



Finet Group Limited

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2004/2005



Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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Finet Group Limited with its subsidiaries (the “Group”) is a foremost financial services provider in Greater China specializing in the provision of integrated information solutions to global Chinese investors. We propel the financial growth of institutions and individuals with our unique capacity to interconnect comprehensive financial information, advanced technologies and value-added services. Through the origination, aggregation and integration of cross-market news, data, analyses and analytical tools in Chinese, we mobilize Chinese investors across the world to access and capitalize on world financial markets, including the securities markets in Greater China and the United States of America (“U.S.”), foreign exchange (“Forex”), commodities and fixed-income markets.

Founded in 1998 and listed on GEM of the Stock Exchange, the Group is woven into the daily fabrics of investment activities. Our customized information solutions are selected by leading banks, brokerages, research institutions and media to drive trading and investment decisions of their customers. Our revolutionary information terminal, Finet PowerStation, converges content, technology and service on a groundbreaking information platform, empowering institutional and individual investors to stay ahead of the market just at a click. Through e-finet.com, our award-winning financial website that tops domestic traffic ranking, we provide a suite of web-based products (“Web Products”) that fundamentally simplify investment processes of retail investors with a comprehensive resource of reliable and affordable investment tools.

Headquartered in Hong Kong, the Group has made inroads into the PRC market through its Shenzhen office and strategic partners in the PRC. The Group extends the global reach via a network of international distribution platforms and business partners. Among the Group’s shareholders are reputable and respectable organizations from across the world, they include T&C Group in Japan, United Business Media/PR Newswire, Reader’s Digest and GE Equity in the U.S. and Europe.

Vision

‘ *Our vision is to be the leading provider of integrated financial services and information solutions in Greater China.* ’

Mission Statement

‘ *Our mission is to provide the best financial services that bring values to global Chinese in pursuit of market intelligence, knowledge and wealth creation.* ’

BOARD OF DIRECTORS

Executive Directors

Dr. Yu Gang, George (*Chairman*)

Mr. Au Siu Lun, Allen

Non-Executive Directors

Dr. Kwan Pun Fong, Vincent

Independent Non-Executive Directors

Mr. Ng Ching Wo

Dr. Lam Lee G.

Mr. Wu Tak Lung

COMPLIANCE OFFICER

Dr. Yu Gang, George

QUALIFIED ACCOUNTANT

Mr. Tsang Kwok Wai, Simon
CPA, FCCA

COMPANY SECRETARY

Mr. Tsang Kwok Wai, Simon
CPA, FCCA

AUTHORIZED REPRESENTATIVES

Mr. Au Siu Lun, Allen

Mr. Tsang Kwok Wai, Simon

AUDIT COMMITTEE

Mr. Wu Tak Lung (*Chairman*)

Mr. Ng Ching Wo

Dr. Lam Lee G.

AUDITORS

Grant Thornton

Certified Public Accountants

REGISTERED OFFICE

Century Yard

Cricket Square

Hutchins Drive

PO Box 2681 GT

George Town

Grand Cayman

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 505-506, 5th Floor, Low Block,

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

COMPANY WEBSITES

www.e-finet.com

www.finet.com.hk

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

8317

FINANCIAL CALENDAR

Listing Date	7th January, 2005
Third Quarterly Report 2004 Announced	14th February, 2005
Annual Results 2004/2005 Announced	21st June, 2005
Annual General Meeting	29th July, 2005 by 4:00 p.m.

INFORMATION FOR INVESTORS

Company Name	Finet Group Limited (財華社集團有限公司) (“the Company”)
Traded	GEM of the Stock Exchange
Stock Code	8317
Registrars	<i>Principal share registrar and transfer office</i> Butterfield Bank (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies <i>Hong Kong branch share registrar and transfer office</i> Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre 183 Queen’s Road East Hong Kong
Listing Date/Price	7th January, 2005/HK\$0.25
Financial Year End	31st March
Trading Currency	HKD
Authorized Shares	1,000,000,000
Issued Shares	493,840,000
Par Value	HK\$0.01
Board Lot Size (in number of shares)	10,000
Investor Relations Contact	Ms. Siu Wing Kei, Queenie Director of Marketing and Corporate Communications Tel: (852) 2153-7220 Fax: (852) 2110-0186 Email: ir@finet.com.hk

OPERATING RESULTS AND FINANCIAL POSITION

	Year ended 31st March,	
	2005 HK\$'000	2004 HK\$'000
Operating Results		
Turnover	21,714	18,962
General and administrative expenses	14,052	11,463
Net profit attributable to shareholders	1,455	1,655
EBITDA	2,762	2,866

	As at 31st March,	
	2005 HK\$'000	2004 HK\$'000
Financial Position		
Net current assets	24,108	1,595
Total assets	28,257	7,562
Total liabilities	1,603	3,503
Shareholders' equity	26,654	4,059

	Year ended 31st March,	
	2005	2004
Earnings Per Share		
Basic (cents)	0.4	0.4*
Diluted (cents)	0.3	N/A

* Restated

WE ARE GEARED UP FOR GROWTH

We make a successful IPO

The Company's shares have been listed on GEM of the Stock Exchange since 7th January, 2005.



We roll out better products and enriched contents



The Group launches the second generation of Finet PowerStation, which is built on Microsoft .NET technology to elevate user experience with greater speed and reliability as well as more powerful functionalities. The Group also introduces new offerings in its Web Products.

Through creating and sourcing more premium contents, the Group strengthens the information and market data in the securities, Forex, commodities, energy, and fixed-income markets.



