of Fukoku Investment (Asia) Limited (now renamed as Finet Securities Limited) for a cash consideration of approximately HK\$10,245,000.

The Group's cash and cash equivalents as at 31 March 2010 were approximately HK\$33,681,000 (31 March 2009: approximately HK\$7,444,000).

According to the 2010 Annual Report, the Group's gearing ratio was approximately 4% (2009: approximately 8%) based on total borrowings of approximately HK\$3,713,000 (2009: approximately HK\$4,476,000) and total equity of the Group of approximately HK\$84,008,000 (2009: approximately HK\$53,090,000).

Based on the Company's 2009 and 2010 Annual Reports, the consolidated revenue dropped notably from approximately HK\$35,829,000 to approximately HK\$31,029,000 between fiscal years ended 31 March 2008 and 2010, representing a decrease of approximately 13%. Despite the loss for the year ended 31 March 2010 was narrowed down to approximately HK\$48,242,000 compared to the previous fiscal year, the Company struggled to maintain its profitability in the previous fiscal years, with the exception of fiscal year ended 31 March 2008.

For the nine months ended 31 December 2010

Based on the Company's quarterly report for the nine months ended 31 December 2010 (the "**2010/11 Third Quarterly Report**"), the Group recorded an unaudited consolidated revenue of approximately HK\$26,801,000 for the nine months ended 31 December 2010, unaudited loss for the period amounted to approximately HK\$27,994,000 for the nine months ended 31 December 2010.

According to the 2010/11 Third Quarterly Report, the unaudited general and administrative expenses of the Group for the nine months ended 31 December 2010 were approximately HK\$38,985,000. Such increase was mainly attributed to the inclusion of unaudited general and administrative expenses of approximately HK\$6.1 million in the securities and futures

business segment and the increase in legal and professional expenses of approximately HK\$5.1 million (including the amount disputed by the Group as disclosed in the section headed “Potential legal proceedings” in the 2010/11 Third Quarterly Report).

(c) Recent development

Please refer to the disclosure of several events set out in paragraph 6 in “Financial information of the Group” in Appendix I to the Circular, which the Directors considered as material change in the financial or trading position or outlook of the Group since 31 March 2010 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

Taking into account the acquisition of subsidiaries in May 2010, as well as the share placement in October 2010, the Group has consistently implemented its stated business strategy as announced in the 2010/11 Third Quarterly Report, whereby it would continue to explore new business opportunities and expansion in the securities and futures segment.

With regard to certain events mentioned in paragraph 6 in “Financial information of the Group” in Appendix I to the Circular, all the events would enable the Group to regain its financial strength and trading position to continue to strive into the securities and futures business, and to further improve its outlook, since 31 March 2010 and up to and including the Latest Practicable Date.

(d) Future prospects

Over the years, the Group has established its business fundamentals and appropriate companies in the internet, mobile and media sectors. As a result, the Group is in a position to make use of the various internet/mobile/media business opportunities arising from Hong Kong and Mainland China in the coming years. Also, with the increasing integration between financial markets of Hong Kong and Mainland China, the management of the Company intends to continue to expand its sales network in the PRC as well as its products/services in the securities and futures businesses with the aim to improve the Company’s operations in the future. However, Shareholders must note that the principal business engaged by the Group is highly competitive and the future performance of the Group depends, among other things, the economic environment in Greater China.

2. Reasons for the Open Offer and use of proceeds

As described in paragraph 1 (b) above, the Company has incurred aggregate losses of approximately HK\$111 million for the year ended 31 March 2009 and 31 March 2010, and has continued to incur losses in the nine months ended 31 December 2010.

The Company has announced on 15 October 2010 the successful completion of an equity fund raising exercise and raised approximately HK\$30,000,000 (net proceeds) by means of a private placement. Such proceeds were identified as general working capital and has since been utilised in the daily operations of the Group.

Taking into account the stated business strategy of the Group, it is proposed that an open offer be implemented to fund its business operations and future growth.

The Company will raise a minimum of approximately HK\$88.2 million, before expenses, by way of Open Offer of not less than 352,650,440 Offer Shares and a maximum of approximately HK\$90.2 million, before expenses, by way of Open Offer of not more than 360,620,012 Offer Shares and the estimated expenses in relation to the Open Offer will be approximately HK\$2.8 million. The price per Offer Share is HK\$0.25. The Company intends to use the net proceeds for strengthening the capital base of the securities and futures business for approximately HK\$40 million and the balance for purchasing additional hardware, software and working capital of the provision of financial information services business. We have been provided with the latest available management accounts of the Group for the period ended 28 February 2011 and discussed with the Company on their current performance and development plan as well as their funding needs. We concur with the Board that it is justifiable to raise additional funds to finance its business operations.

Given the abovementioned reasons, the Board considers that the Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and, hence the Board considers that fund raising through the Open Offer is in the best interests of the Company and the Shareholders as a whole.

The Directors advised us that they have considered alternative means for fund raising, such as bank borrowings, third party underwritten rights issue/open offer share placement and issue of convertible securities. The Directors are of the view that bank borrowings will inevitably increase interest expenses of the Group and the debt to equity ratio of the Company. The Company has approached independent third party underwriter(s) to underwrite a fund raising exercise by means of a rights issue or open offer. However, due to the past financial performance of the Group, the current trading performance of the Shares and the challenging business and economic environment which the Group is and will continue to face, the Company has been unable to seek independent third party underwriter to underwrite a rights issue/open offer. The Directors consider that any further private placement of the shares and/or issue of convertible securities would be dilutive to the interests of the existing Shareholders as they might not be able to participate on an equitable basis. By taking

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

up their allotments under the Open Offer in full, the Open Offer would enable the Qualifying Shareholders to maintain their respective percentage interests in the Company and participate in the future growth and development of the Company.

On the basis of the above and taking into consideration,

- the alternative means for fund raising, such as (i) bank borrowings, which is (aa) not feasible, due to the Group's thin tangible assets available for securing any loan under the current financial market; and (bb) not desirable as it would increase the interest costs of the Group (when it is currently under a very tight budget) and increase the gearing ratio of the Company as compared with the Open Offer which will increase the capital base of the Company without incurring any additional financing costs, (ii) the Company has been unable to seek independent third party underwriter to underwrite a rights issue/open offer and (iii) share placement or issue of convertible securities, which would be dilutive to the interests of the existing Shareholders as they might not be able to participate on an equitable basis;
- the funds to be raised from the Open Offer will be used for the Group to continue pursuing its stated strategy on the development of its financial service business;
- the Subscription Price is at a discount to both of the adjusted closing price per Consolidated Share and the audited net tangible asset value per Consolidated Share as at 31 March 2010;
- by taking up their allotments under the Open Offer in full, the Open Offer would enable the Qualifying Shareholders to maintain their relative percentage interests in the Company and participate in the future growth and development of the Company; however in the event that the Qualifying Shareholders do not take up their respective allotments under the Open Offer in full, their relative percentage interests in the Company will be diluted; and
- whilst due to the nature of an open offer, Qualifying Shareholders who do not take up their entitlements in full will not be given the opportunity to realise their nil-paid entitlements for monetary reward by trading them in the market; and even if a trading opportunity does exist for those nil-paid entitlements under a rights issue, there is no certainty of a market to exist, and the trading cost involved may not be economical.

we concur with the views of the Directors that the Open Offer is a more desirable means for the Company to obtain long-term capital.

3. Principal terms of the Open Offer

(a) Basis of the Open Offer

Details of the issue statistics of the Open Offer are set out in the “Letter from the Board” in the Circular.

(b) Subscription Price

The Subscription Price of HK\$0.25 per Offer Share is payable in full upon acceptance of the relevant offer of Offer Shares.

The Subscription Price represents:

- (i) a discount of approximately 83.33% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.30 per Share as quoted on the Stock Exchange of the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 84.47% to the average closing prices of approximately HK\$1.61 per Consolidated Share, based on the average closing price of approximately HK\$0.322 per Share for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 84.45% to the average closing prices of approximately HK\$1.6075 per Consolidated Share, based on the average closing price of approximately HK\$0.3215 per Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 50.0% to the theoretical ex-entitlement prices of approximately HK\$0.50 per Consolidated Share, based on the closing price per share of HK\$0.30 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (v) a discount of approximately 83.33% to the closing price of HK\$1.50 per Consolidated Share, based on the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (vi) a discount of approximately 78.13% to the audited consolidated net assets value per Consolidated Share as at 31 March 2010 of approximately HK\$1.1431 per Consolidated Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Offer Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer. The Directors (excluding the independent non-executive Directors, whose opinion on this matter are set out in the Circular after taking into account our recommendations) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In order to assess the reasonableness of the Subscription Price, we have compared the Open Offer with rights issues/open offer conducted by other companies listed on the Stock Exchange in the two months preceding the date of the Underwriting Agreement. Shareholders should note that while listed companies differ from one another, it is a common market practice to price a rights issue/open offer at a discount to the market price of the relevant shares in order to encourage subscription by their shareholders. We have reviewed all rights issues/open offer which were announced by companies listed on the Stock Exchange during the two-month period prior to the Latest Practicable Date. Details of our findings on these rights issues/open offer (the “**Comparables**”) are summarised in the table below.

We consider the selection of such two-month period is sufficient and appropriate for our analysis as for fund raising exercises such as rights issue/open offer, the market sentiment at the relevant time in general plays an important role in the determination of the subscription price.

Date of announcement	Company (stock code)	Business	Market capitalization (HK\$ million)	Max size of rights issue/open offer (HK\$ million)	Basis of entitlement	Subscription price	Closing price of the last full trading day	Discount of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue/open offer %	Discount of the subscription price to the theoretical ex-entitlement price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue/open offer %	Maximum dilution	Independent third party underwriter (Y/N)	Underwriting commission
19/4/2011	Bao Yuan Holdings Limited (692)	Sales of fabric, garment and accessories	242.97	390.62	22 for 1	0.05	0.295	-83.05%	-18.03%	-95.65%	Y	3.00%
19/4/2011	China Star Entertainment Limited (326)	Film production, distribution of film and television drama series, provision of post-production services, investing in operations which receive profit streams from the gaming promotion business and property and hotel investment	225.94	421.03	3 for 1	0.25	0.55	-54.55%	-23.08%	-75.00%	Y	2.50%
12/4/2011	Polyard Petroleum International Group Limited (8011)	Exploration of oil and natural gas and trading of petroleum-related products	160.62	115	1 for 1	0.12	0.156	-23.08%	-13.04%	-50.00%	N	N/A
11/4/2011	Symphony Holdings Ltd. (1223)	Manufacturing and trading of footwear, trading, retailing and distribution of licensed products, property investment and investments holding	645.3	218	1 for 2	0.25	0.4	-37.50%	-28.57%	-33.33%	N	1.00%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (stock code)	Business	Market capitalization (HK\$ million)	Max size of rights issue/ open offer (HK\$ million)	Basis of entitlement	Subscription price	Closing price of the last full trading day	Discount of the subscription price to closing price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue/open offer %	Discount of the subscription price to the theoretical ex-entitlement price per share on the last trading day prior to/on the date of the announcement in relation to the respective rights issue/open offer %	Maximum dilution	Independent third party underwriter (Y/N)	Underwriting commission
8/4/2011	Willie International Holdings Limited (273)	Property investment, investment in securities trading, money lending, investment holding and acquiring, exploring and developing natural resources	96.22	384.89	8 for 1	0.125	0.73	-82.88%	-34.97%	-88.89%	Y	2.50%
8/4/2011	Radford Capital Investment Limited (901)	Investments in listed securities in Hong Kong	69.41	200.37	4 for 1	0.35	0.78	-55.13%	-19.72%	-80.00%	Y	2.50%
4/4/2011	Mobile Telecom Network (Holdings) Limited (8266)	Development, provision and sales of mobile internet communication telecommunications and related services	135.96	58.86	1 for 1	0.1	0.265	-62.26%	-45.36%	-50.00%	Y	3.50%
30/3/2011	China Communications Services Corporation Ltd. — H Shares (552)	Provide telecommunications infrastructure services, business process outsourcing services and applications, content and other services	9,565.68	not less than RMB2,399.39 million	4 for 10	not less than RMB2.53	5.38	-44.05%	-36.00%	-28.57%	N/A	N/A
29/3/2011	Cinda International Holdings Limited (111)	Provision of leveraged foreign exchange trading and broking services, securities broking, commodities and futures broking, provision of corporate financial advisory services, fund management, financial planning and insurance broking	1,134.93	117.6	1 for 5	1.1	1.8	-38.89%	-34.52%	-16.67%	N	0.50%
18/3/2011	Smart Union Group (Holdings) Limited (provisional liquidators appointed) (2700)	Manufacturing and trading of toys and recreational products	54.71	38.9	22 for 5	0.112	0.693	-83.84%	-49.00%	-81.48%	N	N/A
18/3/2011	China State Construction International Holdings Limited (3311)	Construction activities, generation and supply of heat and electricity, provision of connection services, infrastructure project investment	27,598.25	3,580	1 for 5	6	7.2	-16.67%	-14.29%	-16.67%	N	2.50%
8/3/2011	Pacific Plywood Holdings Limited (767)	Manufacture, distribution and sale of plywood, veneer, jamb and moulding, structural, flooring and other wood related products.	2,293.32	221.93	30 for 1	0.08	0.720	-88.89%	-20.00%	-96.77%	Y	2.50%
1/3/2011	Kantone Holdings Limited (1059)	Sale of general system product; provision of service, software licensing, lease of system product, development; IT solution for e-gaming, leisure and entertainment; strategic investment in advanced technology product development companies	757.43	212.2	2 for 5	0.1	0.133	-24.81%	-19.35%	-28.6%	N	2.50%
	High							-88.89%	-49.00%	-96.77%		3.50%
	Low							-16.67%	-13.04%	-16.67%		0.50%
	Average							-53.51%	-27.38%	-57.05%		2.30%
	Finet Group Limited (8317)	Provision of financial services, information solutions services, development and operations of online games and investment holding	132.24	90.2	4 for 1 Consolidated Shares	0.25	1.5	-83.33%	-50.00%	-80.00%	N	1.5

As shown in the above table, all Comparables had the subscription prices set at discount to their respective closing price per share on the last full trading day prior to the release of the relevant announcement, ranging from approximately 16.67% to 88.89%, with an average of approximately 53.51%. In the case of the Open Offer, the discount of the Subscription Price of HK\$0.25 to the closing price adjusted for the effect of the Share Consolidation on the Last Trading Day is approximately 83.33% which is within the range of the Comparables, but above the average discount of the Comparables. With regard to the discount to the theoretical ex-entitlement price per share of the Comparables, they ranged from approximately 13.04% to 49.00%, with an average of approximately 27.38%. In the case of the Open Offer, the Subscription Price has a discount of approximately 50.0% to the theoretical ex-entitlement price per Consolidated Share, which is also within the range of the Comparables, but above the average discount of the Comparables.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter, with reference to the market price of the Shares. In addition, it is common market practice to price a rights issue/open offer at a discount to the market price of the shares so as to encourage subscription by the shareholders.

By taking up their relevant offer of the Offer Shares, Qualifying Shareholders should maintain their respective shareholding interests in the Company and participate in any potential future growth of the Company. As for all rights issues/open offer, the interests of the Qualifying Shareholders will not be prejudiced by the relatively big discount of the Subscription Price so long as they are offered an equal opportunity to participate in the exercise.

Having considered the subscription prices under the Comparables, the reasons for the Open Offer as discussed above, including but not limited to, (i) taking into consideration the alternative means for fund raising, such as bank borrowings, third party underwritten rights issue/open offer share placement or issue of convertible securities, (ii) the funds to be raised from the Open Offer will be used to finance the Group's operations, and (iii) a lower Subscription Price may likely attract the Qualifying Shareholders to participate in the Open Offer and accordingly maintain their respective shareholding interests in the Company, we are of the view that the respective discounts as represented by the Subscription Price to the closing price and the theoretical ex-entitlement price are acceptable. On this basis, we are of the view that the Subscription Price is fair and reasonable.

(c) No application for excess Offer Shares

Taking into account that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures.

According to the Company, after arm's length negotiation with the Underwriter and due to the reason above, Qualifying Shareholders will not be entitled to apply for any Offer Shares in excess of their respective assured entitlements.

Given that (i) the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, (ii) the additional effort and costs to administer the excess application procedures as described above and (iii) the uncertainty of the existence of a market to trade the nil-paid entitlements and the un-economical trading cost which may be incurred by a qualifying shareholder as described in paragraph 2 above, we consider that it is fair and reasonable not to make arrangements available for excess application of Offer Shares and there is no alternative arrangement for the disposal of the Offer Shares not taken up by the Qualifying Shareholders. Since the Company is on a tight budget and it is not easy to raise funds from the market due to the various reasons mentioned in paragraph 2 above; accordingly, it is beneficial to and in the interests of the Company and the Shareholders to save the additional effort and cost involved to administer the excess application procedures.

4. Possible financial effects of the Open Offer

(a) Adjusted net tangible assets

Based on the information set out in the "Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group" contained in Appendix II to the Circular, the pro forma adjusted consolidated net tangible assets of the Group ("**Pro Forma NTA**") would increase to approximately HK\$148.4 million (as defined in Scenario A below) or approximately HK\$150.4 million (as defined in Scenario B below) as a result of the estimated net proceeds from the Open Offer of approximately HK\$85.4 million (in Scenario A) or approximately HK\$87.4 million (in Scenario B).

Based on the information set out in the "Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group" contained in Appendix II to the Circular, assuming completion of the Open Offer, the Pro Forma NTA per Consolidated Share would be: (i) approximately HK\$0.337 (based on the minimum enlarged issued share capital of 440,813,050 Consolidated Shares upon completion of the Open Offer) ("**Scenario A**"), representing a decrease of approximately 52.9 % from the Pro Forma NTA per Consolidated Share prior to the completion of the Open Offer of approximately HK\$0.715; and (ii) approximately HK\$0.334 per Consolidated Share (based on the maximum enlarged issued share capital of 450,775,015 Consolidated Shares upon completion of the Open Offer) ("**Scenario B**"), representing a decrease of approximately 53.3% from the Pro Forma NTA per Consolidated Share prior to the completion of the Open Offer of approximately HK\$0.715. Shareholders should note the arithmetical relationship that, any new issue of shares which is

priced at a discount to the latest published net tangible asset value (as in the case of the Open Offer) would inevitably result in a further dilution in the net tangible assets per share value. Shareholders should also take note of the assumptions made in the preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group contained in Appendix II to the Circular; in particular, the pro forma financial information does not take into account the placing of 73,000,000 new Shares raising a net proceeds of approximately HK\$30 million in October 2010 or any trading or other transactions subsequent to the date of the financial statements (being 30 September 2010).

Historically, the Shares have generally been trading at a premium to the Company's consolidated net tangible assets per share. The closing price of HK\$1.50 per Consolidated Share (based on the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation) represents a premium of approximately 31.2% to the audited consolidated net assets value per Consolidated Share of approximately HK\$1.1431 as at 31 March 2010 (based on the audited consolidated net assets value as at 31 March 2010, adjusted for the effect of Share Consolidation) and approximately 109.8% to the Pro Forma NTA per Consolidated Share of approximately HK\$0.715 prior to the completion of the Open Offer (the "**Existing Premium**"). It should be noted that the theoretical entitlement price (which is generally taken as a measure of the theoretical market price of the Consolidated Shares after the Open Offer) of approximately HK\$0.50 per Consolidated Share calculated based on the closing price per Share on the Last Trading Day and adjusted for the Share Consolidation would represent a premium of (i) approximately 48.4% to the Pro Forma NTA per Consolidated Share of approximately HK\$0.337 upon completion of the Open Offer and in Scenario A and (ii) approximately 49.7% to the Pro Forma NTA per Consolidated Share of approximately HK\$0.334 upon completion of the Open Offer in Scenario B. Accordingly, when compared to the Existing Premium of approximately 109.8%, the premium to the relevant net tangible assets per Consolidated Share upon completion of the Open Offer would be narrowed, and therefore potentially serve to partially redress the over-value situation of the Consolidated Shares.

(b) Cash resources

As noted from the 2010 Annual Report, the Group had total cash and cash equivalents of approximately HK\$33.68 million as at 31 March 2010. According to the interim report of the Group for the six months ended 30 September 2010, the Group had total cash and cash equivalents of approximately HK\$9.46 million as at 30 September 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company raised net proceeds of approximately HK\$30 million by way of placing of Shares as announced on 29 September 2010. Since October 2010, the Group has been utilizing such funds to finance its operations and accordingly its cash position has been reducing since then.

With the net proceeds from the Open Offer receivable by the Company (which is estimated to be no less than approximately HK\$85.4 million), it is expected to strengthen the Group's working capital position.

(c) Gearing ratio

As noted from the 2010 Annual Report, the Group's total interest-bearing bank loans and equity (including minority interests) were approximately HK\$3.7 million and approximately HK\$84.0 million as at 31 March 2010. The Company's gearing ratio (being the ratio of interest-bearing bank loans to equity) was approximately 4%. Based on the enhanced cash position and enlarged capital base upon completion of the Open Offer, the Company's gearing ratio is expected to be improved.

Based on the above analysis, we are of the view that the overall expected financial effects of the Open Offer would improve the financial position of the Company and is in the interests of the Company and the Shareholders as a whole.

5. Terms of the Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite not less than 190,037,008 Underwritten Shares and not more than 198,006,580 Underwritten Shares not taken up by the Qualifying Shareholders. Details on the conditions of the Underwriting Agreement are stated in the section headed "Underwriting Agreement" in the "Letter from the Board" in the Circular.

Given the reasons for the Open Offer as described in paragraph 2 above, in particular, the Company has been unable to seek independent third party underwriter to underwrite a rights issue/open offer and the proceeds of the Open Offer will be used to finance the Group's Operations, we consider that the Open Offer underwritten by the Underwriter (i.e. the Company's controlling shareholder) is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Company will pay the Underwriter an underwriting commission of 1.5 % of the aggregate Subscription Price underwritten by it, which was arrived at after arm's length negotiations. The Directors believe that the underwriting commission accords with market rates and is fair and reasonable so far as the Independent Shareholders are concerned.

Based on our review of the underwriting arrangements of the Comparables, we have noticed that the underwriting commission rates paid by the listed companies ranged from 0.50% to 3.5% with an average of 2.30%. The rate of underwriting commission for the Open Offer is lower than the average of the Comparables, it is

within the range of the Comparables and we consider that the underwriting commission of 1.5% in the present case to be in line with market practice and is fair and reasonable as far as the Independent Shareholders are concerned.

6. Possible dilution effect of the Open Offer on the shareholding interests

As the Open Offer is to be offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders who choose not to take up in full their assured allotments under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 80%. The possible dilution of the Open Offer on shareholding interests were set out in the section headed “Changes in the shareholding structure of the Company” in the “Letter from the Board” in the Circular.

As in all rights issues/open offer, a dilution in the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer is inevitable. Based on our review of the Comparables, the effect of such maximum dilution ranged from 16.67% to 96.77% and the possible maximum dilution of 80% as in the case of the Open Offer falls within such range of the Comparables. In fact, the dilution magnitude of any rights issues/open offer depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be. Given the inherent dilutive nature of rights issue/open offer in general, we are of the view such potential dilution by the Open Offer, to the shareholding interests of the Shareholders is acceptable.

7. Whitewash Waiver

Maxx Capital International Limited, a directly wholly-owned subsidiary of Pablos with its ultimate beneficial owner being Ms Lo, is the Underwriter and is the controlling shareholder of the Company holding an aggregate of 203,266,790 Shares, representing approximately 46.11% of the total number of Shares in issue as at the Latest Practicable Date.

The total number of Shares upon the completion of the Open Offer, as held by the Underwriter will be increased from 203,266,790 Shares (representing approximately 46.11% of the total number of Shares in issue of the Company as at the Latest Practicable Date) to a minimum of 393,303,798 Consolidated Shares (representing approximately 89.22% of the total number of Consolidated Shares in issue as enlarged by the Open Offer) or a maximum of 401,273,370 Consolidated Shares (representing approximately 89.02% of the total number of Consolidated Shares in issue as enlarged by the Open Offer) should underwriting be required.

Accordingly, the Underwriter and parties acting in concert with it will be obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all of the Consolidated Shares and securities issued by the Company not already owned or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

agreed to be acquired by the Underwriter and parties acting in concert with it. An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code, and the Executive has indicated that the Whitewash Waiver will be granted subject to, among other things, the approval of the Open Offer and the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll.

Upon completion of the Open Offer, the Underwriter and parties acting in concert with it may hold more than 50% of the then issued share capital of the Company and in which case, the Underwriter and parties acting in concert with it may acquire further voting rights in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As stated in the “Letter from the Board” in the Circular, the Open Offer is conditional upon, among other things, the Executive granting the Whitewash Waiver to the Underwriter. Based on our analysis of the terms of the Open Offer, and reasons for the Open Offer and use of proceeds as set out above, we consider that the Open Offer is in the interests of the Company and the Shareholders as a whole. If the Whitewash Waiver is not granted by the Executive or if the Whitewash Waiver is not approved by the Independent Shareholders, the Open Offer will not proceed and the Company will not receive the proceeds from the Open Offer. Given that the Group’s working capital position and that the Company’s capital base will be strengthened as a result of the Open Offer, the net proceeds from the Open Offer are intended to be used for the Group’s operations and that all Qualifying Shareholders will be provided with an equal opportunity to take up the Offer Shares in accordance with their provisional entitlements under the Open Offer and their respective interests in the Company will not be diluted if they elect to take up in full their provisional allotments under the Open Offer, we are in the opinion that, for the purposes of implementing the Open Offer as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Open Offer, and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole to the extent that the Open Offer will enlarge the capital base, allow the Group to finance its operations and enhance the general working capital of the Group required for its business. Furthermore, there would be no dilution effect on those Qualifying Shareholders who take up their entitlements in full under the Open Offer. Accordingly, we recommend the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer, and the Whitewash Waiver.

Yours faithfully
For and on behalf of
Altus Capital Limited
Arnold Ip
Executive Director

1. FINANCIAL SUMMARY AND AUDITORS' REPORTS

The following is a summary of the published consolidated results of the Group for the three years ended 31 March 2008, 2009 and 2010 as extracted from the respective annual reports of the Company and for the nine months ended 31 December 2010 as extracted from the third quarterly report of the Company.

	For the nine months ended 31 December 2010	For the year ended 31 March		
	(Unaudited)	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)	(restated)
Revenue	26,801	31,029	33,088	35,829
Cost of sales	<u>(8,113)</u>	<u>(9,323)</u>	<u>(10,140)</u>	<u>(10,031)</u>
Gross profit	18,688	21,706	22,948	25,798
Other income and gains/(loss)	(1,595)	2,037	37,443	33,284
Development costs	(3,733)	(4,664)	(6,375)	(5,058)
Selling and marketing expenses	(2,170)	(2,959)	(4,493)	(6,143)
General and administrative expenses	(38,985)	(36,933)	(45,118)	(38,395)
Other operating expenses	(2)	(27,116)	(66,722)	(5,231)
Finance costs	(152)	(210)	(332)	(817)
Share of loss of associates	<u>—</u>	<u>—</u>	<u>(5)</u>	<u>(153)</u>
(Loss)/Profit before income tax	(27,949)	(48,139)	(62,654)	3,285
Income tax expense	<u>(45)</u>	<u>(103)</u>	<u>(88)</u>	<u>—</u>
(Loss)/Profit for the year/period	<u>(27,994)</u>	<u>(48,242)</u>	<u>(62,742)</u>	<u>3,285</u>
(Loss)/Profit attributable to:				
Owners of the Company	(26,761)	(35,575)	(62,309)	5,519
Non-controlling interests	<u>(1,233)</u>	<u>(12,667)</u>	<u>(433)</u>	<u>(2,234)</u>
	<u>(27,994)</u>	<u>(48,242)</u>	<u>(62,742)</u>	<u>3,285</u>

	For the nine months ended 31 December 2010 (Unaudited) HK\$'000	2010 (Audited) HK\$'000	For the year ended 31 March 2009 (Audited) HK\$'000 (restated)	2008 (Audited) HK\$'000 (restated)
(Loss)/Profit for the year/period	(27,994)	(48,242)	(62,742)	3,285
Other comprehensive income:				
Fair value gain/(loss):				
— Buildings	—	—	—	3,242
— Available-for-sale financial assets	297	(242)	(497)	(1,067)
Reserve realized upon disposal of available-for-sale financial assets	—	97	145	—
Currency translation differences	219	91	1,036	1,837
Other comprehensive income for the year/period	516	(54)	684	4,012
Total comprehensive income for the year/period	<u>(27,478)</u>	<u>(48,296)</u>	<u>(62,058)</u>	<u>7,297</u>
Attributable to:				
Owners of the Company	(26,278)	(35,641)	(61,865)	9,396
Non-controlling interests	<u>(1,200)</u>	<u>(12,655)</u>	<u>(193)</u>	<u>(2,099)</u>
	<u>(27,478)</u>	<u>(48,296)</u>	<u>(62,058)</u>	<u>7,297</u>
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company during the year/period				
— Basic (<i>in HK cent</i>)	<u>(7.28)</u>	<u>(15.93)</u>	<u>(51.98)</u>	<u>4.90</u>
— Diluted (<i>in HK cent</i>)	<u>N/A</u>	<u>(15.93)</u>	<u>(51.98)</u>	<u>4.57</u>

There were no extraordinary or exceptional items for the three years ended 31 March 2008, 2009 and 2010 and the nine months ended 31 December 2010.

Information regarding rates of dividend paid or proposed on each class of shares and amounts absorbed thereby has not been disclosed as no dividends were paid or proposed in respect of the three years ended 31 March 2008, 2009 and 2010 and the nine months ended 31 December 2010.

The following is a summary of the published consolidated assets and liabilities of the Group as at 31 March 2008, 2009 and 2010 as extracted from the respective annual reports of the Company and as at 30 September 2010 as extracted from the interim report of the Company.

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000	2008 (Audited) HK\$'000
Non-current assets				
Property, plant and equipment	7,005	7,841	12,168	10,374
Investment properties	14,000	14,000	14,000	17,155
Property under development	—	—	—	8,524
Intangible assets	5,066	2,250	27,006	70,339
Investments in associates	—	—	—	80
Available-for-sale financial assets	601	268	580	1,098
Other assets	405	—	—	—
	<u>27,077</u>	<u>24,359</u>	<u>53,754</u>	<u>107,570</u>
Current assets				
Financial assets at fair value through profit or loss	4,957	—	—	3,056
Accounts receivable	23,562	997	1,661	3,888
Prepayments, deposits and other receivables	44,199	37,725	4,751	7,000
Client trust bank balances	20,654	—	—	—
Cash and cash equivalents	9,461	33,681	7,444	7,556
	<u>102,833</u>	<u>72,403</u>	<u>13,856</u>	<u>21,500</u>
Total assets	<u>129,910</u>	<u>96,762</u>	<u>67,610</u>	<u>129,070</u>

	As at 30 September 2010 (Unaudited) HK\$'000	As at 31 March 2010 (Audited) HK\$'000	2009 (Audited) HK\$'000	2008 (Audited) HK\$'000
Current liabilities				
Accounts payable	44,431	1,389	2,033	1,955
Accruals and other payables	9,508	4,549	3,540	5,196
Deferred income	4,542	3,103	4,471	4,534
Finance lease payables				
— due within one year	444	533	533	—
Borrowings — due within one year	240	240	234	174
	<u>59,165</u>	<u>9,814</u>	<u>10,811</u>	<u>11,859</u>
Net current assets	<u>43,668</u>	<u>62,589</u>	<u>3,045</u>	<u>9,641</u>
Total assets less current liabilities	<u>70,745</u>	<u>86,948</u>	<u>56,799</u>	<u>117,211</u>
Non-current liabilities				
Finance lease payables — due after one year	—	178	711	—
Borrowings — due after one year	2,645	2,762	2,998	3,278
	<u>2,645</u>	<u>2,940</u>	<u>3,709</u>	<u>3,278</u>
Net assets	<u>68,100</u>	<u>84,008</u>	<u>53,090</u>	<u>113,933</u>
Equity				
Capital and reserves attributable to owners of the Company				
Share capital	18,391	18,373	5,993	5,978
Reserves	<u>49,672</u>	<u>64,435</u>	<u>35,099</u>	<u>95,630</u>
	68,063	82,808	41,092	101,608
Non-controlling interests	<u>37</u>	<u>1,200</u>	<u>11,998</u>	<u>12,325</u>
Total equity	<u>68,100</u>	<u>84,008</u>	<u>53,090</u>	<u>113,933</u>

No qualified opinion has been expressed by the auditors of the Company on the audited financial statements for each of the years ended 31 March 2008, 2009 and 2010.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following is the audited consolidated financial statements of the Group for the year ended 31 March 2010 as extracted from the annual report of the Company for the year ended 31 March 2010.

Consolidated Statement of Comprehensive Income

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
Revenue	5	31,029	33,088
Cost of sales		<u>(9,323)</u>	<u>(10,140)</u>
Gross profit		21,706	22,948
Other income and gains	6	2,037	37,443
Development costs		(4,664)	(6,375)
Selling and marketing expenses		(2,959)	(4,493)
General and administrative expenses		(36,933)	(45,118)
Other operating expenses	8	(27,116)	(66,722)
Finance costs	9	(210)	(332)
Share of loss of an associate		<u>—</u>	<u>(5)</u>
Loss before income tax	10	(48,139)	(62,654)
Income tax expense	11	<u>(103)</u>	<u>(88)</u>
Loss for the year		<u>(48,242)</u>	<u>(62,742)</u>
Loss attributable to:			
Owners of the Company		(35,575)	(62,309)
Minority interests		<u>(12,667)</u>	<u>(433)</u>
		<u>(48,242)</u>	<u>(62,742)</u>
Loss for the year		(48,242)	(62,742)
Other comprehensive income:			
Fair value loss on available-for-sale financial assets		(242)	(497)
Reserve realized upon disposal of available-for-sale financial assets		97	145
Currency translation differences		<u>91</u>	<u>1,036</u>
Other comprehensive income for the year		<u>(54)</u>	<u>684</u>
Total comprehensive income for the year		<u>(48,296)</u>	<u>(62,058)</u>
Attributable to:			
Owners of the Company	12	(35,641)	(61,865)
Minority interests		<u>(12,655)</u>	<u>(193)</u>
		<u>(48,296)</u>	<u>(62,058)</u>
Loss per share for loss attributable to the owners of the Company during the year	13		
— Basic (in HK cent)		<u>(15.93)</u>	<u>(51.98)</u>
— Diluted (in HK cent)		<u>(15.93)</u>	<u>(51.98)</u>

Consolidated Statement of Financial Position

	<i>Note</i>	2010 <i>HK\$ '000</i>	2009 <i>HK\$ '000</i>
Non-current assets			
Property, plant and equipment	17	7,841	12,168
Investment properties	18	14,000	14,000
Intangible assets	19	2,250	27,006
Available-for-sale financial assets	21	268	580
		<u>24,359</u>	<u>53,754</u>
Current assets			
Accounts receivable	22	997	1,661
Prepayments, deposits and other receivables	23	37,725	4,751
Cash and cash equivalents	24	33,681	7,444
		<u>72,403</u>	<u>13,856</u>
Total assets		<u>96,762</u>	<u>67,610</u>
Current liabilities			
Accounts payable	25	1,389	2,033
Accruals and other payables		4,549	3,540
Deferred income		3,103	4,471
Finance lease payables — due within one year	26	533	533
Borrowings — due within one year	27	240	234
		<u>9,814</u>	<u>10,811</u>
Net current assets		<u>62,589</u>	<u>3,045</u>
Total assets less current liabilities		<u>86,948</u>	<u>56,799</u>
Non-current liabilities			
Finance lease payables — due after one year	26	178	711
Borrowings — due after one year	27	2,762	2,998
		<u>2,940</u>	<u>3,709</u>
Net assets		<u>84,008</u>	<u>53,090</u>
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	28	18,373	5,993
Reserves	30	64,435	35,099
		<u>82,808</u>	<u>41,092</u>
Minority interests		<u>1,200</u>	<u>11,998</u>
Total equity		<u>84,008</u>	<u>53,090</u>

Statement of Financial Position

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	17	177	230
Investment properties	18	14,000	14,000
Investments in subsidiaries	20	11,924	40,056
Available-for-sale financial assets	21	<u>268</u>	<u>580</u>
		<u>26,369</u>	<u>54,866</u>
Current assets			
Amounts due from subsidiaries	20	7,050	6,568
Prepayments, deposits and other receivables	23	32,963	165
Cash and cash equivalents	24	<u>22,399</u>	<u>96</u>
		<u>62,412</u>	<u>6,829</u>
Total assets		<u>88,781</u>	<u>61,695</u>
Current liabilities			
Accruals and other payables		2,055	660
Amounts due to subsidiaries	20	1,572	5,852
Borrowings — due within one year	27	<u>240</u>	<u>234</u>
		<u>3,867</u>	<u>6,746</u>
Net current assets		<u>58,545</u>	<u>83</u>
Total assets less current liabilities		<u>84,914</u>	<u>54,949</u>
Non-current liabilities			
Borrowings — due after one year	27	<u>2,762</u>	<u>2,998</u>
Net assets		<u>82,152</u>	<u>51,951</u>
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	28	18,373	5,993
Reserves	30	<u>63,779</u>	<u>45,958</u>
Total equity		<u>82,152</u>	<u>51,951</u>

Consolidated Statement of Changes in Equity

	Reserves										
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933
Comprehensive income											
Loss for the year	—	—	—	—	—	—	—	(62,309)	(62,309)	(433)	(62,742)
Other comprehensive income											
Fair value loss on available-for-sale financial assets (<i>Note 21</i>)	—	—	—	—	—	—	(497)	—	(497)	—	(497)
Reserve realized upon disposal of available-for-sale financial assets	—	—	—	—	—	—	145	—	145	—	145
Currency translation differences	—	—	—	—	796	—	—	—	796	240	1,036
Total other comprehensive income	—	—	—	—	796	—	(352)	—	444	240	684
Total comprehensive income	—	—	—	—	796	—	(352)	(62,309)	(61,865)	(193)	(62,058)
Transactions with owners											
Issue of shares upon exercise of share options (<i>Note 28</i>)	15	213	—	—	—	—	—	—	213	—	228
Employee share-based compensation (<i>Note 14</i>)	—	—	—	1,366	—	—	—	—	1,366	—	1,366
Exercise of share options (<i>Note 29</i>)	—	54	—	(54)	—	—	—	—	—	—	—
Vested share options lapsed/cancelled	—	—	—	(4,239)	—	—	—	4,239	—	—	—
Disposal of interest in a subsidiary	—	—	—	—	(245)	—	—	—	(245)	(134)	(379)
Total transactions with owners	15	267	—	(2,927)	(245)	—	—	4,239	1,334	(134)	1,215
Balance at 31 March 2009	5,993	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,090

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

	Reserves										Total equity
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 31 March 2009 and 1 April 2009	5,993	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,090
Comprehensive income											
Loss for the year	—	—	—	—	—	—	—	(35,575)	(35,575)	(12,667)	(48,242)
Other comprehensive income											
Fair value loss on available-for-sale financial assets (<i>Note 21</i>)	—	—	—	—	—	—	(242)	—	(242)	—	(242)
Reserve realized upon disposal of available-for-sale financial assets	—	—	—	—	—	—	97	—	97	—	97
Currency translation differences	—	—	—	—	79	—	—	—	79	12	91
Total other comprehensive income	—	—	—	—	79	—	(145)	—	(66)	12	(54)
Total comprehensive income	—	—	—	—	79	—	(145)	(35,575)	(35,641)	(12,655)	(48,296)
Transactions with owners											
Issue of shares upon exercise of share options (<i>Note 28</i>)	3	28	—	—	—	—	—	—	28	—	31
Issue of shares on open offers (<i>Note 28</i>)	11,992	65,955	—	—	—	—	—	—	65,955	—	77,947
Issue of shares on exercise of bonus warrants (<i>Note 28</i>)	385	3,086	—	—	—	—	—	—	3,086	—	3,471
Shares issue costs	—	(4,114)	—	—	—	—	—	—	(4,114)	—	(4,114)
Employee share-based compensation (<i>Note 14</i>)	—	—	—	22	—	—	—	—	22	—	22
Exercise of share options (<i>Note 29</i>)	—	2	—	(2)	—	—	—	—	—	—	—
Vested share options lapsed/cancelled	—	—	—	(23)	—	—	—	23	—	—	—
Total contributions by and distributions to owners	12,380	64,957	—	(3)	—	—	—	23	64,977	—	77,357
Capital contributions from minority shareholders	—	—	—	—	—	—	—	—	—	1,857	1,857
Total transactions with owners	12,380	64,957	—	(3)	—	—	—	23	64,977	1,857	79,214
Balance at 31 March 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008