We prepare for PRC market opportunities

The Group embarks on full-scale operations in the PRC following the establishment of the wholly-owned subsidiary in Shenzhen, the PRC, in January 2004. The workforce stands at 24 full-time employees as of 31st March, 2005 and ongoing expansion is taking place.

We gain broader exposure...

The Group constantly works with leading media in Hong Kong and the PRC to facilitate product promotions and brand building.



... and draw more attention



The Group's website, www.e-finet.com, captures millions of page views each month by users from every corner of the world.

WE ARE GEARED UP FOR GROWTH

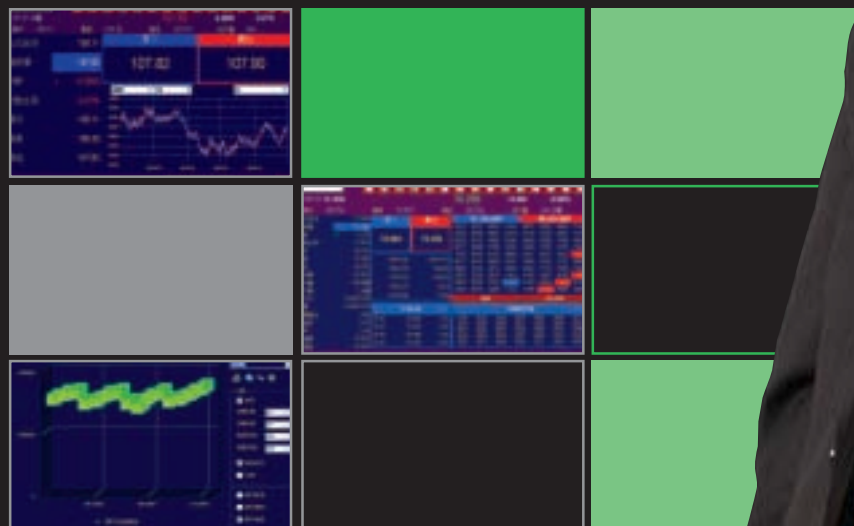
The year 2004 witnessed a robust economic performance around the globe, even more so in Greater China. China's CEPA initiatives boosted investment sentiment in Hong Kong and Macau, while the PRC's own strong economic growth led to an influx of liquidity into the region in anticipation of Renminbi appreciation. By capitalizing on the stronger fundamentals and improving business development efforts, in the 2004/2005 financial year the Group enjoyed continued success and healthy growth in its sixth year in business, and in particular on 7th January, 2005, achieved the milestone of becoming the first company listed on GEM of the Stock Exchange in year 2005. Following that, I am pleased and honored to present the first annual report of the Group for the financial year ended 31st March, 2005.

BUSINESS REVIEW

The Group has established itself as one of the pioneering and leading providers of integrated financial information solutions in Greater China to incorporate multiple-market news, data, analyses and analytical tools into cutting-edge software and applications to serve financial institutions and the investment community. Since its inception, the Group has focused on content origination and aggregation as well as the development of application tools to facilitate timely delivery of professional financial information. Each year, the Group evolves into a better position financially and strategically, notwithstanding that the Group is now still a small-cap company measured both by market capitalization and business scale.

The Group focused on its core business in the 2004/2005 financial year – through providing integrated financial information solutions to banks, brokerage houses, listed companies, media and individual investors. The consolidated turnover of the Group for the financial year ended 31st March, 2005 was approximately HK\$21,714,000, representing an increase of 15% as compared to the financial year ended 31st March, 2004; while profit attributable to shareholders was HK\$1,455,000, representing a decrease of approximately 12% compared to the previous financial year, due to increased expenses related to the Group's ongoing efforts to expand the PRC market. The Group recorded a net cash inflow from operations before working capital changes of HK\$2,567,000, representing a decrease of approximately HK\$298,000 compared to the previous financial year.

Given that the Group was primarily providing financial information in Hong Kong in the past financial year, the continuing price competition and commoditization of single-market information service among Hong Kong-



based market players remained the key factor affecting the Group's results in the past financial year. However, the Group remains optimistic about the market opportunities in providing an integrated multiple-market information platform in the Chinese language to the increasingly mobile Chinese investors who demand China, Hong Kong, Taiwan, U.S., Forex and fixed-income market data, news and analyses for trading and market intelligence, particularly from the more affluent PRC investors.

The Group launched the new version of Finet PowerStation developed on the latest Microsoft .NET technology in February 2005, so as to better service financial institutions and individual investors who require speedy data retrieval and service stability. Although not yet reflected in the financial results of the 2004/2005 financial year, the debut of Finet PowerStation built on .NET has been well received by customers in Greater China. Given its uniqueness and powerful functionalities as well as the strong market demand for such a multiple-market Chinese-language financial information product, we are confident that it will help the Group achieve further business growth and market share in the region's financial information services in the years ahead.

PROSPECTS

Looking forward, the Group anticipates more demand for its products and services from the PRC financial institutions, media, listed companies and investors who will increasingly trade on multiple markets. The series of events to unfold in the next few years, namely, more Chinese companies to be listed on major stock markets around the globe, the likely launch of the qualified domestic institutional investor scheme and Renminbi appreciation or even becoming convertible, will further drive the demand for the Group's products and services, thus enhancing the Group's business growth. In order to capture the business opportunities resulting from such possible positive changes, the Group is seriously investing in IT infrastructure, human resources, research and development, and content origination and processing capabilities in the PRC and Hong Kong. By focusing on perfecting and aggressively marketing Finet PowerStation, we aim to be the No. 1 financial information provider for global Chinese investors, particularly for the massive PRC investors.