The merger reserve represents the difference between the share capital and share premium of the Company and the nominal value of shares of a subsidiary acquired pursuant to the reorganization in connection with the preparation for the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Consolidated Statement of Cash Flows

	2010	2009
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before income tax	(48,139)	(62,654)
Adjustments for:		
— Depreciation of property, plant and equipment	3,603	3,890
— Amortization of intangible assets	67	22
— Goodwill impairment charge	27,000	43,203
— Impairment loss on amount due from a former subsidiary	—	20,193
— Share of loss of an associate	—	5
— Gain on disposal of interests in subsidiaries	—	(34,212)
— Recycling of loss from equity on disposal of available-for-sale financial assets	97	145
— Loss/(gain) on disposal of property, plant and equipment	201	(158)
— Fair value loss on investment properties	—	3,155
— Interest income	(11)	(24)
— Finance costs	210	332
— Equity-settled share-based payments	22	1,366
Changes in working capital:		
— Financial assets at fair value through profit or loss	—	3,056
— Accounts receivable	664	2,227
— Prepayments, deposits and other receivables	(32,974)	2,198
— Accounts payable	(644)	434
— Accruals and other payables	1,009	6
— Deferred income	<u>(1,368)</u>	<u>(7)</u>
Cash used in operations	(50,263)	(16,823)
Interest paid	(125)	(275)
Income tax paid	<u>(103)</u>	<u>(88)</u>
Net cash used in operating activities	<u>(50,491)</u>	<u>(17,186)</u>

		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(258)	(7,100)
Purchase of intangible assets	19	(2,310)	(2)
Proceeds from disposal of property, plant and equipment		791	3,291
Proceeds from disposal of available-for-sale financial assets		70	96
Disposal of interests in subsidiaries		—	20,745
Interest received		<u>11</u>	<u>24</u>
Net cash (used in)/generated from investing activities		<u>(1,696)</u>	<u>17,054</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	28	81,449	228
Shares issue costs		(4,114)	—
Capital contributions from minority shareholders of subsidiaries		1,857	—
Interest element of finance lease rental payments		(85)	(57)
Capital element of finance lease rental payments		(533)	(356)
Proceeds from borrowings		—	4,500
Repayment of borrowings		<u>(230)</u>	<u>(4,720)</u>
Net cash generated from/(used in) financing activities		<u>78,344</u>	<u>(405)</u>
Net increase/(decrease) in cash and cash equivalents		26,157	(537)
Cash and cash equivalents at beginning of the year		7,444	7,556
Effect of foreign exchange rate changes, net		<u>80</u>	<u>425</u>
Cash and cash equivalents at end of the year	24	<u><u>33,681</u></u>	<u><u>7,444</u></u>

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Finet Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China and (ii) the development and operations of online games in Mainland China. The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in Note 20.

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Suite 505-506, 5/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong.

The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 7 January 2005.

These consolidated financial statements are presented in Hong Kong dollars (HK\$) unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2010.

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 (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

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.

*Changes in accounting policy and disclosures**(a) New and amended standards adopted by the Group*

The Group has adopted the following new and amended HKFRSs as of 1 April 2009:

- HKFRS 7 Financial instruments — Disclosures (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- HKAS 1 (revised) Presentation of financial statements — effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- HKFRS 2 (amendment) Share-based payment (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group’s or Company’s financial statements.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognized all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.
- HKFRS 8 Operating segments (effective 1 January 2009). HKFRS 8 replaces HKAS 14 Segment reporting. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

- (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 and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17 Distribution of non-cash assets to owners (effective on or after 1 July 2009). The interpretation is part of the HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply HK(IFRIC) 17 from 1 April 2010. It is not expected to have a material impact on the Group's or Company's financial statements.
- HKAS 27 (revised) Consolidated and separate financial statements (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 April 2010.
- HKFRS 3 (revised) Business combinations (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 April 2010.
- HKAS 38 (amendment) Intangible assets (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in April/May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.
- HKFRS 5 (amendment) Measurement of non-current assets (or disposal groups) classified as held for sale. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 April 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKAS 1 (amendment) Presentation of financial statements. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 April 2010. It is not expected to have a material impact on the Group's or Company's financial statements.
- HKFRS 2 (amendments) Group cash-settled share-based payment transactions (effective from 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8 Scope of HKFRS 2, and HK(IFRIC)-Int 11 HKFRS 2 — group and treasury share transactions, the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

2.2 Consolidation

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

(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 consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Transactions with 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 statement of comprehensive income. 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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 consolidated statement of comprehensive income, 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 such as equities classified as available-for-sale are included in the investment revaluation 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each consolidated statement of comprehensive income 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 on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

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 consolidated statement of comprehensive income as part of the gain or loss on sale.

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical 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 to the consolidated statement of comprehensive income 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
Computer equipment	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicle	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 consolidated statement of comprehensive income.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values are recognized in the consolidated statement of comprehensive income, as part of other income and gains.

Gains or losses on disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of disposal.

2.7 Intangible assets

(a) Goodwill

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

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

(b) Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (3–5 years).

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

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

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

2.9 Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) 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 end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

(b) 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 end of the reporting period.

Recognition and measurement

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 consolidated statement of comprehensive income. 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 are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

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

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income 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 the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income — is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.10 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 profit or loss — is removed from equity and recognized in the separate consolidated statement of comprehensive income. Impairment losses recognized in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

2.11 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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income.

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade payables

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

2.15 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 consolidated statement of comprehensive income 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 end of the reporting period.

2.16 Development costs

Expenditure incurred on projects to develop new products is charged to consolidated statement of comprehensive income as incurred unless the Group can demonstrate the technical feasibility of completing the projects so that the asset generated will be available for use or sale, its intention to complete the projects and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. In such case, development expenditure is capitalized and deferred as intangible asset, and is amortized over its estimated useful.

2.17 Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period 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, 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.

2.18 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 consolidated statement of comprehensive income 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.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(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 the end of each reporting period, 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 consolidated statement of comprehensive income, 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 end of the reporting period are discounted to present value.

2.19 Provisions

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

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

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

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, on the following bases:

- (a) Service income from on-line content information provision is recognized on a time-proportion basis over the service period.
- (b) Income from Internet solutions is recognized when the services are rendered.
- (c) Online game income is recognized when the in-game premium features are consumed or points for in-game premium features are expired.
- (d) Income from advertisements on websites is recognized when the advertisements are placed.
- (e) Rental income from property letting is recognized in the period in which the properties are let and on a straight-line basis over the lease terms.
- (f) Commission income is recognized when the services are rendered.
- (g) Interest income is recognized using the effective interest method. When a loan and 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 loan and receivables are recognized using the original effective interest rate.

2.21 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

- (a) *Where the Group is the lessee (operating leases)*

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the lease periods.

(b) Where the Group is the lessor (operating leases)

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognized over the term of the lease on a straight-line basis.

(c) Where the Group is the lessee (finance leases)

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk**(i) Foreign exchange risk**

The Group has no significant transactional currency exposures. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale financial assets (Note 21) as at 31 March 2010. The Group's listed investment is listed on the Osaka Securities Exchange in Japan and is valued at quoted market prices at the end of the reporting period.

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

	Increase/ (decrease) in carrying amount of equity investments HK\$'000	Increase/ (decrease) in loss before income tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2010			
5% increase in equity price	13	—	13
5% decrease in equity price	(13)	—	(13)
2009			
5% increase in equity price	29	—	29
5% decrease in equity price	(29)	—	(29)

* *Excluding retained earnings*

(iii) Cash flow and fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before income tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before income tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2010			
Hong Kong dollar	50	(6)	—
Hong Kong dollar	(50)	6	—
2009			
Hong Kong dollar	50	(7)	—
Hong Kong dollar	(50)	7	—

* Excluding retained earnings

(b) Credit risk

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

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

At the end of the reporting period, the Group has certain concentrations of credit risk as 7% (2009: Nil) and 28% (2009: 28%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, and 91% (2009: Nil) of the Group's other receivables was due from an individual debtor. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in Notes 22 and 23 to the consolidated financial statements.

(c) Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year <i>HK\$'000</i>	More than 1 year but less than 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
2010				
Accounts payable	1,389	—	—	1,389
Accruals and other payables	4,549	—	—	4,549
Finance lease payables	618	207	—	825
Borrowings	240	1,060	1,702	3,002
2009				
Accounts payable	2,033	—	—	2,033
Accruals and other payables	3,540	—	—	3,540
Finance lease payables	618	825	—	1,443
Borrowings	234	1,274	1,724	3,232

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity, as shown in the consolidated statement of financial position. The gearing ratios at 31 March 2009 and 2010 were as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total borrowings (<i>Notes 26 and 27</i>)	3,713	4,476
Total equity	84,008	53,090
Gearing ratio	4%	8%

3.3 Fair value estimation

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2010.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale financial assets	268	—	—	268

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Osaka Securities Exchange equity investments classified as available for sale.

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

3.4 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables <i>HK\$'000</i>	Available-for- sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets as per consolidated statement of financial position			
31 March 2010			
Available-for-sale financial assets (<i>Note 21</i>)	—	268	268
Accounts receivable (<i>Note 22</i>)	997	—	997
Deposits and other receivables	34,582	—	34,582
Cash and cash equivalents (<i>Note 24</i>)	<u>33,681</u>	<u>—</u>	<u>33,681</u>
Total	<u>69,260</u>	<u>268</u>	<u>69,528</u>

	Loans and receivables <i>HK\$'000</i>	Available-for- sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets as per consolidated statement of financial position			
31 March 2009			
Available-for-sale financial assets (<i>Note 21</i>)	—	580	580
Accounts receivable (<i>Note 22</i>)	1,661	—	1,661
Deposits and other receivables	4,327	—	4,327
Cash and cash equivalents (<i>Note 24</i>)	7,444	—	7,444
Total	13,432	580	14,012

**Financial liabilities
at amortized cost**
HK\$'000

**Financial liabilities as per consolidated statement
of financial position**

31 March 2010	
Accounts payable (<i>Note 25</i>)	1,389
Accruals and other payables	4,549
Finance lease payables (<i>Note 26</i>)	711
Borrowings (<i>Note 27</i>)	3,002
Total	9,651

**Financial liabilities
at amortized cost**
HK\$'000

**Financial liabilities as per consolidated statement
of financial position**

31 March 2009	
Accounts payable (<i>Note 25</i>)	2,033
Accruals and other payables	3,540
Finance lease payables (<i>Note 26</i>)	1,244
Borrowings (<i>Note 27</i>)	3,232
Total	10,049

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimated impairment of goodwill

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

(b) Estimated fair values of employee share options

The fair values of employee share options granted are calculated using the binomial model based on the Group management's significant inputs into calculations, including the impact of vesting period, exit rate of employees, estimated life of share options granted based on exercise restrictions and behavioral consideration, volatility of share price and exercise price of the share options granted. Furthermore, the calculations assume nil future dividends.

(c) Estimated fair values of investment properties

The fair values of investment properties are determined annually by independent qualified valuers on open market value, existing use basis calculated on the net income allowing for reversionary potential. In making the judgment, considerations have been given to assumptions that are mainly based on market conditions existing at the end of the reporting period.

5. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of services rendered. Revenue recognized during the year is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Service income from provision of financial information services	29,658	29,952
Advertising income	1,277	1,306
Online game income	<u>94</u>	<u>1,830</u>
	<u><u>31,029</u></u>	<u><u>33,088</u></u>

6. OTHER INCOME AND GAINS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	—	34,212
Gain on disposal of property, plant and equipment	—	158
Gross rental income from investment properties	1,018	1,063
Net fair value gains on financial assets at fair value through profit or loss	—	161
Interest income from bank deposits	11	24
Sundry income	<u>1,008</u>	<u>1,825</u>
	<u><u>2,037</u></u>	<u><u>37,443</u></u>

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

At 31 March 2010, the Group is organized into two main business segments:

- (i) Financial information services business — the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China.
- (ii) Online game business — the development and operations of online games in Mainland China.

The segment results for the year ended 31 March 2010 are as follows:

	Financial information services business HK\$'000	Online game business HK\$'000	Group HK\$'000
Revenue	<u>30,935</u>	<u>94</u>	<u>31,029</u>
Segment results	(6,087)	(41,842)	(47,929)
Finance costs			<u>(210)</u>
Loss before income tax			(48,139)
Income tax expense			<u>(103)</u>
Loss for the year			<u>(48,242)</u>

Other segment items included in the consolidated statement of comprehensive income are as follows:

Goodwill impairment charge	—	27,000	27,000
Recycling of loss from equity on disposal of available-for-sale financial assets	97	—	97
Amortization of intangible assets	—	67	67
Depreciation of property, plant and equipment	<u>2,389</u>	<u>1,214</u>	<u>3,603</u>

The segment results for the year ended 31 March 2009 are as follows:

	Financial information services business HK\$'000	Online game business HK\$'000	Group HK\$'000
Revenue	<u>31,258</u>	<u>1,830</u>	<u>33,088</u>
Segment results	(16,217)	(46,100)	(62,317)
Finance costs			(332)
Share of loss of an associate			<u>(5)</u>
Loss before income tax			(62,654)
Income tax expense			<u>(88)</u>
Loss for the year			<u><u>(62,742)</u></u>

Other segment items included in the consolidated statement of comprehensive income are as follows:

Goodwill impairment charge	—	43,203	43,203
Impairment loss on amount due from a former subsidiary	—	20,193	20,193
Fair value loss on investment properties	3,155	—	3,155
Recycling of loss from equity on disposal of available-for-sale financial assets	145	—	145
Amortization of intangible assets	—	22	22
Depreciation of property, plant and equipment	<u>2,498</u>	<u>1,392</u>	<u>3,890</u>

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, available-for-sale financial assets, accounts receivable, prepayments, deposits and other receivables, and cash and cash equivalents.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 17) and intangible assets (Note 19), including additions resulting from acquisitions through business combinations.

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

The segment assets and liabilities at 31 March 2010 and capital expenditure for the year then ended are as follows:

	Financial information services business HK\$'000	Online game business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	83,691	13,071	—	96,762
Liabilities	7,580	1,461	3,713	12,754
Capital expenditure	20	2,548	—	2,568

The segment assets and liabilities at 31 March 2009 and capital expenditure for the year then ended are as follows:

	Financial information services business HK\$'000	Online game business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	31,511	36,099	—	67,610
Liabilities	8,338	1,706	4,476	14,520
Capital expenditure	4,052	4,650	—	8,702

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC").

	2010 HK\$'000	2009 HK\$'000
Revenue		
Hong Kong	25,306	24,076
PRC	5,723	9,012
	<u>31,029</u>	<u>33,088</u>

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

	2010 HK\$'000	2009 HK\$'000
Total assets		
Hong Kong	67,162	12,431
PRC	29,332	54,599
Other countries	<u>268</u>	<u>580</u>
	<u>96,762</u>	<u>67,610</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital expenditure		
Hong Kong	15	2,243
PRC	<u>2,553</u>	<u>6,459</u>
	<u><u>2,568</u></u>	<u><u>8,702</u></u>

Capital expenditure is allocated based on where the assets are located.

Revenue of approximately HK\$5,734,000 (2009: HK\$5,269,000) are derived from a single external customer. These revenue are attributable to financial information services business segment.

8. OTHER OPERATING EXPENSES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Goodwill impairment charge	27,000	43,203
Impairment loss on amount due from a former subsidiary	—	20,193
Fair value loss on investment properties	—	3,155
Recycling of loss from equity on disposal of available-for-sale financial assets	97	145
Others	<u>19</u>	<u>26</u>
	<u><u>27,116</u></u>	<u><u>66,722</u></u>

9. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest expense on bank borrowings:		
— not wholly repayable within five years	125	139
Interest expense on other borrowings:		
— wholly repayable within five years	—	136
Interest on a finance lease	<u>85</u>	<u>57</u>
	<u><u>210</u></u>	<u><u>332</u></u>

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Operating lease payments in respect of rented premises	5,305	5,760
Amortization of intangible assets (included in general and administrative expenses)	67	22
Depreciation of property, plant and equipment	3,603	3,890
Development costs (<i>Note</i>)	4,664	6,375
Loss on disposal of property, plant and equipment	201	—
Auditors' remuneration — current year provision	300	320
— under-provision in prior year	—	160
Net foreign exchange losses	<u>4</u>	<u>244</u>

Note: Development costs mainly comprise depreciation of property, plant and equipment of approximately HK\$261,000 (2009: HK\$181,000) and employee benefit expenses of approximately HK\$3,328,000 (2009: HK\$5,504,000), which are also included in the total amounts disclosed separately above and in Note 14 for each of these types of expenses.

11. INCOME TAX

Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit arising in or derived from Hong Kong for the year (2009: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax:		
— Hong Kong profits tax	—	—
— Overseas taxation — PRC	54	62
Adjustments in respect of prior years	<u>49</u>	<u>26</u>
Income tax expense	<u>103</u>	<u>88</u>

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2009: 16.5%) as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss before income tax	(48,139)	(62,654)
Tax calculated at Hong Kong profits tax rate	(7,943)	(10,338)
Effect of different tax rates of other jurisdictions	(1,582)	(3,285)
Income not subject to tax	(328)	(3,428)
Expenses not deductible for tax purposes	9,418	14,709
Tax effect of temporary differences not recognized	277	(53)
Tax losses for which no deferred income tax asset was recognized	212	2,457
Adjustment in respect of prior years	49	26
Income tax expense	<u>103</u>	<u>88</u>

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 assets and liabilities and their carrying amounts at 31 March 2010 (2009: Nil). The Group's deferred tax assets and liabilities not recognized in the financial statements are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Tax losses	13,871	14,362
Accelerated depreciation allowance	(403)	(416)
Revaluation of properties	<u>(3,525)</u>	<u>(3,525)</u>
	<u>9,943</u>	<u>10,421</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profit is probable. No deferred tax assets are recognized in the Group's financial statements as it is uncertain as to whether these tax benefits will be utilized in the foreseeable future. The tax losses arising from subsidiaries operating in Hong Kong are subject to approval by the Inland Revenue Department of Hong Kong.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to the owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK\$47,011,000 (2009: HK\$62,009,000).

13. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 March 2010 of HK\$35,575,000 (2009: HK\$62,309,000) by the weighted average number of 223,270,153 (2009 (restated): 119,869,463) ordinary shares in issue during the year.

(b) Diluted

The computation of diluted loss per share for the years ended 31 March 2010 and 2009 did not assume the exercise of the Company's share options and warrants outstanding during the years ended 31 March 2010 and 2009 since their exercise would result in a decrease in loss per share.

Both the weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 March 2010 and 2009 have been adjusted to reflect the impact of the share consolidation and open offers effected during the year.

14. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses (including directors' remuneration) during the year are as follows:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Wages and salaries	20,854	27,169
Equity-settled share-based payments	22	1,366
Pension costs — defined contribution plans	278	304
Others	<u>340</u>	<u>415</u>
	<u>21,494</u>	<u>29,254</u>

15. DIRECTORS' REMUNERATION

The remuneration of every director of the Company for the years ended 31 March 2009 and 2010 is set out below:

	Fees	Salaries and	Contributions	Total
	<i>HK\$'000</i>	<i>allowances</i>	<i>to pension</i>	<i>schemes</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2010				
Executive directors				
Yu Gang, George	—	990	12	1,002
Lin Peng, Ben				
(Appointed on 16 June 2009)	—	760	10	770
Independent non-executive directors				
Lam Lee G.	60	—	—	60
Wu Tak Lung	60	—	—	60
Lam Ka Wai, Graham				
(Appointed on 5 August 2009)	40	—	—	40
William Hay				
(Retired on 31 July 2009)	<u>20</u>	<u>—</u>	<u>—</u>	<u>20</u>
	<u>180</u>	<u>1,750</u>	<u>22</u>	<u>1,952</u>

	Fees <i>HK\$ '000</i>	Salaries and allowances <i>HK\$ '000</i>	Contributions to pension schemes <i>HK\$ '000</i>	Share-based payments <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Year ended 31 March 2009					
Executive director					
Yu Gang, George	—	1,070	12	426	1,508
Non-executive director					
Kwan Pun Fong, Vincent (Resigned on 10 June 2008)	11	—	—	—	11
Independent non-executive directors					
Lam Lee G.	60	—	—	85	145
Wu Tak Lung	60	—	—	85	145
William Hay	60	—	—	60	120
	<u>191</u>	<u>1,070</u>	<u>12</u>	<u>656</u>	<u>1,929</u>

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 (2009: Nil). None of the directors waived or agreed to waive any remuneration during the year (2009: Nil).

The directors consider that they are the only key management personnel of the Group and details of their compensation have been set out above.

16. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included two (2009: one) directors whose emoluments have been reflected in the analysis presented above. The emoluments payable to the remaining three (2009: four) individuals during the year are as follows:

	2010 <i>HK\$ '000</i>	2009 <i>HK\$ '000</i>
Basic salaries and allowances	1,692	1,970
Share-based payments	—	295
Discretionary bonus	—	174
Contributions to pension schemes	<u>36</u>	<u>48</u>
	<u>1,728</u>	<u>2,487</u>

The emoluments fell within the following bands:

	2010 Number of individuals	2009 Number of individuals
Emolument band Nil to HK\$1,000,000	<u>3</u>	<u>4</u>

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008						
Cost	795	18,566	395	583	888	21,227
Accumulated depreciation	(739)	(9,401)	(202)	(249)	(262)	(10,853)
Net book amount	56	9,165	193	334	626	10,374
Year ended 31 March 2009						
Opening net book amount	56	9,165	193	334	626	10,374
Additions	—	6,825	—	1,762	113	8,700
Depreciation	(56)	(3,275)	(79)	(193)	(287)	(3,890)
Disposals	—	(2,710)	—	(193)	(230)	(3,133)
Exchange differences	—	103	—	6	8	117
Closing net book amount	—	10,108	114	1,716	230	12,168
At 31 March 2009						
Cost	795	20,964	395	2,029	265	24,448
Accumulated depreciation	(795)	(10,856)	(281)	(313)	(35)	(12,280)
Net book amount	—	10,108	114	1,716	230	12,168
Year ended 31 March 2010						
Opening net book amount	—	10,108	114	1,716	230	12,168
Additions	—	225	—	33	—	258
Depreciation	—	(3,222)	(79)	(249)	(53)	(3,603)
Disposals	—	(562)	—	(430)	—	(992)
Exchange differences	—	8	—	2	—	10
Closing net book amount	—	6,557	35	1,072	177	7,841
At 31 March 2010						
Cost	795	20,637	395	1,619	265	23,711
Accumulated depreciation	(795)	(14,080)	(360)	(547)	(88)	(15,870)
Net book amount	—	6,557	35	1,072	177	7,841

At 31 March 2010, the carrying amount of computer equipment included an amount of approximately HK\$1,040,000 (2009: HK\$1,360,000) in respect of assets held under finance lease.

Company**Motor vehicle**
*HK\$'000***At 1 April 2008**

Cost	—
Accumulated depreciation	—
Net book amount	—

Year ended 31 March 2009

Opening net book amount	—
Additions	265
Depreciation	(35)
Closing net book amount	230

At 31 March 2009

Cost	265
Accumulated depreciation	(35)
Net book amount	230

Year ended 31 March 2010

Opening net book amount	230
Depreciation	(53)
Closing net book amount	177

At 31 March 2010

Cost	265
Accumulated depreciation	(88)
Net book amount	177

18. INVESTMENT PROPERTIES

Group and Company

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Beginning of the year	14,000	17,155
Fair value loss	<u>—</u>	<u>(3,155)</u>
End of the year	<u>14,000</u>	<u>14,000</u>

The fair value of the investment properties at 31 March 2010 was arrived at on the basis of a valuation carried out at that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent professional valuer, on open market value, existing use basis calculated on the net income allowing for reversionary potential.

The Group's interests in investment properties at their net book values are analyzed as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
In the PRC, held on:		
Leases of between 10 to 50 years	<u>14,000</u>	<u>14,000</u>

Bank loans (Note 27) are secured by the above investment properties with carrying amount of approximately HK\$14,000,000 (2009: HK\$14,000,000).

The future aggregate minimum rentals receivable under non-cancelable operating leases are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Not later than 1 year	1,185	1,082
Later than 1 year and no later than 5 years	<u>1,185</u>	<u>—</u>
	<u>2,370</u>	<u>1,082</u>

19. INTANGIBLE ASSETS

Group

	Goodwill <i>HK\$'000</i>	Trademarks, licenses and computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008			
Cost	73,803	172	73,975
Accumulated amortization and impairment	<u>(3,600)</u>	<u>(36)</u>	<u>(3,636)</u>
Net book amount	<u>70,203</u>	<u>136</u>	<u>70,339</u>
Year ended 31 March 2009			
Opening net book amount	70,203	136	70,339
Exchange differences	—	3	3
Additions	—	2	2
Impairment charge	(43,203)	—	(43,203)
Amortization charge	—	(22)	(22)
Disposal of interest in a subsidiary	<u>—</u>	<u>(113)</u>	<u>(113)</u>
Closing net book amount	<u>27,000</u>	<u>6</u>	<u>27,006</u>
At 31 March 2009			
Cost	73,803	8	73,811
Accumulated amortization and impairment	<u>(46,803)</u>	<u>(2)</u>	<u>(46,805)</u>
Net book amount	<u>27,000</u>	<u>6</u>	<u>27,006</u>
Year ended 31 March 2010			
Opening net book amount	27,000	6	27,006
Exchange differences	—	1	1
Additions	—	2,310	2,310
Impairment charge	(27,000)	—	(27,000)
Amortization charge	<u>—</u>	<u>(67)</u>	<u>(67)</u>
Closing net book amount	<u>—</u>	<u>2,250</u>	<u>2,250</u>
At 31 March 2010			
Cost	73,803	2,319	76,122
Accumulated amortization and impairment	<u>(73,803)</u>	<u>(69)</u>	<u>(73,872)</u>
Net book amount	<u>—</u>	<u>2,250</u>	<u>2,250</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated constant growth rate of 3.5% (2009: 3.5%). The growth rate does not exceed the long-term average growth rate for the online game business in which the CGU operates. In preparing the cash flow projections, management determined budgeted revenue and expenses based on past performance and its expectations for the market development. A discount rate of 20.80% (2009: 20.80%) was used which was determined with reference to independent research sources, and reflects the specific risks relating to the industry and the business segment.

As a result of the above impairment test for goodwill, the Group recognized a goodwill impairment charge of approximately HK\$27,000,000 which has been charged to the consolidated statement of comprehensive income for the year ended 31 March 2010 (2009: HK\$43,203,000).

20. INVESTMENTS IN SUBSIDIARIES**Company**

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	113,715	97,761
Provision for impairment (<i>Note</i>)	<u>(101,791)</u>	<u>(57,705)</u>
	<u>11,924</u>	<u>40,056</u>

Note: A provision for impairment against the Company's costs of investments in subsidiaries of approximately HK\$101,791,000 (2009: HK\$57,705,000) was made at 31 March 2010 because the related recoverable amounts of the investments with reference to the net assets value of the respective subsidiaries were estimated to be less than the carrying amounts of the investments. Accordingly, the carrying amounts of the related investments were reduced to their recoverable amounts at 31 March 2010.

The following is a list of the Company's subsidiaries at 31 March 2010:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
China Game & Digital Entertainment Limited	Cayman Islands, limited liability company	Investment holding	1,098,000 ordinary share of US\$0.01 each	85.71% (Direct)
Finet Group (BVI) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100% (Direct)
China Finance Holdings Limited (Formerly known as "Finet Introducing Broker Limited")	Hong Kong, limited liability company	Provision of securities dealing referral services in Hong Kong	5,000,000 ordinary shares of HK\$1 each	100% (Direct)
Finet Group Technology (Shenzhen) Limited	PRC, wholly foreign owned enterprise	Provision of financial information services in Mainland China	Registered capital of HK\$11,000,000	100% (Direct)
深圳市財科信息技術有限公司 (transliterated as Shenzhen Cai Ke Information Technology Company Limited)	PRC, limited liability company	Provision of financial information services in Mainland China	Registered capital of RMB1,000,000	100% (Direct)
Finet Holdings Limited	Hong Kong, limited liability company	Provision of financial information management and technology solutions, internet advertising and investment holding in Hong Kong	68,990,025 ordinary shares of HK\$1 each	100% (Indirect)
Finet News Services Limited	Hong Kong, limited liability company	Provision of financial information services in Hong Kong and Mainland China and investment holdings	10,000 ordinary shares of HK\$1 each	100% (Indirect)
East Treasure Limited	Republic of Seychelles, limited liability company	Investment holding	50,000 ordinary shares of US\$1 each	85.71% (Indirect)
杭州笑傲數碼科技有限公司 (transliterated as Hangzhou Xiaobao Digital Technology Company Limited)	PRC, wholly foreign owned enterprise	Provision of online game products, computer network products, technology services and technology consultancy services in the PRC	Registered capital of US\$5,000,000	85.71% (Indirect)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
上海龍傲游數碼科技有限公司 (transliterated as Shanghai Long Ao You Digital Technology Company Limited)	PRC, limited liability company	Development and operations of online games in the PRC	Registered capital of RMB10,000,000	85.71% (Indirect)
杭州仙暢網絡科技有限公司 (transliterated as Hangzhou Xian Chang Network Technology Company Limited)	PRC, limited liability company	Development and operations of online games in the PRC	Registered capital of RMB200,000	85.71% (Indirect)

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's statement of financial position are unsecured, interest-free and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2010 HK\$'000	2009 HK\$'000
Beginning of the year	580	1,098
Additions	—	75
Disposals	(70)	(96)
Net losses transfer to equity	(242)	(497)
End of the year	<u>268</u>	<u>580</u>

Company

	2010 HK\$'000	2009 HK\$'000
Beginning of the year	580	1,098
Disposals	(70)	(77)
Net losses transfer to equity	(242)	(441)
End of the year	<u>268</u>	<u>580</u>

Available-for-sale financial assets include the following:

Group and Company

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Equity securities listed in Japan	<u>268</u>	<u>580</u>
Market value of listed equity securities	<u><u>268</u></u>	<u><u>580</u></u>

Available-for-sale financial assets are denominated in Japanese Yen.

22. ACCOUNTS RECEIVABLE

The credit terms granted by the Group to its customers range from 10 days to 90 days. At 31 March 2010, the ageing analysis of the accounts receivable was as follows:

Group

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0–30 days	771	1,186
31–60 days	127	194
61–90 days	30	109
Over 90 days	<u>69</u>	<u>172</u>
	<u><u>997</u></u>	<u><u>1,661</u></u>

As of 31 March 2010, accounts receivable of approximately HK\$69,000 (2009: HK\$172,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Over 90 days	<u>69</u>	<u>172</u>

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
HK dollars	784	1,419
US dollars	<u>213</u>	<u>242</u>
	<u><u>997</u></u>	<u><u>1,661</u></u>

The maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable mentioned above. The Group does not hold any collateral as security.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**Group**

Included in the Group's prepayments, deposits and other receivables as at 31 March 2010 are approximately HK\$1,858,000 (2009: Nil) due from minority shareholders, which are unsecured, interest-free and repayable on demand.

Group and Company

Included in the Group's and the Company's prepayment, deposits and other receivables as at 31 March 2010 was a loan receivable of HK\$30,000,000 and accrued interest thereon of HK\$646,000 due from an independent third party, which was secured and bore interest at 6.5% per annum. The loan was fully settled in June 2010.

Included in the Group's and the Company's prepayments, deposits and other receivables as at 31 March 2010 is deposits paid for acquisition of a subsidiary of HK\$1,500,000 (2009: Nil). The acquisition was completed on 19 May 2010 (Note 33).

24. CASH AND CASH EQUIVALENTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Group		
Cash at banks and in hand	28,677	7,444
Short-term bank deposits	<u>5,004</u>	<u>—</u>
	<u><u>33,681</u></u>	<u><u>7,444</u></u>
Company		
Cash at banks and in hand	<u><u>22,399</u></u>	<u><u>96</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank balances are deposited with credit worthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK\$8,232,000 (2009: HK\$4,800,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. ACCOUNTS PAYABLE

At 31 March 2010, the ageing analysis of the accounts payable was as follows:

Group

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	798	1,110
31–60 days	486	562
61–90 days	26	101
Over 90 days	<u>79</u>	<u>260</u>
	<u>1,389</u>	<u>2,033</u>

26. FINANCE LEASE PAYABLES

The Group leased certain of its computer equipment under a finance lease agreement. The finance lease is repayable by instalments of 36 months and has a remaining lease term of 16 months as at 31 March 2010.

At 31 March 2010, the total future minimum lease payments under the finance lease and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable:				
Within one year	618	618	533	533
In the second year	207	618	178	533
In the third to fifth years, inclusive	<u>—</u>	<u>207</u>	<u>—</u>	<u>178</u>
Total minimum finance lease payments	825	1,443	711	1,244
Future finance charges	<u>(114)</u>	<u>(199)</u>	<u>—</u>	<u>—</u>
Total net finance lease payables	711	1,244	<u>711</u>	<u>1,244</u>
Portion classified as current liabilities	<u>(533)</u>	<u>(533)</u>		
Non-current portion	<u>178</u>	<u>711</u>		

The Group's finance lease arrangement bears interest at a fixed rate and its carrying amount approximates to its fair value.

The carrying amount of the finance lease payables are denominated in Hong Kong dollars.

27. BANK BORROWINGS**Group and Company**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Secured bank loans — floating rates	<u>3,002</u>	<u>3,232</u>
At 31 March 2010, the bank loans are repayable as follows:		
Within 1 year	240	234
Between 1 and 2 years	249	300
Between 2 and 5 years	811	974
Over 5 years	<u>1,702</u>	<u>1,724</u>
	3,002	3,232
Less: Amount due within one year shown under current liabilities	<u>(240)</u>	<u>(234)</u>
Amount due after one year shown under non-current liabilities	<u><u>2,762</u></u>	<u><u>2,998</u></u>

The bank loans were secured by the investment properties of the Group (Note 18).

The effective interest rates (which are also equal to contracted interest rates) on the Group's floating rate bank loans are the PRC bank's prime lending rates minus 1.25% per annum.

The carrying amounts of the bank loans approximate their fair values, as the impact of discounting is not significant.

The carrying amounts of the bank loans are denominated in Hong Kong dollars.

28. SHARE CAPITAL

Ordinary shares of HK\$0.05 (2009: HK\$0.01) each	2010		2009	
	Number of shares	Amount (HK\$'000)	Number of shares	Amount (HK\$'000)
Authorised:				
At beginning of the year	1,000,000,000	10,000	1,000,000,000	10,000
Increase during the year (Note (a)(i))	<u>1,000,000,000</u>	<u>10,000</u>	<u>—</u>	<u>—</u>
	2,000,000,000	20,000	1,000,000,000	10,000
Share consolidation (Note (a)(ii))	<u>(1,600,000,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	400,000,000	20,000	1,000,000,000	10,000
Increase during the year (Note (a)(iii))	<u>600,000,000</u>	<u>30,000</u>	<u>—</u>	<u>—</u>
At end of the year	<u>1,000,000,000</u>	<u>50,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At beginning of the year	599,370,000	5,993	597,850,000	5,978
Issue of shares under open offers (Note (c))	1,199,150,189	11,992	—	—
Issue of shares on exercise of bonus warrants (Note (d))	<u>410,189</u>	<u>4</u>	<u>—</u>	<u>—</u>
	1,798,930,378	17,989	597,850,000	5,978
Share consolidation (Note (e))	<u>(1,439,144,303)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	359,786,075	17,989	597,850,000	5,978
Issue of shares upon exercise of share options (Note (b))	50,588	3	1,520,000	15
Issue of shares on exercise of bonus warrants (Note (d))	<u>7,621,207</u>	<u>381</u>	<u>—</u>	<u>—</u>
At end of the year	<u>367,457,870</u>	<u>18,373</u>	<u>599,370,000</u>	<u>5,993</u>

Notes:

- (a) (i) Pursuant to the resolution passed in the extraordinary general meeting of the Company on 3 July 2009, the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.01 each of the Company.
- (ii) Upon the share consolidation (note (e)) becoming effective on 30 November 2009, the authorised share capital of the Company became HK\$20,000,000 divided into 400,000,000 shares of HK\$0.05 each.
- (iii) Pursuant to the resolution passed in the extraordinary general meeting of the Company on 11 February 2010, the authorised share capital of the Company increased to HK\$50,000,000 by the creation of an additional 600,000,000 shares of HK\$0.05 each of the Company.

- (b) Share options were exercised by option-holders during the year ended 31 March 2010 to subscribe for the total of 50,588 (2009: 1,520,000) shares in the Company by payment of subscription monies of approximately HK\$31,000 (2009: HK\$228,000), of which approximately HK\$3,000 (2009: HK\$15,000) was credited to share capital and the balance of approximately HK\$28,000 (2009: HK\$213,000) was credited to the share premium account.
- (c) Pursuant to the resolution passed in the extraordinary general meeting of the Company held on 3 July 2009, the Company issued 299,685,000 new ordinary shares (“1st Offer Shares”) at a subscription price of HK\$0.05 per 1st Offer Share under the open offer on the basis of one 1st Offer Share for every two existing shares held on 3 July 2009 (“1st Open Offer”).

Pursuant to the resolution passed in the extraordinary general meeting of the Company held on 30 October 2009, the Company issued 899,465,189 new ordinary shares (“2nd Offer Shares”) at a subscription price of HK\$0.07 per 2nd Offer Share under the open offer on the basis of one 2nd Offer Share for every existing share held on 30 October 2009.

- (d) In conjunction with the 1st Open Offer, each of the registered holders of fully-paid 1st Offer Shares was issued three bonus warrants for every ten Offer Shares issued and allotted by the Company under the 1st Open Offer, resulting in HK\$8,990,550 bonus warrants having been issued.

Up to 31 March 2010, approximately HK\$41,019 and HK\$3,429,543 bonus warrants were exercised at a subscription price of HK\$0.10 and HK\$0.45 per share, resulting in the issue of 410,189 ordinary shares of HK\$0.01 each and 7,621,207 ordinary shares of HK\$0.05 each respectively. As at 31 March 2010, the Company had HK\$4,625,035 bonus warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 10,277,855 additional shares of HK\$0.05 each.

- (e) Share Consolidation

On 30 November 2009, the Company completed the share consolidation on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was consolidated into one share of HK\$0.05 each in the share capital of the Company, as set out in the announcement of the Company dated 30 September 2009.

Upon the share consolidation becoming effective on 30 November 2009, the issued share capital of the Company became HK\$17,989,000 divided into 359,786,075 shares of HK\$0.05 each.

29. SHARE-BASED EMPLOYEE COMPENSATION

Pre-IPO Share Option Scheme

The Company adopted a share option scheme (“Pre-IPO Share Option Scheme”) on 23 July 2004 for the purpose of providing incentives and recognizing the contributions which the eligible participants have made to the Group.

The Pre-IPO Share Option Scheme terminated on 6 January 2005 being the date immediately preceding the date on which the shares of the Company were listed on GEM. The maximum number of shares issuable under this scheme is limited to 74,076,000 shares. The grant of share options is effective upon receipt of the acceptance of the offer in writing duly signed by the eligible participant together with a payment of a nominal consideration of HK\$1 in total.

The provisions of this scheme relating to matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of any grantees or prospective grantees except with the prior sanction of an ordinary resolution of the Company in general meeting. Any alterations to the terms and conditions of this scheme which are of a material nature or any change to the terms of the share options granted prior to such alteration, except where the alterations take effect automatically under the existing terms of this scheme and any change in the authority of the board of directors in relation to any alteration to the terms of this scheme shall be approved by the shareholders of the Company in a general meeting.

As a result of two open offers and share consolidation of the Company during the year (Notes 28 (c) and (e)), the exercise prices and numbers of the outstanding share options have been adjusted.

The following table discloses movements of the share options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2009:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding as at 1 April 2008	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2009
Pre-IPO Share Option Scheme:							
Director							
Yu Gang, George	21 September 2004	HK\$0.15	<i>Note 1</i>	12,126,000	—	—	12,126,000
Employees							
	21 September 2004	HK\$0.15	<i>Note 1</i>	11,115,000	(1,520,000)	(7,840,000)	1,755,000
Total				<u>23,241,000</u>	<u>(1,520,000)[#]</u>	<u>(7,840,000)*</u>	<u>13,881,000</u>

[#] The weighted average share price of the Company during the period which the share options were exercised was HK\$0.15.

* The 7,840,000 share options granted under the Pre-IPO Share Options Scheme lapsed upon the resignation of the employees of the Group.

The following table discloses movements of the share options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2010:

Grantee	Date of grant	Adjusted exercise price	Exercise period	Outstanding as at 1 April 2009	Adjustments during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2010
Pre-IPO Share Option Scheme:								
Director								
Yu Gang, George	21 September 2004	HK\$0.6080	<i>Note 1</i>	12,126,000	(9,133,616)	—	—	2,992,384
Employees								
	21 September 2004	HK\$0.6080	<i>Note 1</i>	1,755,000	(811,911)	(50,588)	(667,936)	224,565
Total				<u>13,881,000</u>	<u>(9,945,527)</u>	<u>(50,588)[#]</u>	<u>(667,936)*</u>	<u>3,216,949</u>

[#] The weighted average share price of the Company during the period which the share options were exercised was HK\$0.5798.

* The 667,936 share options granted under the Pre-IPO Share Options Scheme lapsed upon the resignation of the employees of the Group.

Share Option Scheme

The Company adopted another share option scheme (“Share Option Scheme”) on 16 December 2004 for the purpose of providing incentives and recognizing the contributions which the eligible participants have made to the Group. The Share Option Scheme unless otherwise altered or terminated, will remain in force for 10 years from the date of adoption.

The maximum number of shares issuable to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders’ approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted under this scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue of the Company (the “Scheme Mandate Limit”) as at the date of listing of the Company. The Company may seek approval from its shareholders in a general meeting to refresh the Scheme Mandate Limit at any time in accordance with the GEM Listing Rules.

The maximum number of unexercised share options currently permitted to be granted under this scheme and any other share option scheme of the Company is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within a 12-month period, are subject to the shareholders’ approval in a general meeting in accordance with the GEM Listing Rules.

The grant of share options is effective upon receipt of the acceptance of the offer in writing duly signed by the eligible participant together with a payment of a nominal consideration of HK\$1 in total.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company’s shares.

As a result of two open offers and share consolidation of the Company during the year (Notes 28 (c) and (e)), the exercise prices and numbers of the outstanding share options have been adjusted.

The following table discloses movements of the share options granted under the Share Option Scheme during the year ended 31 March 2009:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding as at 1 April 2008	Exercised during the year	Lapsed/ cancelled during the year	Reclassified during the year	Outstanding as at 31 March 2009
Share Option Scheme:								
Directors								
Yu Gang, George	6 December 2006	HK\$0.668	Note 3(d)	5,000,000	—	(5,000,000) [^]	—	—
Kwan Pun Fong, Vincent	29 September 2005	HK\$0.365	Note 2(a)	400,000	—	—	(400,000) [†]	—
	6 December 2006	HK\$0.668	Note 3(d)	1,000,000	—	(1,000,000) [*]	—	—
Lam Lee G.	29 September 2005	HK\$0.365	Note 2(a)	1,000,000	—	—	—	1,000,000
	6 December 2006	HK\$0.668	Note 3(d)	1,000,000	—	(1,000,000) [^]	—	—
Wu Tak Lung	29 September 2005	HK\$0.365	Note 2(a)	1,000,000	—	—	—	1,000,000
	6 December 2006	HK\$0.668	Note 3(d)	1,000,000	—	(1,000,000) [^]	—	—
William Hay	6 December 2006	HK\$0.668	Note 3(b)	1,000,000	—	(1,000,000) [^]	—	—
Sub-total				11,400,000	—	(9,000,000)	(400,000)	2,000,000
Employee	5 September 2005	HK\$0.280	Note 2(b)	2,650,000	—	—	—	2,650,000
Employee	29 September 2005	HK\$0.365	Note 2(a)	—	—	—	400,000	400,000
Employees	6 December 2006	HK\$0.668	Note 3(d)	4,980,000	—	(4,980,000) [^]	—	—
Employees	6 December 2006	HK\$0.668	Note 3(a)	4,500,000	—	(4,500,000) [^]	—	—
Employee	6 December 2006	HK\$0.668	Note 3(c)	1,000,000	—	—	—	1,000,000
Sub-total				13,130,000	—	(9,480,000)	400,000	4,050,000
Total				24,530,000	—	(18,480,000)	—	6,050,000

[^] The 17,480,000 share options granted under the Share Options Scheme were cancelled at no consideration, of which 5,200,000 share options were not yet vested at the date of cancellation. The cancellation of the share options during the vesting period was accounted for as an acceleration of vesting, and an amount of approximately HK\$1,306,000 (representing the amount that otherwise would have been recognized for services received over the remainder of the vesting period) was recognized immediately in profit or loss in the consolidated statement of comprehensive income for the year ended 31 March 2009.

^{*} The 1,000,000 share options granted under the Share Options Scheme lapsed upon the resignation of a director of the Group.

[†] Mr. Kwan Pun Fong, Vincent resigned as a director of the Company on 10 June 2008. Accordingly, the share options held by him were reclassified to the pool of employee.

The following table discloses movements of the share options granted under the Share Option Scheme during the year ended 31 March 2010:

Grantee	Date of grant	Adjusted exercise price	Exercise period	Outstanding as at 1 April 2009	Adjustments during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding as at 31 March 2010
Share Option Scheme:								
Directors								
Lam Lee G.	29 September 2005	HK\$1.4790	Note 2(a)	1,000,000	(753,226)	—	—	246,774
Wu Tak Lung	29 September 2005	HK\$1.4790	Note 2(a)	1,000,000	(753,226)	—	—	246,774
Sub-total				2,000,000	(1,506,452)	—	—	493,548
Employee								
Employee	5 September 2005	HK\$1.1345	Note 2(b)	2,650,000	(1,996,048)	—	—	653,952
Employee	29 September 2005	HK\$1.4790	Note 2(a)	400,000	(301,290)	—	—	98,710
Employee	6 December 2006	HK\$2.7070	Note 3(c)	1,000,000	(753,226)	—	—	246,774
Sub-total				4,050,000	(3,050,564)	—	—	999,436
Total				6,050,000	(4,557,016)	—	—	1,492,984

The exercise price in respect of any share options, shall subject to any adjustments in the event of any alteration in the capital structure of the Company whilst any share option remains exercisable or this scheme remains in effect. The exercise of any share option shall be subject to the shareholders in the general meeting approving any necessary increase in the authorised share capital of the Company.

The vesting period of the share options is from the date of grant until the commencement of the exercise period. All share options granted are exercisable within a period of ten years from the date of grant and subject to a vesting period and becoming exercisable in whole or in part as follows:

Note 1:

Date of vesting of the options (that is, the date when the share options became exercisable)	Percentage of share options vested on such dates
7 January 2006	30%
7 January 2007	30%
7 January 2008	40%

Note 2:

Date of vesting of the options (that is, the date when the share options became exercisable)					Percentage of share options vested on such dates
(a)	(b)	(c)	(d)	(e)	
7 January 2006	6 April 2006	3 May 2006	24 June 2006	8 November 2006	30%
7 January 2007	6 April 2007	3 May 2007	24 June 2007	8 November 2007	30%
7 January 2008	6 April 2008	3 May 2008	24 June 2008	8 November 2008	40%

Note 3:

Date of vesting of the options (that is, the date when the share options became exercisable)				Percentage of share options vested on such dates
(a)	(b)	(c)	(d)	
1 January 2007	2 May 2007	5 November 2007	5 December 2007	30%
1 January 2008	2 May 2008	5 November 2008	5 December 2008	30%
1 January 2009	2 May 2009	5 November 2009	5 December 2009	40%

During the year ended 31 March 2010, employee share-based compensation of approximately HK\$22,000 (2009: HK\$1,366,000) has been included in the consolidated statement of comprehensive income with a corresponding credit to the employee compensation reserve.

At 31 March 2010, the Company had 3,216,949 and 1,492,984 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 4,709,933 additional ordinary shares of the Company and additional share capital of approximately HK\$235,000 and share premium of approximately HK\$4,006,000 (before issue expenses).

30. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Company

	Share premium HK\$'000	Employee compensation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000
Balance at 1 April 2008	134,169	4,675	9,989	(567)	(41,526)	106,740
Comprehensive income						
Loss for the year	—	—	—	—	(62,009)	(62,009)
Other comprehensive income						
Fair value loss on available-for-sale financial assets (Note 21)	—	—	—	(441)	—	(441)
Reserve realized upon disposal of available-for-sale financial assets	—	—	—	89	—	89
Total other comprehensive income	—	—	—	(352)	—	(352)
Total comprehensive income	—	—	—	(352)	(62,009)	(62,361)
Transactions with owners						
Issue of shares upon exercise of share options (Note 28)	213	—	—	—	—	213
Employee share-based compensation	—	1,366	—	—	—	1,366
Exercise of share options	54	(54)	—	—	—	—
Vested share options lapsed/cancelled	—	(4,239)	—	—	4,239	—
Total transactions with owners	267	(2,927)	—	—	4,239	1,579
Balance at 31 March 2009 and 1 April 2009	134,436	1,748	9,989	(919)	(99,296)	45,958
Comprehensive income						
Loss for the year	—	—	—	—	(47,011)	(47,011)
Other comprehensive income						
Fair value loss on available-for-sale financial assets (Note 21)	—	—	—	(242)	—	(242)
Reserve realized upon disposal of available- for-sale financial assets	—	—	—	97	—	97
Total other comprehensive income	—	—	—	(145)	—	(145)
Total comprehensive income	—	—	—	(145)	(47,011)	(47,156)
Transactions with owners						
Issue of shares upon exercise of share options (Note 28)	28	—	—	—	—	28
Issue of shares on open offers (Note 28)	65,955	—	—	—	—	65,955
Issue of shares on exercise of bonus warrants (Note 28)	3,086	—	—	—	—	3,086
Share issue costs	(4,114)	—	—	—	—	(4,114)
Employee share-based compensation	—	22	—	—	—	22
Exercise of share options	2	(2)	—	—	—	—
Vested share options lapsed/cancelled	—	(23)	—	—	23	—
Total transactions with owners	64,957	(3)	—	—	23	64,977
Balance at 31 March 2010	199,393	1,745	9,989	(1,064)	(146,284)	63,779

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

31. COMMITMENTS**(a) Capital commitments**

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Group

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Investment in a subsidiary	<u>8,745</u>	<u>—</u>

(b) Operating lease commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

Group

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
No later than 1 year	4,752	5,416
Later than 1 year and no later than 5 years	<u>1,173</u>	<u>4,282</u>
	<u>5,925</u>	<u>9,698</u>

The Company had no significant operating lease commitment as at 31 March 2009 and 2010.

32. CONTINGENT LIABILITIES

In the year ended 31 March 2008, three libel actions were brought by a company and an individual against the Group in respect of the publication of words alleged to be defamatory of and concerning the plaintiffs contained in certain articles published at the Group's website. At the end of the reporting period, the Company's directors believe that the Group has meritorious defense against such claims and accordingly, the directors do not believe that these claims will have any material adverse effect on the Group. Therefore no provisions have been made in the financial statements in respect thereof.

33. EVENTS AFTER THE REPORTING PERIOD**Business combination**

On 19 May 2010, the Group acquired the entire issued share capital of Fukoku Investment (Asia) Limited ("Fukoku") for a cash consideration of approximately HK\$10,245,000. Fukoku is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.

Details of net assets acquired and goodwill are as follows:

	<i>HK\$'000</i>
Total purchase consideration	10,245
Fair value of net assets acquired — shown as below	<u>(8,537)</u>
Goodwill	<u><u>1,708</u></u>

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Acquiree's carrying amount and fair value <i>HK\$'000</i>
Property, plant and equipment	502
Other non-current assets	950
Accounts receivable	34,088
Prepayments, deposits and other receivables	2,340
Cash and cash equivalents	42,301
Accounts payable	(69,775)
Accruals and other payables	<u>(1,869)</u>
Net assets acquired	<u><u>8,537</u></u>

There were no acquisitions in the year ended 31 March 2010.

3. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited interim financial information of the Group for the six months ended 30 September 2010 as extracted from the interim report of the Company for the six months ended 30 September 2010:

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2010

		Unaudited		Unaudited	
		For the three months ended 30 September		For the six months ended 30 September	
		2010	2009	2010	2009
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)		(restated)
Revenue	2	8,864	7,556	16,164	16,319
Cost of sales		<u>(2,748)</u>	<u>(2,550)</u>	<u>(4,838)</u>	<u>(4,853)</u>
Gross profit		6,116	5,006	11,326	11,466
Other operating income	2	1,085	284	2,015	568
Development costs		(1,204)	(1,067)	(2,419)	(2,392)
Selling expenses		(904)	(838)	(1,714)	(1,420)
General and administrative expenses		(15,621)	(9,608)	(25,653)	(19,110)
Other operating expenses		<u>—</u>	<u>(11)</u>	<u>—</u>	<u>(125)</u>
Operating loss	4	(10,528)	(6,234)	(16,445)	(11,013)
Finance cost	5	<u>(52)</u>	<u>(54)</u>	<u>(103)</u>	<u>(107)</u>
Loss before income tax expenses		(10,580)	(6,288)	(16,548)	(11,120)
Income tax expenses	6	<u>(15)</u>	<u>(14)</u>	<u>(30)</u>	<u>(28)</u>
Loss for the period		(10,595)	(6,302)	(16,578)	(11,148)
Attributable to:					
Owners of the Company		(9,937)	(5,803)	(15,387)	(10,153)
Minority interests		<u>(658)</u>	<u>(499)</u>	<u>(1,191)</u>	<u>(995)</u>
		<u><u>(10,595)</u></u>	<u><u>(6,302)</u></u>	<u><u>(16,578)</u></u>	<u><u>(11,148)</u></u>

		Unaudited		Unaudited	
		For the three months ended 30 September		For the six months ended 30 September	
		2010	2009	2010	2009
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)		(restated)
Loss for the period		(10,595)	(6,302)	(16,578)	(11,148)
Other comprehensive income:					
Fair value gain/(loss) on available-for-sale financial assets		397	(139)	333	(37)
Currency translation differences		<u>178</u>	<u>(4)</u>	<u>167</u>	<u>(14)</u>
Other comprehensive income for the period		<u>575</u>	<u>(143)</u>	<u>500</u>	<u>(51)</u>
Total comprehensive income for the period		<u>(10,020)</u>	<u>(6,445)</u>	<u>(16,078)</u>	<u>(11,199)</u>
Attributable to:					
Owners of the Company		(9,467)	(5,944)	(14,992)	(10,201)
Minority interests		<u>(553)</u>	<u>(501)</u>	<u>(1,086)</u>	<u>(998)</u>
		<u>(10,020)</u>	<u>(6,445)</u>	<u>(16,078)</u>	<u>(11,199)</u>
Loss per share for loss attributable to the owners of the Company					
— Basic					
(in HK cent)	8(a)	<u>(2.70)</u>	<u>(4.17)</u>	<u>(4.18)</u>	<u>(7.29)</u>
— Diluted					
(in HK cent)	8(b)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Financial Position*As at 30 September 2010*

		Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		7,005	7,841
Investment properties		14,000	14,000
Intangible assets		5,066	2,250
Available-for-sale financial assets		601	268
Other assets		<u>405</u>	<u>—</u>
		27,077	24,359
Current assets			
Financial assets at fair value through profit or loss		4,957	—
Accounts receivable	9	23,562	997
Prepayments, deposits and other receivables		44,199	37,725
Client trust bank balances		20,654	—
Cash and cash equivalents		<u>9,461</u>	<u>33,681</u>
		102,833	72,403
Current liabilities			
Accounts payable	10	44,431	1,389
Accruals and other payables		9,508	4,549
Deferred income		4,542	3,103
Finance lease payables — due within one year		444	533
Borrowings — due within one year	11	<u>240</u>	<u>240</u>
		<u>59,165</u>	<u>9,814</u>
Net current assets		<u>43,668</u>	<u>62,589</u>
Total assets less current liabilities		<u>70,745</u>	<u>86,948</u>

		Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current liabilities			
Finance lease payables — due after one year		—	178
Borrowings — due after one year	11	<u>2,645</u>	<u>2,762</u>
		<u>2,645</u>	<u>2,940</u>
Net assets		<u><u>68,100</u></u>	<u><u>84,008</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	12	18,391	18,373
Reserves		<u>49,672</u>	<u>64,435</u>
		68,063	82,808
Minority interests		<u>37</u>	<u>1,200</u>
		<u><u>68,100</u></u>	<u><u>84,008</u></u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 September 2010*

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Unaudited Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April 2009	5,994	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,091
Fair value loss:											
— Available-for-sales financial assets	—	—	—	—	—	—	(134)	—	(134)	—	(134)
Issue of shares on open offer	2,997	11,987	—	—	—	—	—	—	11,987	—	14,984
Issue of shares upon exercise of bonus warrants	4	37	—	—	—	—	—	—	37	—	41
Transaction cost related to open offer with bonus warrants	—	(2,145)	—	—	—	—	—	—	(2,145)	—	(2,145)
Currency translation differences	—	—	—	—	(11)	—	—	—	(11)	(3)	(14)
Transfer to income statement on disposal of available-for-sale financial assets	—	—	—	—	—	—	97	—	97	—	97
Loss for the period	—	—	—	—	—	—	—	(10,153)	(10,153)	(995)	(11,148)
At 30 September 2009	8,995	144,315	4,870	1,748	2,383	9,989	(956)	(127,572)	34,777	11,000	54,772
At 1 April 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
Fair value gain:											
— Available-for-sales financial assets	—	—	—	—	—	—	333	—	333	—	333
Issue of shares upon exercise of bonus warrants	15	119	—	—	—	—	—	—	119	—	134
Issue of shares upon exercise of share options	3	33	—	—	—	—	—	—	33	—	36
Currency translation differences	—	—	—	—	139	—	—	—	139	28	167
Vested share options lapsed/cancelled	—	—	—	(1,745)	—	—	—	1,745	—	—	—
Loss for the period	—	—	—	—	—	—	—	(15,387)	(15,387)	(1,191)	(16,578)
At 30 September 2010	18,391	199,545	4,870	—	2,612	9,989	(731)	(166,613)	49,672	37	68,100

Condensed Consolidated Statement of Cash Flow*For the six months ended 30 September 2010*

	Unaudited	
	For the six months ended	
	30 September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(15,250)	(11,944)
Net cash (outflow)/inflow from investing activities	(8,880)	82
Net cash (outflow)/inflow from financing activities	<u>(257)</u>	<u>12,499</u>
Net (decrease)/increase in cash and cash equivalents	(24,387)	637
Cash and cash equivalents, at beginning of period	33,681	7,444
Effect of foreign exchange rate changes, net	<u>167</u>	<u>154</u>
Cash and cash equivalents, at end of period	<u><u>9,461</u></u>	<u><u>8,235</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	<u><u>9,461</u></u>	<u><u>8,235</u></u>

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the preparation of the financial statements for the year ended 31 March 2010.