The Group will enhance the efforts to create long-term values for our shareholders. Besides continuing to improve the Group's results from existing sales channels, the Group will also explore more business opportunities by expanding into new markets such as Japan, Taiwan and Singapore and develop new distribution channels and other value-added products and services such as wireless Internet services to capture the business opportunities in the PRC. In addition, the commitment by the PRC government to continuing the deregulations of financial services, financial media and foreign investment in the Internet and wireless sectors offer exciting business opportunities to the Group's expansion in the PRC. Although some intrinsic risk remains, tremendous market potentials in the PRC warrants the Group to invest more in the PRC for long-term returns.

Following the listing of the Company on GEM of the Stock Exchange in January 2005, the Group will implement a number of measures to improve its corporate governance standards including internal control and compliance with listing rules, and to make sure the Group places high regard for the ethics and integrity of its employees, to the shareholders and the public.

In closing, I am very pleased to see the Group has established itself as one of the industry leaders in Greater China, forging partnerships with prestigious companies, and serving a number of blue-chip customers in the region. In particular, the Group remained profitable in the past three years with revenue growth on a quarterly basis. Even though the management team has been fully committed to achieving the Group's business objectives, the current scale of our business remains a lot to be desired, and the management team is certainly required to achieve better results through improving management efficiency and effectiveness in all aspects to meet customers' evolving needs. Nevertheless, I would like to express my sincere thanks for the unrelenting efforts by the management team as well as for the trust and support by all our shareholders and strategic partners. I have no doubt that with the talented management team and the Group's solid business franchise, the Group is sufficiently geared up for the next stage of growth.

FINANCIAL REVIEW

Turnover of the Group for the year ended 31st March, 2005 was approximately HK\$21,714,000 (2004: HK\$18,962,000), which represented an increase of approximately 15% as compared to the previous financial year. Turnover from Finet Information Technology Solutions ("FITS"), Finet PowerStation, Finet Web Products and Advertising increased by approximately 10%, 66%, 42%, and 6% compared to the previous financial year, respectively. Turnover of the Group continued to experience steady growth during the year under review.

Other revenue of the Group for the year ended 31st March, 2005 was approximately HK\$326,000 (2004: HK\$1,000), which represented mainly gain on disposal of short term investments.

Cost of sales comprises cost of financial information and other cost of sales. Cost of financial information of the Group for the year ended 31st March, 2005 was approximately HK\$5,730,000 (2004: HK\$4,555,000), representing an increase of approximately 26% as compared to the previous financial year, which was in line with the increase in the turnover of the Group. Cost of financial information represented cost payable to various stock exchanges and information providers in connection with the provision of relevant services. Other cost of sales of the Group for the year ended 31st March, 2005 was approximately HK\$264,000 (2004: HK\$690,000), representing a decrease of approximately 62% as compared to the previous financial year.

Selling expenses of the Group for the year ended 31st March, 2005 was approximately HK\$539,000 (2004: HK\$600,000), which represented a decrease of approximately 10% as compared to the previous financial year.

General and administrative expenses of the Group for the year ended 31st March, 2005 was approximately HK\$14,052,000 (2004: HK\$11,463,000), which represented an increase of approximately 23% as compared to the previous financial year. During the year ended 31st March, 2005, the Group incurred staff costs (including director's emoluments) of approximately HK\$7,396,000 (2004: HK\$5,551,000), which represented an increase of approximately 33% as compared to the previous financial year and approximately 53% (2004: 48%) of the total general and administrative expenses. The increase in staff costs resulted from workforce expansion both in Hong Kong and the PRC to develop and enhance the Group's products and services for the purposes of capturing various market opportunities.

No Hong Kong profits tax was paid for the year ended 31st March, 2005 (2004: nil) as the Group applied tax losses carried forward from prior years to offset the estimated assessable profit. No PRC profits tax was paid for the year ended 31st March, 2005 (2004: nil) for a subsidiary of the Company incorporated in the PRC as it had no assessable profits for the year ended 31st March, 2005.

The audited consolidated profit attributable to shareholders for the year ended 31st March, 2005 was approximately HK\$1,455,000 (2004: HK\$1,655,000).

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31st March,		Change
	2005 HK\$'000	2004 HK\$'000	
Net current assets	24,108	1,595	+1,411%
Total assets	28,257	7,562	+274%
Total liabilities	1,603	3,503	-54%
Total shareholders' equity	26,654	4,059	+557%
Cash and bank deposits	20,622	3,376	+511%
Debt to equity ratio	0.06x	0.86x	N/A
Gearing ratio	0.00x	0.00x	N/A

The Company's shares were successfully listed on GEM of the Stock Exchange through the placing of 115,200,000 new shares at HK\$0.25 each (the "Placing") on 7th January, 2005. Gross proceeds from the Placing received by the Company was approximately HK\$28,800,000.

As at 31st March, 2005, the net current assets of the Group increased by approximately HK\$22,513,000 to approximately HK\$24,108,000 as compared to approximately HK\$1,595,000 as at the end of the previous financial year, representing an increase of approximately 1,411%.

As of 31st March, 2005, the total shareholders' equity of the Group increased by approximately HK\$22,595,000 to approximately HK\$26,654,000 as compared to approximately HK\$4,059,000 as at the end of the previous financial year, representing an increase of approximately 557%.

As of 31st March, 2005, the cash and bank deposits of the Group increased by approximately HK\$17,246,000 to approximately HK\$20,622,000 as compared to approximately HK\$3,376,000 as at the end of the previous financial year, representing an increase of approximately 511%.

Following the successful listing of the Company's shares and continued cash inflow from operations, both of its liquidity and financial resources were substantially strengthened.

SIGNIFICANT INVESTMENT HELD

As at 31st March, 2005, the Group held short-term investment of listed shares in Hong Kong and the U.S. approximately HK\$2,163,000. Save as the aforesaid, the Group had no other significant investment held and material acquisitions and disposal of subsidiaries during the year ended 31st March, 2005.

ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group had no acquisitions and disposal of subsidiaries during the year ended 31st March, 2005.

CHARGES OF ASSETS

The Group did not have any charges on assets as at 31st March, 2005 (2004: nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As the Group's operations are principally in Hong Kong and the majority of the Group's assets and liabilities were denominated in Hong Kong dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

CONTINGENT LIABILITIES

As at 31st March, 2005, the Group had no contingent liabilities (2004: nil).

STAFF

The Group had 51 full-time employees in Hong Kong and the PRC as of 31st March, 2005. Following the establishment of the wholly-owned subsidiary in Shenzhen, the PRC, in January 2004, the Group continued to expand the workforce in the PRC and had 24 full-time employees in the PRC as of 31st March, 2005.

During the year, the Group incurred staff costs (including director's emoluments) of approximately HK\$7,396,000 (2004: HK\$5,551,000), representing approximately 53% (2004: 48%) of the total general and administrative expenses of the respective year.

DISCLOSURE UNDER CHAPTER 17 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE

The Directors confirmed that they were not aware of any circumstances which would give rise to disclosure requirement under Rules 17.15 to 17.21 of the rules governing the listing of securities on GEM of the Stock Exchange.

Comparison of Business Objectives with Actual Business Progress

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The following is a comparison of the Group's business objectives as set out in the Company's prospectus dated 31st December, 2004 to the actual business progress for the three months ended 31st March, 2005.

Business objectives	Actual Business Progress
<i>Expanding the Group's business into the PRC</i>	
<ul style="list-style-type: none"> ▪ Direct sales to promote FITS and Finet PowerStation to PRC-based customers 	<ul style="list-style-type: none"> ▪ Ongoing promotion of FITS and Finet PowerStation to PRC-based customers by direct sales, with positive responses particularly from financial institutions in the PRC
<ul style="list-style-type: none"> ▪ Promote the brand of Finet (財華社) and the Group's products and services through advertising 	<ul style="list-style-type: none"> ▪ Ongoing promotion of the brand of Finet (財華社) and the Group's products and services through advertising on leading media in Hong Kong and the PRC including 21st Century Business Herald, China Business Post, Money Weekly and Leaders
<ul style="list-style-type: none"> ▪ Continue to customize the features and functionalities of Finet PowerStation for PRC users 	<ul style="list-style-type: none"> ▪ Ongoing customization of Finet PowerStation based on PRC user preferences including financial analytical tools, company ratings/rankings models for A-Shares and B-Shares, as well as technical indicators in charting system commonly used by PRC investors
<ul style="list-style-type: none"> ▪ Continue to enhance PRC-listed company database and macroeconomic statistics and develop partnership relationship with reputable China information providers 	<ul style="list-style-type: none"> ▪ Ongoing enhancement of PRC-listed company database and related content ▪ In talks with Xinhua PR Newswire and China Business Press Release Newswire to develop partnership relationship
<ul style="list-style-type: none"> ▪ Conduct the first phase of establishment of primary data center in Shenzhen 	<ul style="list-style-type: none"> ▪ Completed the first phase of establishment of primary data center in Shenzhen to serve PRC clients
<ul style="list-style-type: none"> ▪ Solicit qualified distribution channels and agents for marketing the Group's services in the PRC 	<ul style="list-style-type: none"> ▪ Solicited C1 Energy, a premium content provider of energy information in the PRC as a strategic partner for business development
<ul style="list-style-type: none"> ▪ Expand the workforce in Shenzhen, the PRC 	<ul style="list-style-type: none"> ▪ Expanded the workforce on an ongoing basis and the number of full-time employees in Shenzhen, the PRC, grew from 13 to 24 during the year ended 31st March, 2005

Comparison of Business Objectives with Actual Business Progress

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Finet Group Limited

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Business objectives	Actual Business Progress
<i>Enhancing the Group's technology and product development capabilities and IT infrastructure</i>	
<ul style="list-style-type: none"> ▪ Strengthen and upgrade the database and data feed storage system 	<ul style="list-style-type: none"> ▪ Ongoing enhancement and upgrades of database structure and data feed storage system
<ul style="list-style-type: none"> ▪ Upgrade network and system capacity and security level 	<ul style="list-style-type: none"> ▪ Ongoing upgrades of the network and system capacity and security level including adding servers and upgrading network components
<ul style="list-style-type: none"> ▪ Conduct the first phase of establishment of primary data center in Shenzhen 	<ul style="list-style-type: none"> ▪ Completed the first phase of establishment of primary data center in Shenzhen to serve PRC clients
<ul style="list-style-type: none"> ▪ Expand the technology and product team 	<ul style="list-style-type: none"> ▪ Expanded the technology and product team by recruiting one senior IT professional
<ul style="list-style-type: none"> ▪ Enhance product development 	<ul style="list-style-type: none"> ▪ A new version of Finet PowerStation, which was built on Microsoft .NET technology, was launched in February 2005. The new version structured in better architecture was more stable, faster in speed, and of more powerful functionalities