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not affecting the Group

● HKAS17 (amendment)	—	Leases
● HKAS 27 (amendment)	—	Consolidated and separate financial statements
● HKAS 39 (amendment)	—	Eligible hedged items
● HKFRS 1 (amendment)	—	Additional exemptions for first-time adopters
● HKFRS 2 (amendment)	—	Group cash-settled share-based payment transactions
● HKFRS 3 (revised)	—	Business combinations
● HKFRS 5 (amendment)	—	Non-current assets held for sale and discontinued operations
● HK(IFRIC) — Int 17	—	Distributions of non-cash assets to owners
● Second improvements to HKFRS (2009)		

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2010 and have not been early adopted:

● HKAS 24 (revised)	—	Related party disclosures
● HKAS 32 (amendment)	—	Classification of rights issues
● HKFRS 1 (amendment)	—	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
● HKFRS 9	—	Financial instruments
● HK(IFRIC) — Int 14 (amendment)	—	Prepayments for a minimum funding requirement
● HK(IFRIC) — Int 19	—	Extinguishing financial liabilities with equity instruments
● Third improvements to HKFRS (2010)		

The audit committee has reviewed the unaudited interim consolidated financial statements.

2. REVENUE AND OTHER OPERATING INCOME

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue recognized during the period is as follows:

	Unaudited			
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	6,694	7,184	13,004	15,737
Advertising income	288	346	677	508
Online game income	—	26	1	74
Brokerage commission, dealing and service income	<u>1,882</u>	<u>—</u>	<u>2,482</u>	<u>—</u>
	<u>8,864</u>	<u>7,556</u>	<u>16,164</u>	<u>16,319</u>
Other operating income				
Fair value gain on financial assets/ liabilities at fair value through profit or loss	719	—	790	—
Gross rental income from investment property	282	282	564	564
Interest income	4	2	503	4
Dividend income	40	—	40	—
Others	<u>40</u>	<u>—</u>	<u>118</u>	<u>—</u>
	<u>1,085</u>	<u>284</u>	<u>2,015</u>	<u>568</u>
Total income	<u><u>9,949</u></u>	<u><u>7,840</u></u>	<u><u>18,179</u></u>	<u><u>16,887</u></u>

3. SEGMENT INFORMATION

At 30 September 2010, the Group is organized into three main business segments:

- (i) Financial information services business — the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China.
- (ii) Online game business — the development and operations of online games in Mainland China.
- (iii) Securities and futures business — dealing and broking in securities and futures.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Segment information for the six months ended 30 September 2010 about these businesses is as follows:

	Financial information services business HK\$'000	Unaudited		Group HK\$'000
		Online game business HK\$'000	Securities and futures business HK\$'000	
Revenue	13,681	1	2,482	16,164
Segment results	(9,044)	(8,357)	(1,059)	<u>(18,460)</u>
Other income				2,015
Finance costs				(103)
Loss before income tax expenses				(16,548)
Income tax expenses				<u>(30)</u>
Loss for the period				<u><u>(16,578)</u></u>

Segment information for the six months ended 30 September 2009 about these businesses is as follows:

	Financial information services business HK\$'000	Unaudited		Group HK\$'000
		Online game business HK\$'000	Securities and futures business HK\$'000	
Revenue	16,245	74	—	16,319
Segment results	(4,642)	(6,967)	—	<u>(11,581)</u>
Other income				568
Finance costs				(107)
Loss before income tax expenses				(11,120)
Income tax expenses				<u>(28)</u>
Loss for the period				<u><u>(11,148)</u></u>

4. OPERATING LOSS

	Unaudited			
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating loss is arrived at after charging:				
Operating lease charges				
— rental of office premises	1,360	1,364	2,611	2,761
Amortization of intangible assets	212	1	396	2
Depreciation of property, plant and equipment	1,040	1,083	2,045	2,210
Staff costs, including directors' emoluments				
— salaries and allowances	<u>5,670</u>	<u>5,395</u>	<u>11,171</u>	<u>11,078</u>

5. FINANCE COST

	Unaudited			
	For the three months		For the six months	
	ended 30 September		ended 30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expenses on bank borrowings				
— not wholly repayable within five years	30	33	60	64
Interest on a finance lease	<u>22</u>	<u>21</u>	<u>43</u>	<u>43</u>
	<u>52</u>	<u>54</u>	<u>103</u>	<u>107</u>

6. INCOME TAX EXPENSES

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, were exempted from payment of the Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax. The Company's subsidiary established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

No Hong Kong profits tax has been provided for the six months ended 30 September 2010 (2009: nil) as the Group had no assessable profit arising in Hong Kong for the period.

The income tax of the People's Republic of China (the "PRC") of approximately HK\$30,000 was paid during the six months ended 30 September 2010 (2009: HK\$28,000) for the net rental income from the investment properties of the Company in the PRC.

7. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2010 (2009: Nil).

8. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 September 2010 approximately of HK\$9,937,000 and HK\$15,387,000 respectively (three months and six months ended 30 September 2009: approximately HK\$5,803,000 and HK\$10,153,000 respectively) and on the weighted average number of 367,808,082 shares and 367,742,743 shares respectively in issue during the three months and six months ended 30 September 2010 (three months and six months ended 30 September 2009: 139,215,390 ordinary shares (restated)).

(b) Diluted loss per share

Diluted loss per share for the three months and six months ended 30 September 2010 and 2009 have not been disclosed as the warrants and options have an anti-dilutive effect on the basic loss per share.

9. ACCOUNTS RECEIVABLE

	Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
Accounts receivable from:		
— Clients of financial information services business	1,205	997
— Clients of securities and futures business; brokers; dealers and clearing houses	<u>22,357</u>	<u>—</u>
	23,562	997
Less: Impairment allowance	<u>—</u>	<u>—</u>
	<u><u>23,562</u></u>	<u><u>997</u></u>

The credit terms granted by the Group to its customers of financial information services business range from 14 days to 90 days. An aging analysis of accounts receivable as of the balance sheet date is as follows:

	Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
0–30 days	885	771
31–60 days	145	127
61–90 days	175	30
Over 90 days	<u>—</u>	<u>69</u>
	<u><u>1,205</u></u>	<u><u>997</u></u>

10. ACCOUNTS PAYABLE

	Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
Accounts payable to:		
— Clients of financial information services business	1,494	1,389
— Clients of securities and futures business, brokers, dealers and clearing houses	<u>42,937</u>	<u>—</u>
	<u>44,431</u>	<u>1,389</u>

An aging analysis of accounts payable as of the balance sheet date is as follows:

	Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
0–30 days	43,995	798
31–60 days	267	486
61–90 days	94	26
Over 90 days	<u>75</u>	<u>79</u>
	<u>44,431</u>	<u>1,389</u>

11. BANK BORROWINGS

	Unaudited 30 September 2010 <i>HK\$'000</i>	Audited 31 March 2010 <i>HK\$'000</i>
Secured bank loans	2,885	3,002
Less: Amount due within one year shown under current liabilities	<u>(240)</u>	<u>(240)</u>
Amount due after one year shown under non-current liabilities	<u>2,645</u>	<u>2,762</u>

The bank loans were secured by the investment properties with aggregate carrying values of approximately HK\$14,000,000 as at 30 September 2010.

12. SHARE CAPITAL

Ordinary shares of HK\$0.05 each

	Unaudited		Audited	
	For the six months ended 30 September 2010		For the year ended 31 March 2010	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>				
Beginning of period/year	1,000,000,000	50,000	1,000,000,000	10,000
Increase during the period/year (Note (1)(a))	<u>—</u>	<u>—</u>	<u>1,000,000,000</u>	<u>10,000</u>
	1,000,000,000	50,000	2,000,000,000	20,000
Share consolidation (Note (1)(b))	<u>—</u>	<u>—</u>	<u>(1,600,000,000)</u>	<u>—</u>
	1,000,000,000	50,000	400,000,000	20,000
Increase during the period/year (Note (1)(c))	<u>—</u>	<u>—</u>	<u>600,000,000</u>	<u>30,000</u>
End of period/year	<u><u>1,000,000,000</u></u>	<u><u>50,000</u></u>	<u><u>1,000,000,000</u></u>	<u><u>50,000</u></u>
<i>Issued and fully paid:</i>				
Beginning of period/year	367,457,870	18,373	599,370,000	5,993
Issue of shares under open offers (Note 2)	<u>—</u>	<u>—</u>	<u>1,199,150,189</u>	<u>11,992</u>
Issue of shares upon exercise of bonus warrants (Note 3)	<u>—</u>	<u>—</u>	<u>410,189</u>	<u>4</u>
	367,457,870	18,373	1,798,930,378	17,989
Share consolidation (Note 4)	<u>—</u>	<u>—</u>	<u>(1,439,144,303)</u>	<u>—</u>
	367,457,870	18,373	359,786,075	17,989
Issue of shares upon exercise of share options (Note 5)	<u>59,226</u>	<u>3</u>	<u>50,588</u>	<u>3</u>
Issue of shares upon exercise of bonus warrants (Note 3)	<u>295,957</u>	<u>15</u>	<u>7,621,207</u>	<u>381</u>
End of period/year	<u><u>367,813,053</u></u>	<u><u>18,391</u></u>	<u><u>367,457,870</u></u>	<u><u>18,373</u></u>

Notes:

- (1) (a) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 3 July 2009, the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.01 each of the Company.
- (b) Upon the share consolidation (Note 4) becoming effective on 30 November 2009, the authorised share capital of the Company became HK\$20,000,000 divided into 400,000,000 shares of HK\$0.05 each.
- (c) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 11 February 2010, the authorised share capital of the Company increased to HK\$50,000,000 by the creation of an additional 600,000,000 shares of HK\$0.05 each of the Company.
- (2) Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 3 July 2009, the Company issued 299,685,000 new shares (each a “1st Offer Share”) at subscription price of HK\$0.05 per 1st Offer Share under an open offer on the basis of one 1st Offer Share for every two then existing shares held on 3 July 2009 (“1st Open Offer”).

Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 30 October 2009, the Company issued 899,465,189 new shares (each a “2nd Offer Share”) at subscription price of HK\$0.07 per 2nd Offer Share under an open offer on the basis of one 2nd Offer Share for every then existing share held on 30 October 2009.

- (3) In conjunction with the 1st Open Offer, three bonus warrants for every ten 1st Offer Shares taken up were issued and allotted by the Company under the 1st Open Offer, resulting in HK\$8,990,550 bonus warrants having been issued.

For the year ended 31 March 2010, approximately HK\$41,019 and HK\$3,429,543 bonus warrants were exercised at a subscription price of HK\$0.10 and HK\$0.45 per share, resulting in the issue of 410,189 shares of HK\$0.01 each and 7,621,207 shares of HK\$0.05 each respectively.

For the six months ended 30 September 2010, approximately HK\$134,000 bonus warrants were exercised at a subscription price of HK\$0.45 per share, resulting in the issue of 295,957 shares of HK\$0.05 each.

- (4) On 30 November 2009, the Company completed the share consolidation on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was consolidated into one share of HK\$0.05 each in the share capital of the Company, as set out in the announcement of the Company dated 30 September 2009.

Upon the share consolidation becoming effective on 30 November 2009, the issued share capital of the Company became approximately HK\$17,989,000 divided into 359,786,075 shares of HK\$0.05 each.

- (5) Share options were exercised by option holders during the period ended 30 September 2010 to subscribe for the total of 59,226 shares (For the year ended 31 March 2010: 50,588 shares) in the Company by payment of subscription monies of approximately HK\$36,000 (For the year ended 31 March 2010: HK\$31,000) of which approximately HK\$3,000 (For the year ended 31 March 2010: HK\$3,000) was credited to share capital and the balance of approximately HK\$33,000 was credited to the share premium account.

Set out below is the unaudited interim financial information of the Group for the nine months ended 31 December 2010 as extracted from the third quarterly report of the Company for the nine months ended 31 December 2010:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2010

		Unaudited		Unaudited	
		For the three months		For the nine months	
		ended 31 December		ended 31 December	
		2010	2009	2010	2009
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	10,637	7,553	26,801	23,872
Cost of sales		<u>(3,275)</u>	<u>(2,391)</u>	<u>(8,113)</u>	<u>(7,244)</u>
Gross profit		7,362	5,162	18,688	16,628
Other operating income/(loss)	2	(3,610)	297	(1,595)	865
Development costs		(1,314)	(1,103)	(3,733)	(3,495)
Selling expenses		(456)	(1,035)	(2,170)	(2,455)
General and administrative expenses		(13,332)	(8,751)	(38,985)	(27,889)
Other operating expenses		<u>(2)</u>	<u>(6)</u>	<u>(2)</u>	<u>(131)</u>
Operating loss		(11,352)	(5,436)	(27,797)	(16,477)
Finance costs		<u>(49)</u>	<u>(52)</u>	<u>(152)</u>	<u>(159)</u>
Loss before income tax expenses		(11,401)	(5,488)	(27,949)	(16,636)
Income tax expenses	3	<u>(15)</u>	<u>(49)</u>	<u>(45)</u>	<u>(49)</u>
Loss for the period		(11,416)	(5,537)	(27,994)	(16,685)
Other comprehensive income/(loss):					
Currency translation		52	39	219	25
Available-for-sale financial assets		<u>(36)</u>	<u>(110)</u>	<u>297</u>	<u>(147)</u>
Other comprehensive income/(loss) for the period		<u>16</u>	<u>(71)</u>	<u>516</u>	<u>(122)</u>

		Unaudited		Unaudited	
		For the three months ended 31 December		For the nine months ended 31 December	
		2010	2009	2010	2009
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total comprehensive loss for the period		<u>(11,400)</u>	<u>(5,608)</u>	<u>(27,478)</u>	<u>(16,807)</u>
Attributable to:					
Owners of the Company		(11,374)	(4,918)	(26,761)	(15,071)
Minority interests		<u>(42)</u>	<u>(619)</u>	<u>(1,233)</u>	<u>(1,614)</u>
		<u>(11,416)</u>	<u>(5,537)</u>	<u>(27,994)</u>	<u>(16,685)</u>
Loss per share attributable to owners of the Company					
— Basic (<i>in HK cent</i>)	5(a)	<u>(2.652)</u>	<u>(2.788)</u>	<u>(7.277)</u>	<u>(8.545)</u>
— Diluted (<i>in HK cent</i>)	5(b)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the preparation of the financial statements for the year ended 31 March 2010.

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not affecting the Group

● HKAS 17 (amendment)	—	Leases
● HKAS 27 (amendment)	—	Consolidated and separate financial statements
● HKAS 39 (amendment)	—	Eligible hedged items
● HKFRS 1 (amendment)	—	Additional exemptions for first-time adopters
● HKFRS 2 (amendment)	—	Group cash-settled share-based payment transactions
● HKFRS 3 (revised)	—	Business combinations
● HKFRS 5 (amendment)	—	Non-current assets held for sale and discontinued operations
● HK(IFRIC) — Int 17	—	Distributions of non-cash assets to owners
● Second improvements to HKFRS (2009)		

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

● HKAS 24 (revised)	—	Related party disclosures
● HKAS 32 (amendment)	—	Classification of rights issues
● HKFRS 1 (amendment)	—	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
● HKFRS 9	—	Financial instruments
● HK(IFRIC) — Int 14 (amendment)	—	Prepayments for a minimum funding requirement
● HK(IFRIC) — Int 19	—	Extinguishing financial liabilities with equity instruments
● Third improvements to HKFRS (2010)		

The audit committee of the Company has reviewed the unaudited consolidated financial statements for the three months and nine months ended 31 December 2010.

2. REVENUE AND OTHER OPERATING INCOMES

Revenue, which is also the Group's turnover, represents the total invoiced value of goods supplied and services rendered. Revenue recognized during the period under review is as follows:

	Unaudited			
	For the three months		For the nine months	
	ended 31 December		ended 31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	8,286	7,100	21,290	22,837
Advertising income	309	440	986	948
Online games income	—	13	1	87
Brokerage, commission, dealing and service income	<u>2,042</u>	<u>—</u>	<u>4,524</u>	<u>—</u>
	<u>10,637</u>	<u>7,553</u>	<u>26,801</u>	<u>23,872</u>
Other operating incomes/(loss)				
Fair value loss on financial assets/liabilities at fair value through profit or loss	(3,981)	—	(3,191)	—
Gross rental income from investment property	287	283	851	847
Interest income	6	—	509	4
Dividend income	—	—	40	—
Others	<u>78</u>	<u>14</u>	<u>196</u>	<u>14</u>
	<u>(3,610)</u>	<u>297</u>	<u>(1,595)</u>	<u>865</u>
Total income/(loss)	<u><u>7,027</u></u>	<u><u>7,850</u></u>	<u><u>25,206</u></u>	<u><u>24,737</u></u>

3. INCOME TAX EXPENSES

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, were exempted from payment of Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax. The Company's subsidiary established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

No Hong Kong profits tax has been provided for the nine months ended 31 December 2010 (2009: nil) as the Group had no assessable profit arising in Hong Kong for the period under review.

The income tax of the People's Republic of China (the "PRC") of approximately HK\$45,000 was paid during the nine months ended 31 December 2010 (2009: HK\$42,000) for the net rental income from the investment properties of the Company in the PRC.

4. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 December 2010 (2009: nil).

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 31 December 2010 approximately of HK\$11,374,000 and HK\$26,761,000 respectively (three months and nine months ended 31 December 2009: loss attributable to the owners of the Company approximately of HK\$4,918,000 and HK\$15,071,000 respectively), and on the weighted average number of 428,910,879 shares and 367,751,167 shares respectively in issue during the three months and nine months ended 31 December 2010 (three months and nine months ended 31 December 2009: 176,373,546 shares).

(b) Diluted loss per share

Diluted loss per share for the three months and nine months ended 31 December 2010 have not been disclosed as the bonus warrants outstanding have an anti-dilutive effect on the basic loss per share.

Diluted loss per share for the three months and nine months ended 31 December 2009 have not been disclosed as the share options and bonus warrants outstanding have an anti-dilutive effect on the basic loss per share.

6. MOVEMENT OF RESERVES

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation 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	HK\$'000	HK\$'000
At 1 April 2009	5,994	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,091
Fair value loss:											
— Available-for-sale financial assets	—	—	—	—	—	—	(244)	—	(244)	—	(244)
Issue of shares on open offers	11,991	65,955	—	—	—	—	—	—	65,955	—	77,946
Transaction cost related to open offers and bonus warrants	—	(4,097)	—	—	—	—	—	—	(4,097)	—	(4,097)
Issue of shares on exercise of bonus warrants	4	37	—	—	—	—	—	—	37	—	41
Currency translation	—	—	—	—	21	—	—	—	21	4	25
Transfer to income statement on disposal of available-for-sale financial assets	—	—	—	—	—	—	97	—	97	—	97
Issue of new shares in a subsidiary	—	—	—	—	—	—	—	—	—	1,855	1,855
Loss for the period	—	—	—	—	—	—	—	(15,071)	(15,071)	(1,614)	(16,685)
At 31 December 2009	17,989	196,331	4,870	1,748	2,415	9,989	(1,066)	(132,490)	81,797	12,243	112,029
At 1 April 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
Fair value gain											
— Available-for-sale financial assets	—	—	—	—	—	—	297	—	297	—	297
Issue of shares upon exercise of bonus warrants	15	119	—	—	—	—	—	—	119	—	134
Issue of shares upon exercise of share options	3	33	—	—	—	—	—	—	33	—	36
Issue of shares upon placement	3,650	26,536	—	—	—	—	—	—	26,536	—	30,186
Currency translation differences	—	—	—	—	186	—	—	—	186	33	219
Vested share options lapsed/cancelled	—	—	—	(1,745)	—	—	—	1,745	—	—	—
Loss for the period	—	—	—	—	—	—	—	(26,761)	(26,761)	(1,233)	(27,994)
At 31 December 2010	22,041	226,081	4,870	—	2,659	9,989	(767)	(177,987)	64,845	—	86,886

4. INDEBTEDNESS

At the close of business on 28 February 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness of approximately HK\$3,424,000, comprising secured bank loans of approximately HK\$2,784,000 which were secured by legal charges over the Group's investment properties and obligations under finance leases of approximately HK\$640,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have at the close of business on 28 February 2011 any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

There has been no material change in the indebtedness or contingent liabilities of the Group since 28 February 2011.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the present internal financial resources of the Group, the presently available banking facilities and the estimated net proceeds of the Open Offer, and in the absence of unforeseen circumstances the Group has sufficient working capital for its present requirements (that is, for at least the next twelve months from the date of this circular).