Comparison of Business Objectives with Actual Business Progress

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Finet Group Limited

Annual Report 2004/2005

Business objectives	Actual Business Progress
<i>Enhancing the Group's content development capabilities</i>	
<ul style="list-style-type: none"> ▪ Enhance features and functionalities of Finet PowerStation 	<ul style="list-style-type: none"> ▪ Ongoing enhancement of the features and functionalities of Finet PowerStation and Finet Web Products to better address customers' needs ▪ Enhancing the development of PowerAnalyzer for Finet PowerStation ▪ Revamped the News and Content team to focus on content and news production capabilities and quality control, and to offer enhanced Hong Kong and PRC-listed company databases
<ul style="list-style-type: none"> ▪ Introduce Finet Forex Express 	<ul style="list-style-type: none"> ▪ Finet Forex Express was not introduced, pending further market research on market needs
<ul style="list-style-type: none"> ▪ Introduce new features and enhanced functionalities of Finet Web Products according to market demand 	<ul style="list-style-type: none"> ▪ Finet Web Products had been upgraded with more customized features and functionalities
<ul style="list-style-type: none"> ▪ Develop the SMS services and web business 	<ul style="list-style-type: none"> ▪ A dedicated web business team was set up to focus on growing the Group's web business including content, production and business development including opportunities in wireless Internet services
<ul style="list-style-type: none"> ▪ Solicit the U.S., PRC and Hong Kong financial information and data such as news, database, and equity market data aggregation for FITS, Finet PowerStation and the Group's website 	<ul style="list-style-type: none"> ▪ In talks with several global information providers to aggregate their content on Finet's products and services
<ul style="list-style-type: none"> ▪ Enrich the Hong Kong listed company database and news production quality 	<ul style="list-style-type: none"> ▪ Ongoing enhancement of database and news and content qualities
<ul style="list-style-type: none"> ▪ Expand the content development team by employing two additional content developers 	<ul style="list-style-type: none"> ▪ Two new hires were made for the News and Content team

Comparison of Business Objectives with Actual Business Progress

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Finet Group Limited

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Business objectives	Actual Business Progress
<i>Strengthening the Group's sales and marketing efforts</i>	
<ul style="list-style-type: none"> ▪ Promote the brand of Finet and the Group's products and services 	<ul style="list-style-type: none"> ▪ Ongoing promotion of the brand of Finet and the Group's products and services ▪ Advertised on leading media in Hong Kong including a number of press interviews in major financial media
<ul style="list-style-type: none"> ▪ Solicit strategic channel partners to offer value-added financial information related services 	<ul style="list-style-type: none"> ▪ Solicited T&C Group, C1 Energy as strategic partners for business development and provision of premium contents
<ul style="list-style-type: none"> ▪ Increase market share of FITS, Finet PowerStation and Finet Web Products in Hong Kong by direct marketing and sales 	<ul style="list-style-type: none"> ▪ Ongoing sales and marketing efforts underway through continuous exploration of cross-selling opportunities with existing clients and active search for new clients including banks, brokerage houses, media and listed companies
<ul style="list-style-type: none"> ▪ Conduct detailed analysis of the legal and regulatory hurdles in offering the Group's services in Taiwan and Singapore 	<ul style="list-style-type: none"> ▪ The analysis was pending a new sales and marketing strategy to be confirmed by the Group
<ul style="list-style-type: none"> ▪ To expand the sales and marketing team 	<ul style="list-style-type: none"> ▪ Two new business development professionals were recruited in the PRC office ▪ A Director of Marketing and Corporate Communications was hired to report duty in April to spearhead the Group's marketing efforts

Use of Proceeds

The actual use of proceeds for the three months ended 31st March, 2005 as compared to the amount set out in the section headed "Use of Proceeds" of the Company prospectus dated 31st December, 2004 are summarized as follows:

	Proposed HK\$'000	Actual HK\$'000
Expanding the Group's business into the PRC	0.7	0.5
Enhancing the Group's technology and product development capabilities and IT infrastructure (<i>Note 1</i>)	1.3	0.4
Enhancing the Group's content development capabilities	0.4	0.2
Strengthening the Group's sales and marketing efforts	0.4	0.1
Total	2.8	1.2

Note:

1. The substantial decrease in the amount used for enhancing the Group's technology and product development capabilities and IT infrastructure was mainly due to slow progress of hardware upgrade, pending for further detail review of the IT infrastructure of the Group.
2. The unused fund of approximately HK\$1,600,000 would be reserved as working capital of the Group for future use in the similar purpose.

EXECUTIVE DIRECTORS' PROFILE



DR. YU GANG, GEORGE, aged 40, serves as the chairman, chief executive officer, and compliance officer of the Group and is responsible for the overall strategic planning and development of the Group. Prior to joining the Group in December 1999, Dr. Yu was an Assistant Professor of Finance at the University of Hong Kong for three years. Dr. Yu worked with Goldman Sachs (Asia) L.L.C. in Hong Kong and J.P. Morgan Securities, Inc. in New York. Dr. Yu graduated with a Ph.D. degree in Finance from the Stern School of Business, New York University in the U.S. in 1993, a Master's degree in Economics from the State University of New York in the U.S. in 1988, and a bachelor's degree in Mathematics from Sichuan University in the PRC in 1985.



MR. AU SIU LUN, ALLEN, aged 28, is the director of product development of the Group and is responsible for the research and development of new products, especially data feed architectures on Internet-scale platform, software design, and technical and policy issues related to critical infrastructure protection. Mr. Au joined the Group in October 1998 and has over six years of experience in the information technology industry. Mr. Au is now focusing on leading the development of Finet PowerStation, the Group's flagship terminal product for global Chinese investors. Mr. Au graduated with a bachelor's degree in Finance from the University of Hong Kong in 1998.