6. MATERIAL CHANGE

The Board and the Financial Adviser have discussed and reviewed, among other things, the financial position of the Group (including the latest consolidated management accounts, financial condition, capital and other commitments, contingent liabilities and future cash flow and financing requirements) and the trading position with respect to the Group's suppliers and customers.

The Directors confirm that, save and except for the below, there was no material change in the financial or trading position or outlook of the Group since 31 March 2010 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date:

(1) Acquisition of subsidiaries

On 19 May 2010, the Group completed the acquisition of the entire issue share capital of Fukoku Investment (Asia) Limited (now renamed as Finet Securities Limited) for a cash consideration of approximately HK\$10.2 million as disclosed in the announcement of the Company dated 11 February 2010. Finet Securities Limited is a company incorporated in Hong Kong with limited liability and a licensed corporation

licensed under SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. The Group included the financial results of Finet Securities Limited from the date of acquisition.

(2) Placing of new Shares

The Group announced on 15 October 2010 the successful completion of placing of 73,000,000 new Shares of HK\$0.05 each at a placing price of HK\$0.42 per Share. The net proceeds was approximately HK\$30 million.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial review

Turnover of the Group for the year ended 31 March 2010 was approximately HK\$31,029,000 (2009: HK\$33,088,000), which represented a decrease of approximately 6% as compared to the previous financial year. The net decrease was primarily attributable to (1) a decrease in online game business of HK\$1,736,000; and (2) a decrease in financial services and advertising services of total HK\$323,000.

Other operating income of the Group for the year ended 31 March 2010 was approximately HK\$2,037,000 (2009: HK\$37,443,000), the decrease was mainly due to the gain on disposal of interest in subsidiaries during the year 2009.

Cost of sales of the Group for the year ended 31 March 2010 was approximately HK\$9,323,000 (2009: HK\$10,140,000), representing a decrease of approximately 8% as compared to the previous financial year. The decrease in the cost of sales was mainly resulted in the decreased in cost to the information providers in connection with the provision of relevant services.

Selling and marketing expenses of the Group for the year ended 31 March 2010 was decreased to approximately HK\$2,959,000 compared with approximately HK\$4,493,000 in 2009. The decrease was mainly attributable to the decreased in marketing and promotion expenses incurred for online game business.

Development costs of the Group for the year ended 31 March 2010 was approximately HK\$4,664,000 (2009: HK\$6,375,000), which mainly comprised depreciation of property, plant and equipment of approximately HK\$261,000 (2009: HK\$181,000) and employee benefit expenses of approximately HK\$3,328,000 (2009: HK\$5,504,000) for online game business.

General and administrative expenses of the Group for the year ended 31 March 2010 was decreased by approximately HK\$8,185,000 to approximately HK\$36,933,000 (2009: HK\$45,118,000), which mainly comprised the staff costs (including directors' emoluments) of approximately HK\$18,166,000 (2009: HK\$23,750,000).

Other operating expenses of the Group for the year ended 31 March 2010 were approximately HK\$27,116,000 (2009: HK\$66,722,000), which mainly represented the goodwill impairment charge of HK\$27,000,000 (2009: HK\$43,203,000). The impairment charges related to the goodwill impairment and capitalized online games development costs respectively in the Group's online games segment.

Finance cost of the Group for the year ended 31 March 2010 was approximately HK\$210,000 (2009: HK\$332,000), which represented the interest charges on bank loans for the investment properties in the PRC and on the finance lease for the computer equipment.

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit arising in or derived from Hong Kong for the year (2009: Nil). The Hong Kong profits tax of approximately HK\$49,000 was paid during the year ended 31 March 2010 (2009: HK\$26,000), for adjustment in respect of prior years. The PRC income tax of approximately HK\$54,000 was paid during the year ended 31 March 2010 (2009: HK\$62,000) for the net rental income from the investment properties of the Company in the PRC.

The audited consolidated loss attributable to owners of the Company for the year ended 31 March 2010 was approximately HK\$35,575,000 (2009: HK\$62,309,000).

Prospect

The Group's years of efforts to build its business fundamentals and acquire appropriate companies in the burgeoning internet, mobile and media sectors allow the Group to capitalize on the ferocious growth of the mainstream consumer markets of the PRC in the coming years.

The Group will benefit significantly from the many exciting business opportunities arising from the latest positive market trends: the penetration of 3G services in the PRC, the growing prevalence of mobile internet combined with the PRC massive mobile user base and the success of App store business model the latest green-light given to China's convergence plan of internet, mobile and media sectors; and not to mention the increasing integration between financial markets of Hong Kong and the PRC and the internationalization of the RMB.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effects of the Share Consolidation and the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Share Consolidation and the Open Offer had been completed on 30 September 2010.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Group as at 30 September 2010 or any future date; or (ii) the consolidated net tangible assets per share of the Group as at 30 September 2010 or any future date.

	Unaudited adjusted consolidated net tangible assets of the Group as at 30 September 2010 (Unaudited) HK\$'000 (Note 1)	Add: Estimated net proceeds from the Open Offer (Unaudited) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group (Unaudited) HK\$'000
Based on the issue of 352,650,440 Offer Shares (Note 2)	<u>62,997</u>	<u>85,400</u>	<u>148,397</u>
Based on the issue of 360,620,012 Offer Shares (Note 3)	<u>62,997</u>	<u>87,400</u>	<u>150,397</u>
Unaudited adjusted consolidated net tangible assets per Share based on 440,813,053 Shares in issue as at the Latest Practicable Date and before the Share Consolidation becoming effective (Note 4)			<u>HK\$0.143</u>

	Unaudited adjusted consolidated net tangible assets of the Group as at 30 September 2010 (Unaudited) HK\$'000 (Note 1)	Add: Estimated net proceeds from the Open Offer (Unaudited) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group (Unaudited) HK\$'000
Unaudited adjusted consolidated net tangible assets per Consolidated Share based on 88,162,610 Consolidated Shares in issue upon the Share Consolidation becoming effective but before completion of the Open Offer (Note 5)			<u>HK\$0.715</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share based on the minimum enlarged issued share capital of 440,813,050 Consolidated Shares upon completion of the Open Offer assuming that none of the Outstanding Warrants is exercised on or before the Record Date (Note 6)			<u>HK\$0.337</u>
Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share based on the maximum enlarged issued share capital of 450,775,015 Consolidated Shares upon completion of the Open Offer assuming that the Outstanding Warrants are exercised in full on or before the Record Date (Note 7)			<u>HK\$0.334</u>

Notes:

1. The unaudited adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2010 of approximately HK\$62,997,000 is based on the equity attributable to owners of the Company of approximately HK\$68,063,000 as adjusted to exclude the intangible assets of approximately HK\$5,066,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2010 as extracted from the published interim report of the Company for the six months ended 30 September 2010.
2. The estimated net proceeds from the Open Offer of approximately HK\$85.4 million are based on the proceeds of approximately HK\$88.2 million from the issue of 352,650,440 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share, less estimated share issue expenses of approximately HK\$2.8 million.
3. The estimated net proceeds from the Open Offer of approximately HK\$87.4 million are based on the proceeds of approximately HK\$90.2 million from the issue of 360,620,012 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share, less estimated share issue expenses of approximately HK\$2.8 million.
4. Based on 440,813,053 Shares in issue as at the Latest Practicable Date and before the Share Consolidation becoming effective.
5. Based on 88,162,610 Consolidated Shares in issue upon the Share Consolidation becoming effective but before completion of the Open Offer.
6. Based on the minimum enlarged issued share capital of 440,813,050 Consolidated Shares upon completion of the Open Offer (comprising (i) 88,162,610 Consolidated Shares in issue and (ii) 352,650,440 Offer Shares to be issued under the Open Offer), assuming that none of the Outstanding Warrants is exercised on or before the Record Date.
7. Based on the maximum enlarged issued share capital of 450,775,015 Consolidated Shares upon completion of the Open Offer (comprising (i) 88,162,610 Consolidated Shares in issue; (ii) 1,992,393 Consolidated Shares to be issued upon exercise of the Outstanding Warrants; and (iii) 360,620,012 Offer Shares to be issued under the Open Offer), assuming that the Outstanding Warrants are exercised in full on or before the Record Date.
8. The pro forma financial information does not take account of any trading or other transactions subsequent to the date of the financial statements included in the pro forma financial information (i.e. 30 September 2010). In particular, no adjustment has been made to reflect the placing of new Shares which was announced by the Company on 29 September 2010 and completed in around October 2010. The placing of new Shares principally involved the placing of 73,000,000 new Shares, from which the Company raised net proceeds of approximately HK\$30 million.

**B. REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of a report received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, addressed to the directors of the Company and prepared for the sole purpose of inclusion in this circular.



Chartered Accountants
Certified Public Accountants

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

26 April 2011

The Directors
Finet Group Limited

Dear Sirs,

**REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP****Introduction**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Finet Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Share Consolidation and the Open Offer (both terms as defined in the Circular) might have affected the financial information presented, for inclusion in the Company’s circular dated 26 April 2011 (the “Circular”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix II of the Circular.

Respective responsibilities of the directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 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”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Group as at 30 September 2010 or any future date; or (ii) the consolidated net tangible assets per share of the Group as at 30 September 2010 or any future date.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Takeovers Code 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: (i) the information contained in this document is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement in this document misleading.

All directors of the Company issuing this document jointly and severally accept full responsibility for the accuracy of information contained in this document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date, and (ii) immediately following completion of the Open Offer assuming full exercise of the Outstanding Warrants were as follows:

Share capital

(a) Share capital as at the Latest Practicable Date

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
<i>Authorised:</i>			
As at the Latest Practicable Date	0.05	<u>1,000,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>			
As at 31 March 2010	0.05	367,457,870	18,373
Issue of Shares upon exercise of share options	0.05	59,226	3
Issue of Shares upon exercise of the warrants	0.05	295,957	15
Placing of new Shares	0.05	<u>73,000,000</u>	<u>3,650</u>
As at the Latest Practicable Date	0.05	<u>440,813,053</u>	<u>22,041</u>

(b) *Share capital immediately following completion of the Open Offer assuming full exercise of the Outstanding Warrants*

	Nominal value per share HK\$	Number of shares	Amount HK\$'000
<i>Authorised</i>			
As at the Latest Practicable Date	0.05	1,000,000,000	50,000
Increase in authorised capital	0.05	<u>2,000,000,000</u>	<u>100,000</u>
		3,000,000,000	150,000
Share Consolidation	0.25	<u>(2,400,000,000)</u>	<u>—</u>
		<u>600,000,000</u>	<u>150,000</u>
<i>Issued and fully paid:</i>			
As at the Latest Practicable Date	0.05	440,813,053	22,041
Shares to be issued upon full exercised of the Outstanding Warrants	0.05	<u>9,961,969</u>	<u>498</u>
		450,775,022	22,539
Share Consolidation	0.25	<u>(360,620,019)</u>	<u>—</u>
		90,155,003	25,539
Offer Shares to be issued pursuant to the Open Offer	0.25	<u>360,620,012</u>	<u>90,155</u>
Consolidated Shares upon completion of the Open Offer	0.25	<u>450,775,015</u>	<u>112,694</u>

All the issued Shares rank pari passu with each other in all respects including the right to vote, dividends and return of capital. The Offer Shares, when issued and fully paid, will rank pari passu in all respects with the Consolidated Shares upon completion of the Share Consolidation.

Options

The Company adopted a share option scheme on 16 December 2004. The options granted under the aforesaid share option scheme are exercisable within a period up to 15 December 2013 and subject to a vesting period. As at the Latest Practicable Date and during the Relevant Period, there was no outstanding option.

Warrants

On 3 August 2009, the Company issued warrants to the Shareholders by way of capitalisation issue which entitle the holders thereof to subscribe, at any time between the date of issue of the warrants and the date immediately preceding the date falling on the second anniversary of the date of issue of the warrants (both dates inclusive), for new shares of the Company at an initial subscription price of HK\$0.10. As at the Latest Practicable Date, there were outstanding warrants which entitle the holders thereof to subscribe for an aggregate of 9,961,969 Shares at the existing adjusted exercise price of HK\$0.45 per Share.

Save as disclosed above, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICE

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day of each calendar month (if the Shares was suspended, the trading day immediately prior to the trading suspension) during the Relevant Period; and (iii) the Latest Practicable Date.

Date	Share Prices
30 September 2010	0.570
29 October 2010	0.410
30 November 2010	0.450
31 December 2010	0.420
31 January 2011	0.385
28 February 2011	0.320
25 March 2011 (Last Trading Day)	0.300
31 March 2011	0.320
Latest Practicable Date	0.300

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.570 on 30 September 2010 and HK\$0.285 on 18 April 2011 respectively.

4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Number of Shares		Number of underlying Shares		Total number of Shares	% of Shares in issue
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Director:						
Ms. Lo	—	203,266,790 (Note 1)	—	—	203,266,790	46.11%

Notes:

- 203,266,790 Shares were held by Maxx Capital, which was wholly-owned by Pablos, and Pablos was wholly owned by Ms. Lo. Accordingly, Pablos and Ms. Lo were deemed by virtue of the SFO to be interested in 203,266,790 Shares held by Maxx Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions 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) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial shareholders' interest and short position in the Shares

As at the Latest Practicable Date, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have 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, were as follows:

	Number of Shares and capacity in which the Share were held		Number of underlying Shares and capacity in which the Share were held			
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation	Total number of Shares	% of Shares in issue
Substantial shareholders:						
Maxx Capital	203,266,790	—	—	—	203,266,790	46.11%
Pablos	—	203,266,790	—	—	203,266,790	46.11%

Note: 203,266,790 Shares were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly owned by Ms. Lo. Accordingly, Pablos and Ms. Lo were deemed by virtue of the SFO to be interested in 203,266,790 Shares held by Maxx Capital. Ms. Lo is a director of each of Maxx Capital and Pablos.

Other persons who are required to disclose their interests

Save as disclosed above, the Directors are not aware of other person who, as at the Latest Practicable Date, 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.

5. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) The Underwriter held 203,266,790 Shares (representing approximately 46.11% of the issued share capital of the Company). Save for this, the Underwriter and parties acting in concert with it were not interested in any shares, convertible securities, warrants, options or derivatives of the Company;
- (b) Save for the Underwriting Agreement, there was no other agreement or arrangement to which the Underwriter was a party which related to the circumstances in which it might or might not invoke or seek to invoke a precondition or a condition to the Open Offer other than those mentioned in the section headed “Conditions of the Open Offer” or the Whitewash Waiver;
- (c) Save as disclosed under the section “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES” of this Appendix III, none of the members of the Concert Party Group owned or controlled any shares, convertible securities, warrants, options or derivatives of the Company;

- (d) Save for the indirect shareholding interest of Ms. Lo in the Company, none of the directors of the Underwriter owned, controlled or dealt with any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (e) Save for the irrevocable undertakings given by the Underwriter to take up its assured entitlements pursuant to the Open Offer, none of the members of the Concert Party Group had received an irrevocable commitment to accept or reject the Open Offer and to vote for or against the Whitewash Waiver;
- (f) None of the members of the Concert Party Group had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (g) There was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any members of the Concert Party Group and any other person;
- (h) Save for the undertakings given by the Underwriter in respect of its taking up of its entitlements under the Open Offer and the Irrevocable Undertakings from Ms. Lo, details of which were disclosed on page 21 of this circular under the section headed under “THE UNDERWRITING ARRANGEMENT AND UNDERTAKINGS”, no agreement, arrangement or understanding (including any compensation arrangement) existed between any members of the Concert Party Group, including Ms. Lo, and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Open Offer and the Whitewash Waiver;
- (i) The Company was not interested in the shares, convertible securities, warrants, options or derivatives of the Underwriter and had not during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Underwriter;
- (j) Ms. Lo, an executive Director, through the Underwriter, held 203,266,790 Shares. Save as aforesaid, none of the Directors was interested in or had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company. Save that Ms. Lo, an executive Director, is the ultimate beneficial owner of the Underwriter through Pablos, none of the Directors was interested in or had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Underwriter;
- (k) None of the subsidiaries of the Company, any pension fund of the Company or any of its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of associate in the Takeovers Code (excluding exempt principal traders) was interested in or had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company;

- (l) None of the directors of the Underwriter, the Underwriter and parties acting in concert with it had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company;
- (m) Save as disclosed under the section “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES” on page 151 of this Appendix III, none of the directors of the Underwriter was interested in any shares, convertible securities, warrants, options or derivatives of the Company;
- (n) No person that had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code was interested in or had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company;
- (o) No fund managers (other than exempt fund managers) managing funds on a discretionary basis which are connected with the Company was interested in or had during the Relevant Period dealt for value in the shares, convertible securities, warrants, options or derivatives of the Company;
- (p) The Underwriter, of which its ultimate beneficial owner and one of the directors is Ms. Lo, who is an executive Director, had irrevocably undertaken to take up its assured entitlement pursuant to the Open Offer. The Underwriter and parties acting in concert with it shall abstain from voting at EGM in respect of the Open Offer and the Whitewash Waiver. Save for this, as at the Latest Practicable Date, no Director had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Open Offer and/or the Whitewash Waiver;
- (q) None of the Company nor any Directors had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Company;
- (r) No benefit will be or has been given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Open Offer and/or the Whitewash Waiver;
- (s) There was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Open Offer and the Whitewash Waiver or otherwise connected with the Open Offer and the Whitewash Waiver;
- (t) Save that the Underwriter has undertaken to place down its shareholding interest in the Company to Independent Third Parties in order to comply with public float requirement under the GEM Listing Rules, as at the Latest Practicable Date, the

securities to be acquired by the Underwriter, Ms. Lo and parties acting in concert with any of them in pursuance of the Open Offer will not be transferred, charged or pledged to any other persons;

- (u) There was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any member of the Concert Party Group and which might be material to the Open Offer; and
- (v) Save for the Underwriting Agreement, there was no material contract entered into by the Underwriter in which a Director had a material personal interest.

6. DIRECTORS' SERVICES CONTRACTS

- (a) On 13 September 2010, each of Mr. Siu Siu Ling, Robert ("Mr. Siu") and Mr. Wong Wai Kin ("Mr. Wong"), entered into a letter of appointment with the Company pursuant to which each of Mr. Siu and Mr. Wong were appointed as an independent non-executive Director effective from 13 September 2010 for a term of one year and expiring on 12 September 2011 at a fixed director's fee of HK\$60,000 per annum. In addition, the Company may, at its sole discretion, grant Mr. Siu and Mr. Wong options to subscribe for shares of the Company. Save for the said letter of appointment, no earlier contract have been entered into between the Company and Mr. Siu and Mr. Wong.
- (b) On 15 October 2010, Mr. Lum Chor Wah, Richard ("Mr. Lum") entered into a letter of appointment with the Company pursuant to which Mr. Lum was appointed as an executive Director and chief executive officer effective from 30 September 2010 for a term of one year and expiring on 29 September 2011 at a fixed director's fee of HK\$60,000 per annum. In addition, the Company, may at its sole discretion, grant Mr. Lum options to subscribe for shares of the Company. Save for the said letter of appointment, no earlier contract have been entered into between the Company and Mr. Lum.
- (c) The Company has also entered into a service agreement on 23 February 2011 with Ms. Lo, for a term of two years commencing on 1 February 2011 which shall continue thereafter until terminated by either party giving to the other not less than three months' written notice, subject to retirement by rotation and re-election at general meeting of the Company in accordance with the articles of association of the Company.

Under the service agreement, Ms. Lo is entitled to a monthly salary of HK\$300,000. In addition, the Company may, at its sole discretion, (i) pay Ms. Lo additional bonus at the end of each financial year depending on her performance and the overall business conditions of the Group; and (ii) grant Ms. Lo options to subscribe for shares in one or more companies within the Group. Save for the said letter of appointment, no earlier contract have been entered into between the Company and Ms. Lo.

- (d) On 9 March 2011, Mr. Leung Chi Hung (“Mr. Leung”) entered into a letter of appointment with the Company pursuant to which Mr. Leung was appointed as an independent non-executive Director effective from 23 February 2011 for a term of one year and expiring on 22 February 2012 at a fixed director’s fee of HK\$60,000 per annum. In addition, the Company, may at its sole discretion, grant Mr. Leung options to subscribe for shares of the Company. Save for the said letter of appointment, no earlier contract have been entered into between the Company and Mr. Leung.

Save as disclosed above, there is no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is fixed term contract with more than 12 months to run irrespective of the notice period.

7. DIRECTORS’ INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

8. DIRECTORS’ INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in this Appendix III, no contract or arrangement in which any of the Directors is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

Save as disclosed in this Appendix III, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2010 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. LITIGATION

During the year ended 31 March 2008, three libel actions were brought by a company, Mongolia Energy Corporation Limited and an individual, Mr. Lo Lin Shing, Simon (the “Plaintiffs”) against the Group in respect of the publication of words alleged to be defamatory of and concerning articles published on the Group’s website on 13 September 2007, 18 September 2007 and 14 November 2007 respectively. The Plaintiffs sought, among other things, injunctive relief and unliquidated damages. The Directors are of the opinion that the Group has a meritorious defence against such claims and therefore filed defence on 13 November 2007 and 9 April 2008 against all three liberal actions consecutively. No

further steps have been taken by the Plaintiffs since the filing of the defence and accordingly, the Directors are of the opinion that these claims would not have any material adverse effect on the Group.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. EXPERTS AND CONSENT

The following are the qualifications of the experts whose letters and reports are contained in this circular:

Name	Qualification
Altus Capital Limited ("Altus Capital")	a licensed corporation for Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
HLB Hodgson Impey Cheng ("HLB")	Chartered Accountants Certified Public Accountants

Each of Altus Capital and HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Altus Capital and HLB did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital and HLB did not have any direct or indirect interest in any assets which have been, since 31 March 2010 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

Within the two years immediately preceding the date of the Announcement, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which are or may be material:

- (a) the underwriting agreement dated 29 April 2009 entered into between the Company and Opulent Oriental International Limited ("Opulent") in relation to the First Open Offer;

- (b) the irrevocable undertakings dated 29 April 2009 given by Dr. Yu Gang, George (“Dr. Yu”) to Opulent and the Company in relation to the First Open Offer;
- (c) the underwriting agreement dated 22 September 2009 entered into between the Company and Opulent in relation to the Second Open Offer;
- (d) the irrevocable undertakings dated 22 September 2009 given by Dr. Yu to Opulent and the Company in relation to the Second Open Offer;
- (e) the memorandum of understanding dated 26 January 2010 entered into between the Company and 深圳市瓦爾雷思科技開發有限公司 (Shenzhen Wireless Technology Development Co., Ltd*) in relation to the proposed acquisition of the entire equity interests in 深圳市瓦爾雷思科技開發有限公司 (Shenzhen Wireless Technology Development Co., Ltd*) for a consideration of HK\$220 million;
- (f) the sale and purchase agreement dated 11 February 2010 entered into between Wong Kin Man, Iso Masahito and Hanai Mitsuru as vendors and the Company as purchaser in respect of the acquisition by the Company of the entire issued share capital of Fukoku Investment (Asia) Limited for an aggregate consideration of approximately HK\$10,245,000;
- (g) the supplemental memorandum of understanding dated 16 April 2010 entered into between the Company and 深圳市瓦爾雷思科技開發有限公司 (Shenzhen Wireless Technology Development Co., Ltd*) in relation to the proposed acquisition of the entire equity interests in 深圳市瓦爾雷思科技開發有限公司 (Shenzhen Wireless Technology Development Co., Ltd*) for a consideration of HK\$220 million;
- (h) the placing agreement dated 29 September 2010 between the Company and Pacific Foundation Securities Limited in respect of placing of 73,000,000 new Shares;
- (i) the sale and purchase agreement dated 28 February 2011 between the Company and Joint Success Top Rich Limited in relation to the disposal of the entire holding of equity interest in China Game & Digital Entertainment Limited by the Group for a cash consideration of HK\$435,000;
- (j) the conditional sale and purchase agreement dated 21 March 2011 between Opulent, Dr. Yu and Finet Asset Management Limited, a wholly-owned subsidiary of the Company in relation to the proposed acquisition of the entire issued share capital of China Capital Management Limited by the Group for a cash consideration of HK\$3,100,000;
- (k) the Underwriting Agreement;
- (l) the irrevocable undertaking dated 25 March 2011 given by Ms. Lo to the Company in respect of the Open Offer;

- (m) the irrevocable undertaking dated 25 March 2011 given by Ms. Lo to the Company and the Underwriter in respect of the Open Offer; and
- (n) the irrevocable undertaking dated 25 March 2011 given by the Underwriter to the Company in respect of the Open Offer.

** for identification proposes only*

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any business day from the date of this circular up to and including the date of the EGM during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, and will also be available on the websites of the Company at www.finet.hk and the SFC at <http://www.sfc.hk>:

- (a) the memorandum and articles of association of each of the Company and the Underwriter;
- (b) the annual report of the Company for the two financial years ended 31 March 2010;
- (c) the interim report of the Company for the six months ended 30 September 2010;
- (d) the quarterly reports of the Company for the three months ended 30 June 2010 and for the nine months ended 31 December 2010;
- (e) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this Appendix III;
- (f) the service contracts referred to under the paragraph headed “DIRECTORS’ SERVICE CONTRACTS” in this Appendix III;
- (g) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules since 31 March 2010 (being the date to which the latest published audited consolidated financial statements of the Company was made);
- (h) the letter from the Board, the text of which is set out on pages 11 to 37 of this circular;
- (i) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 38 of this circular;
- (j) the letter of advice from Altus Capital, the text of which is set out on pages 39 to 57 of this circular;

- (k) the letter from HLB in respect of the unaudited pro-forma financial information on the Group referred to Appendix II of this circular;
- (l) the consent letters from Altus Capital and HLB referred to the section headed “EXPERTS AND CONSENT” in this Appendix III.

13. PARTICULARS OF DIRECTORS

Executive Directors

Ms. Lo Yuk Yee (“Ms. Lo”)

Ms. Lo, aged 51, is an experienced investor in cutting-edge technology and venture capital in the past 20 years, her experience covers a broad range of industries crossing biotechnology, internet business, and finance field in the People’s Republic of China, United States of America and Hong Kong. Ms. Lo also worked in the banking, insurance and finance fields before she became an entrepreneur. She was the chief executive officer and chairman of a listed company in Hong Kong between 2002 and 2006.

Mr. Lum Chor Wah, Richard (“Mr. Lum”)

Mr. Lum, aged 51, has over 20 years of experience in the investment management, corporate finance and investment advisory fields including the provision of advice in relation to group restructuring and fund raising. During the period from 2004 to 2008, he was an executive director of Teem Foundation Group Limited (now renamed as Dore Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 628). During his various engagements, he was in charge of investment and corporate finance activities, including merger and acquisition, fund raising, portfolio management, direct investments and corporate strategic planning. Mr. Lum possesses further corporate finance and venture capital experience, through his provision of investment advisory services to clients. Prior to joining the corporate world, Mr. Lum was an experienced banker and had held a senior position in Banque Nationale de Paris. Mr. Lum holds a Master’s degree in Law (Chinese Law) from The Renmin University of China, a Master’s degree in Business Administration from The Chinese University of Hong Kong and a Bachelor’s degree in Science from The University of Hong Kong. He is a member of the Society of Registered Financial Planners in Hong Kong, a registered member of the Financial Planner in the People’s Republic of China, a fellow member of the Hong Kong Institute of Directors, an associate member of Institute of Financial Accountants, United Kingdom and an associate member of the Certified Risk Planner.

Mr. Chow Wing Chau (“Mr. Chow”)

Mr. Chow, aged 45, is a director of CFD Associates Limited since May 2006. He has more than 15 years of experience on financial control, company secretary, enterprise risk management and fund raising activities. Since 1995, Mr. Chow has held various senior finance and management positions with public companies and private

companies in Hong Kong. He graduated with Bachelor of Economics degree from Macquarie University in Australia and is a member of Hong Kong Institute of Certified Public Accountants and is a member of CPA Australia.

Mr. Yiu Wing Hei (“Mr. Yiu”)

Mr. Yiu, aged 31, graduated with a Bachelor degree majoring in Economics and Finance from the University of Hong Kong. He has vast experience in securities trading in Asia and asset management. Mr. Yiu has over 5 years of experience in development of mining projects in Asia, such as Indonesia and the Philippines. He is currently responsible for commodity trading mainly in heavy metal and rare commodities.

Independent non-executive Directors

Mr. Wong Wai Kin (“Mr. Wong”)

Mr. Wong, aged 52, is a practicing certified public accountant and a proprietor of a public accounting firm in Hong Kong. Mr. Wong holds a Diploma in Accounting and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 28 years of professional and commercial experience in accounting, auditing, taxation and corporate finance.

Mr. Siu Siu Ling, Robert (“Mr. Siu”)

Mr. Siu, aged 58, is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is now an independent non-executive director of Incutech Investments Limited which is listed on the Main Board of the Stock Exchange (stock code: 356) and Kaisun Energy Group Limited which is listed on GEM (stock code: 8203). Mr. Siu holds a bachelor degree in law and a postgraduate certificate in law from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. Mr. Siu’s legal practice is mainly in the field of commercial and corporate finance.

Mr. Leung Chi Hung (“Mr. Leung”)

Mr. Leung, aged 55, has commenced his accountancy professional training since 1976 and is a member of certain international accountancy bodies. Mr. Leung is also a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited, Certified Public Accountants (Practising). He is an independent non-executive director of Daido Group Limited (stock code: 544) and Temujin International Investments Limited (stock code: 204). He was an independent non-executive director of Dore Holdings Limited (stock code: 628) from 17 April 2002 to 1 June 2010.

14. CORPORATE INFORMATION

Head office and principle place of business in Hong Kong	Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Independent financial adviser	Altus Capital Limited 8/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong
Underwriter	Maxx Capital International Limited Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
Legal advisers	<i>On Hong Kong law</i> Robertsons Solicitors & Notaries 57/F, The Centre, 99 Queen's Road Central, Hong Kong <i>On Cayman Islands law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central, Hong Kong
Auditors	HLB Hodgson Impey Cheng <i>Chartered Accountants</i> <i>Certified Public Accountants</i> 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong

Principal banker	The Hongkong and Shanghai Banking Corporation Limited Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong
Share registrars and transfer office	<i>Principal share registrar</i> Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street, P.O. Box 705 Grand Cayman KY1-1107 Cayman Islands <i>Hong Kong branch share registrar</i> Computershare Hong Kong Investor Services Limited Rooms 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised representatives	Ms. LO Yuk Yee Mr. WONG Ka Man
Company secretary	Mr. WONG Ka Man <i>FCCA</i>
Underwriter	Maxx Capital International Limited Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

Concert party group

Pablos International Limited
Room C, 11th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

Maxx Capital International Limited
Room C, 11th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

Ms. LO Yuk Yee
Room C, 11th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

Financial adviser

Wallbanck Brothers
Securities (Hong Kong) Limited
Room 2601, Tower 2, Lippo Centre,
89 Queensway, Central,
Hong Kong



財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Finet Group Limited (the “**Company**”) will be held at Room C, 11th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on Thursday, 19 May 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary and special resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be increased from HK\$50,000,000, divided into 1,000,000,000 shares of HK\$0.05 each (the “**Share(s)**”) to HK\$150,000,000 divided into 3,000,000,000 Shares of HK\$0.05 each by the creation of an additional 2,000,000,000 Shares of HK\$0.05 each with effect from the date of the passing of this resolution.”
2. “**THAT** subject to the GEM Listing Committee of the GEM Board of The Stock Exchange of Hong Kong Limited (“**GEM Listing Committee**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) and with effect from 9:30 a.m. on the business day (not being a Saturday) immediately following the day on which this resolution is passed, every five Shares of HK\$0.05 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of HK\$0.25 each (the “**Consolidated Share(s)**”) and the directors of the Company (the “**Directors**”) be authorised to aggregate any fractional Consolidated Shares and sell them for the benefit of the Company and otherwise deal with fractional Consolidated Shares in accordance with the articles of association of the Company.”
3. “**THAT** subject to and conditional upon (i) the passing of resolutions numbered 1 and 2 above; (ii) the GEM Listing Committee granting or agreeing to grant (subject to allotment), the listing of, and permission to deal in the Offer Shares (as defined below) in their fully-paid forms to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Open Offer (as defined below); (iii) the filing with and registration by the respective Registrars of Companies in Hong Kong and the Cayman Islands of all documents relating to the Open Offer as required by applicable law; and (iv) the obligations of Maxx Capital International Limited (the “**Underwriter**”) under the underwriting agreement dated 25 March 2011 (the “**Underwriting Agreement**”) made between the Company and the Underwriter, a copy of which has been produced to this meeting marked “A” and initialled by the

NOTICE OF EGM

chairperson of this meeting for the purpose of identification, becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise:

- (a) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and is hereby approved;
- (b) the issue by way of open offer of not less than 352,650,440 Consolidated Shares and not more than 360,620,012 Consolidated Shares (the “**Offer Shares**”) at a price of HK\$0.25 per Offer Share on the basis of four Offer Shares for every one Consolidated Share of the Company held on the Record Date (as defined below) to the Shareholders whose names appear on the register of members of the Company at the close of business on 19 May 2011 (or such other date as the Company and the Underwriting may agree) (the “**Record Date**”) (the “**Open Offer**”) other than those Shareholders (the “**Non-Qualifying Shareholders**”) whose registered addresses as shown on the register of members of the Company are outside Hong Kong and whom the Directors, after making relevant enquiry, consider it necessary or expedient not to offer the Offer Shares to them on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and on the terms and conditions as set out in the circular of the Company dated 26 April 2011 (the “**Circular**”) despatched to the Shareholders containing the notice convening this meeting, a copy of the Circular has been produced to this meeting marked “B” and initialled by the chairperson of this meeting for the purpose of identification, be and is hereby approved;
- (c) the absence of excess application for the Offer Shares not validly applied for by the Qualifying Shareholders other than the Non-Qualifying Shareholders under the Open Offer and the Underwriting Agreement as the alternative arrangement in respect of the untaken Offer Shares under the Open Offer be and are hereby approved, confirmed and ratified;
- (d) the conditional waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Future Commission to the Underwriter to dispense with the obligations of the Underwriter under the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) to make a mandatory offer for all the securities of the Company not already owned or agreed to be acquired by the Underwriter which may otherwise arise as a result of the Underwriter taking up of the Offer Shares in accordance with the Underwriting Agreement be and is hereby approved;
- (e) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to

NOTICE OF EGM

make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may, at their absolute discretion, deem necessary, desirable or expedient;

- (f) the performance of all transactions contemplated under the Open Offer be and are hereby approved, confirmed and ratified; and
- (g) the Directors be and are hereby authorised to do all acts, deeds and things and to sign and execute all documents as they may, in their absolute discretion, deem necessary, desirable or expedient to carry out or to give effect to the Open Offer and any or all transactions contemplated in this resolution.”

SPECIAL RESOLUTIONS

4. “THAT

- (a) the memorandum of association of the Company be and is hereby amended to permit the Company to discontinue by de-registration as a company under the laws of the Cayman Islands by the inclusion of the following new paragraph 9:

“9. Subject to the Companies Law, as amended from time to time, of the Cayman Islands and the articles of association, the Company shall have the power to de-register in the Cayman Islands and to register by way of continuance as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands.”

- (b) the articles of association of the Company be and are hereby amended by the addition of the following new Article 170:

“TRANSFER BY WAY OF CONTINUATION

170. The Company may, by special resolution, resolve to de-register the Company from the Cayman Islands and to transfer and continue the Company as a body corporate to, and under the laws of, a country or jurisdiction outside the Cayman Islands which permits or does not prohibit the transfer of the Company pursuant to the Law.”

5. “THAT

- (a) pursuant to Article 170 of the articles of association of the Company, the change of domicile of the Company from the Cayman Islands to Bermuda by way of continuation of the Company into Bermuda as an exempted company under the laws of Bermuda and de-registration as a company in the Cayman Islands under the laws of the Cayman Islands (collectively, the “**Change of Domicile**”) be and is hereby approved and that the Directors be and are hereby authorised to do all acts, deeds and things and to sign and execute all documents as they may, in their absolute discretion, deem necessary, desirable, or expedient to implement and give effect to the Change of Domicile;

NOTICE OF EGM

- (b) the draft memorandum of continuance of the Company in the form made available for inspection by shareholders of the Company prior to this meeting, a copy of which has been produced to this meeting marked “C” and initialled by the chairperson of this meeting for the purpose of identification, be and is hereby adopted in substitution for the memorandum of association of the Company, effective from the date that the new memorandum of continuance of the Company is approved and registered by the Registrar of Companies in Bermuda;
 - (c) conditional upon the continuation of the Company into Bermuda as an exempted company under the laws of Bermuda, the draft bye-laws of the Company in the form made available for inspection by shareholders of the Company prior to this meeting, a copy of which has been produced to this meeting marked “D” and initialled by the chairperson of this meeting for the purpose of identification, be and are hereby adopted as the bye-laws of the Company in substitution for the Company’s existing articles of association, effective from the date the memorandum of continuance of the Company is approved and registered by the Registrar of Companies in Bermuda; and
 - (d) the Directors be and are hereby authorised to do all acts, deeds and things and to sign and execute all documents as they may, in their absolute discretion, deem necessary, desirable, or expedient to implement or give effect to the Change of Domicile.”
6. “**THAT** subject to the passing of resolutions numbered 1, 2, 4 and 5 as set out in the notice convening this meeting and conditional upon (i) the Change of Domicile (as defined in resolution numbered 5 above) becoming effective; (ii) the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Adjusted Shares (as defined below) arising from the Capital Reduction (as defined below); (iii) the compliance by the Company with the relevant legal procedures and requirements under the Companies Act 1981 of Bermuda and the Rules Governing the Listing of Securities on GEM made by the Stock Exchange of Hong Kong Limited to effect the Capital Reduction; and (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Change of Domicile and the Capital Reduction:
- (a) the paid-up capital of each issued Consolidated Share be reduced from HK\$0.25 to HK\$0.01 by cancelling HK\$0.24 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share be reduced from HK\$0.25 to HK\$0.01 so as to form a new share with nominal value of HK\$0.01 each (the “**Adjusted Share**”) (the “**Capital Reduction**”);
 - (b) each of the authorised but unissued Consolidated Shares of HK\$0.25 each, including the authorised unissued shares of HK\$0.25 each resulting arising out of the Capital Reduction, be sub-divided into 25 new Adjusted Shares of HK\$0.01 each (such that the authorised share capital of the Company become HK\$150,000,000 divided into 15,000,000,000 Adjusted Shares of HK\$0.01 each);

NOTICE OF EGM

- (c) the credit arising from the Capital Reduction be applied to set off against the accumulated losses of the Company and the balance (if any) be transferred to the contributed surplus account of the Company and the Directors be and are hereby authorised to apply the amount in the contributed surplus account in any manner permitted by the laws of Bermuda and the bye-laws of the Company; and
- (d) the Directors be and are hereby authorised to do all acts, deeds and things and to sign and to affix the common seal in accordance with the bye-laws of the Company on all documents as they may, in their absolute discretion, deem necessary, desirable or expedient to give effect and implement this resolution.”

By Order of the Board
Finet Group Limited
Lo Yuk Yee
Chairman

Hong Kong, 26 April 2011

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:

Room C, 11th Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai,
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy needs not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.

NOTICE OF EGM

5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.