NON-EXECUTIVE DIRECTOR'S PROFILE



DR. KWAN PUN FONG, VINCENT, aged 54, has joined the Group since October 2002. Dr. Kwan is currently the chief financial officer of Yew Chung Education Foundation. Dr. Kwan has been the managing director and a co-founder of Hintful Capital since 1999. Kwan had worked with CEF (China) Limited, Well Bond Group Limited and Otis Elevator International Inc. as managing director, president and vice-president, respectively. From 2000 to 2002, Dr. Kwan was a part-time member of the Central Policy Unit of Hong Kong Government, which is responsible for giving advice on policies to the Chief Executive, Mr. Chee Hwa Tung. He was also a member of the Hong Kong Policy Research Institute. Dr. Kwan is currently a Council member of Retina Hong Kong and a member of the Finance Committee of the Hong Kong Society for the Blind. Dr. Kwan graduated with a doctoral degree from the University of Western Sydney in 2004, a Master's degree in Commerce from the University of Hitotsubashi in Japan in 1981, and a bachelor's degree in Social Sciences from the University of Hong Kong in 1973.

INDEPENDENT NON-EXECUTIVE DIRECTORS' PROFILE



MR. NG CHING WO, aged 55, has joined the Group since October 2002. Mr. Ng is a partner of Fong & Ng, Solicitors. He received his LL.B. from the University of Alberta in Canada in 1980 and was admitted to practice as a barrister and solicitor in Alberta in 1981. Mr. Ng was admitted to practice as a solicitor in the United Kingdom in 1985 and he is also qualified as a solicitor in Hong Kong in 1987. Mr. Ng's practice focuses primarily on the area of cross-border corporate and commercial transactions. Currently, Mr. Ng is a non-executive director of two companies listed in Hong Kong namely, United Pacific Industries Limited and Melco International Development Limited.



DR. LAM LEE G., aged 45, has been an Independent Non-executive Director since April 2003. He is the president & chief executive officer and vice chairman of Chia Tai Enterprises International Limited, a company listed in Hong Kong. He is a director of True Corporation Public Company Limited, a non-executive director of Glorious Sun Enterprises Limited, and an independent non-executive director of Rowsley Limited, Hutchison Global Communications Limited, Hutchison Harbour Ring Limited, Capital Strategic Investment Limited, Shanghai Ming Yuan Holdings Limited, and Far East Technology International Limited. Dr. Lam has over 23 years of multinational operations and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology and financial services sectors.



MR. WU TAK LUNG, aged 40, has joined the Group since February 2004. Mr. Wu is a Fellow Member of The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. Mr. Wu is also a Full Member of The Hong Kong Securities Institute, an Associate Member of The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Company Secretaries. Mr. Wu is the director of corporate finance of Wallbank Brothers Securities (Hong Kong) Limited, an investment bank licensed by the Securities and Futures Commission. Mr. Wu is also an independent non-executive director of Hon Po Group (Lobster King) Limited, and Ezcom Holdings Limited. Mr. Wu received a bachelor's degree in Business Administration from the Hong Kong Baptist University in 1993 and a Master's degree in Business Administration from the University of Manchester and University of Wales in 2001. Mr. Wu is a Committee Member of The Association of Chartered Certified Accountants and a Council Member of The Taxation Institute of Hong Kong; an Advisor of Film Censorship Panel and Employees Retraining Board's Advisory Service for Self-Run Business Starters; a Council Member of Hong Kong – Guangdong Youth Exchange Promotion Association; a Council Member of Kiangsu and Chekiang Residents (HK) Association; and a Committee Member of The Chinese Peoples Political Consultative Conference.

SENIOR MANAGEMENT'S PROFILE



MR. TSANG KWOK WAI, SIMON, aged 35, is the company secretary, qualified accountant, and general manager of the Group. Mr. Tsang is responsible for the Group's financial control, human resources management and corporate affairs. Mr. Tsang has over 12 years of experience in financial management. Before joining the Group in March 2000, Mr. Tsang had spent over three years with Deloitte Touche Tohmatsu and approximately two years with two Hong Kong-listed companies. Mr. Tsang received a bachelor's degree in Business Administration from the Hong Kong Baptist University in 1992. Mr. Tsang is a practising Certified Public Accountant in Hong Kong and an Associate Member of The Hong Kong Institute of Certified Public Accountants. He is also a Fellow Member of The Association of Chartered Certified Accountants.



MS. KWAN LAI KING, ANGELA, aged 28, is the director of operations of the Group and is responsible for maximising the Group's operations efficiencies and aligning the functions of project management and IT support with corporate goals. Ms. Kwan has approximately six years of experience in project management and possesses comprehensive industry knowledge and operations know-how within the Group, especially the design control system and execution of information technology solutions. Ms. Kwan also has a comprehensive understanding of the regulations and compliance standards in relation to market data transmission of various stock exchanges. Prior to joining the Group in August 1999, Ms. Kwan received a bachelor's degree in Finance from the City University of Hong Kong in 1999.



MR. YIP CHING SHAN, CORVUS, aged 42, is the director of business development of the Group and is responsible for leading the Group's sales and business development initiatives outside the PRC to achieve further market presence and profitability. Mr. Yip, who had worked for several multi-national banks and securities houses, possesses over 10 years of experience in the financial field. Prior to joining the Group in May 2005, Mr. Yip was in the management of a Hong Kong-listed financial group. He has also been an independent non-executive director of a Hong Kong Main Board-listed company. Mr. Yip graduated with a Master's degree in Economic from Kobe University of Commerce in Japan in 1991 and a bachelor's degree in Finance from Jinan University, Guangzhou, the PRC in 1988.



MR. TAM CHI WENG, DICK, aged 33, is the director of web business of the Group. Mr. Tam is responsible for the strategic planning and management of the Group's web business to explore value-added services and online business opportunities for the Group. Mr. Tam formerly held senior managerial positions in the IT sector, with years of experience in IT training, sales and marketing, and brand building. Prior to joining the Group in April 2004, Mr. Tam had served as the group executive director and group director of marketing and corporate communications of UNISOFT Education Centre, a leading IT training service provider in Hong Kong. Mr. Tam received a bachelor's degree in Business Administration from Lingnan University in 1997 and held a number of IT qualifications.



MS. SIU WING KEI, QUEENIE, aged 30, joined the Group in April 2005 as the director of marketing and corporate communications, and is responsible for the Group's marketing, branding and investor relations. Ms. Siu was previously stationed in Beijing, the PRC, as the marketing director and web business director of Shihua International Financial Information Company Limited, the information services arm of a Hong Kong-listed company, Sino-i Technology Limited. Ms. Siu has an in-depth knowledge of the financial information industry, and over seven years of experience in the marketing field. Ms. Siu graduated with a Master's degree in Commerce (Management of Technology) and a Master's degree in Logistics Management from the University of Sydney, Australia in 2003. Ms. Siu also holds a Bachelor of Arts in Language and Translation (English and Chinese) from the Open University of Hong Kong and a translator accreditation.



MR. YI XUAN, VINCENT, aged 29, is the director of business development, the PRC, of the Group and is responsible for developing and expanding the Group's sales in the PRC. Mr. Yi joined the Group in September 2004. Mr. Yi possesses a thorough understanding of the financial information industry in the PRC and has over eight years of experience in the financial services field, six of which with a renowned financial information provider in the PRC as the sales director and two of which with Phoenix Optical Company Limited, a listed company in the PRC. Mr. Yi graduated with a bachelor's degree in Industry Accounting from the Jiangsu University of Science and Technology in the PRC (formerly known as "East China Shipbuilding Institute") in 1997.

Report of the Directors

Annual Report 2004/2005

The Directors have the pleasure of presenting the first annual report together with the audited financial statements of the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of financial services, information solutions services, and investment holding.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st March, 2005 are set out in the accompanying financial statements.

The Directors do not recommend the payment of any dividend.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 35 and Note 19 on page 49 to the accompanying financial statements.

The Company had reserves of approximately HK\$16,300,000 available for dividend distribution to shareholders as at 31st March, 2005.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 18 to the accompanying financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31st March, 2005 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 11 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 10 to the accompanying financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 18 to 21 of this annual report.

DIRECTORS

The Directors who held office during the year ended 31st March, 2005 and up to the date of this report were:

Executive Directors

Dr. Yu Gang, George (appointed on 14th August, 2002)
Mr. Au Siu Lun, Allen (appointed on 14th August, 2002)

Non-executive Director

Dr. Kwan Pun Fong, Vincent (appointed on 15th October, 2002)

Independent non-executive Directors

Mr. Ng Ching Wo (appointed on 15th October, 2002)
Dr. Lam Lee G. (appointed on 1st April, 2003)
Mr. Wu Tak Lung (appointed on 26th February, 2004)

In accordance with Article 87 of the Company's Article of Association, Mr. Au Siu Lun, Allen will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 20 to the accompanying financial statements.

DIRECTORS SERVICE AGREEMENTS

The Company has entered into service agreements with the executive Directors, Dr. Yu Gang, George and Mr. Au Siu Lun, Allen, for a term of two years commencing on 7th January, 2005 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS

As at 31st March 2005, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Rules 5.46 of the GEM Listing Rules, were as follows:

(i) Aggregate long positions in the shares and underlying shares of the Company

Name of Director	No. of shares		No. of underlying shares (share options)		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
Executive Directors							
Yu Gang, George	–	365,840,000	27,726,000	–	1(a) & (b)	393,566,000	79.69%
Au Siu Lun, Allen	–	–	3,800,000	–	–	3,800,000	0.76%
Non-executive Director							
Kwan Pun Fong, Vincent	390,000	–	–	–	–	390,000	0.07%

(ii) Aggregate long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Personal interest	No. of shares		Notes	% of shares in issue
			Personal interest	Interest of controlled corporation		
Finet International Holdings Limited	Yu Gang, George	–	3,900,000 Series A common shares	–	1(a)	59.85%
Finet International Holdings Limited	Au Siu Lun, Allen	268,125 Series A common shares	–	–	2	4.11%
Opulent Oriental International Limited	Yu Gang, George	75	–	–	1(a)	75%

Notes:

1. Mr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 393,566,000 shares in the Company. These shares were held in the following capacity:
 - (a) 365,840,000 shares were held by Finet International Holdings Limited ("FIHL"). Mr. Yu Gang, George controlled 75% of Opulent Oriental International Limited ("Opulent"), which in turn controlled 59.85% of the total voting rights of FIHL (or 79.80% of all Series A common shares). The references to 365,840,000 shares deemed to be interested by Mr. Yu Gang, George (as disclosed herein), FIHL (as disclosed in the section headed "Substantial Shareholders" below) and Opulent (as disclosed in the section headed "Substantial Shareholders" below) relate to the same block of shares.
 - (b) Mr. Yu Gang, George is directly interested in options carrying 27,726,000 underlying shares.
2. The issued share capital of FIHL comprised 4,887,187 Series A common shares and 1,629,063 Series B common shares. Mr. Au Siu Lun, Allen controlled 4.11% of the total voting rights of FIHL (or 5.48% of all Series A common shares).

Save as disclosed above, as at 31st March 2005, 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 or 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 Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at the 31st March, 2005, 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:

Name of company	Capacity	Notes	Number of shares interested	% of shares in issue
Substantial shareholders:				
Finet International Holdings Limited	Direct interest	(1)	365,840,000	74.08%
Opulent Oriental International Limited	Interest of controlled corporation	(1)	365,840,000	74.08%
Other persons:				
T & C Capital Limited	Direct interest	(2)	39,750,000	8.04%
T & C Holdings, Inc.	Interest of controlled corporation	(2)	39,750,000	8.04%

Notes:

1. FIHL and Opulent were deemed (by virtue of the SFO) to be interested in 365,840,000 shares in the Company. Please see Note 1 in the section headed "Directors and Chief Executives' Interests" above.
2. 39,750,000 shares were held by T & C Capital Limited ("TCC"), which was a wholly-owned subsidiary of T & C Holdings, Inc. ("TCH"). Accordingly, both TCC and TCH were deemed (by virtue of the SFO) to be interested in 39,750,000 shares in the Company.

Save as disclosed above, the Directors are not aware of other person who, as at 31st March 2005, 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.

DETAILS OF OUTSTANDING OPTIONS GRANTED

As at 31st March, 2005, options to subscribe for an aggregate of 73,376,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23rd July, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 31st March, 2005 are as follows:

Name of grantee	Date of grant	Exercise Price per Share	Exercise period	Number of share options				Balance as at 31st March, 2005
				Balance As at 1st April, 2004	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	
Directors:								
Yu Gang, George	21st September, 2004	HK\$0.15	21st September, 2005 – 20th September, 2014	–	8,317,000	–	–	8,317,000
			21st September, 2006 – 20th September, 2014	–	8,317,000	–	–	8,317,000
			21st September, 2007 – 20th September, 2014	–	11,092,000	–	–	11,092,000
Au Siu Lun, Allen	21st September, 2004	HK\$0.15	21st September, 2005 – 20th September, 2014	–	1,140,000	–	–	1,140,000
			21st September, 2006 – 20th September, 2014	–	1,140,000	–	–	1,140,000
			21st September, 2007 – 20th September, 2014	–	1,520,000	–	–	1,520,000
Employees	21st September, 2004	HK\$0.15	21st September, 2005 – 20th September, 2014	–	12,765,000	–	(210,000)	12,555,000
			21st September, 2006 – 20th September, 2014	–	12,765,000	–	(210,000)	12,555,000
			21st September, 2007 – 20th September, 2014	–	17,020,000	–	(280,000)	16,740,000
				–	74,076,000	–	(700,000)	73,376,000

As at 31st March, 2005, there was no outstanding option granted by the Company under the Share Option Scheme adopted on 16th December, 2004.

CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2005, the five largest customers accounted for approximately 43% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 79% of the Group's total cost of sales. The largest customer of the Group accounted for approximately 19% of the Group's total turnover while the largest supplier of the Group accounted for approximately 60% of the Group's total cost of sales.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which any of the Company's directors, or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SPONSOR'S INTERESTS

As at 31st March, 2005, the Company's sponsor, Hantec Capital Limited ("Hantec"), its directors, employees or associates did not have any interest in the shares of the Company, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company.

Pursuant to the sponsor's agreement dated 30th December, 2004 entered into between the Company and Hantec, Hantec will receive a fee for acting as the Company's retained sponsor for the period from 7th January, 2005 to 31st March, 2007.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirms that it has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rules 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the Independent Non-executive Directors to be independent.

SECURITIES TRANSACTIONS BY DIRECTORS

Although the Company has not adopted any internal code of conduct regarding directors' securities transactions, it has made specific enquiry of all the Directors. The Directors confirmed that they have complied with all the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the period from 7th January, 2005 to 31st March, 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the period from 7th January, 2005 to 31st March, 2005 with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31st March, 2005.

AUDIT COMMITTEE

The Company's audit committee was formed on 21st September, 2004 and is currently comprised of the independent non-executive Directors of the Company, Mr. Wu Tak Lung, Dr. Lam Lee G., and Mr. Ng Ching Wo, with Mr. Wu Tak Lung being appointed as the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the Group's internal control system. The audit committee has met one time during the year. The audited financial statements for the year ended 31st March, 2005 have been reviewed by the audit committee.

SUBSEQUENT EVENTS

Details of significant events which have been taken place subsequent to the balance sheet date are set out in Note 22 to the accompanying financial statements.

AUDITORS

Messrs. PricewaterhouseCoopers ("PWC") was appointed as auditors of the Company and its subsidiaries for the year ended 31st March, 2004. Following the resignation of PWC as the auditors of the Company and its subsidiaries on 31st May, 2005, Messrs. Grant Thornton was appointed as the auditors on 1st June, 2005, subject to the shareholders' approval at the forthcoming annual general meeting. The accompanying financial statements for the year ended 31st March, 2005 were audited by Messrs. Grant Thornton. A resolution to re-appoint Grant Thornton as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
Finet Group Limited

Yu Gang, George
Chairman

Hong Kong, 21st June, 2005

Report of the Auditors

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Finet Group Limited

Annual Report 2004/2005

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

AUDITORS' REPORT TO THE MEMBERS OF FINET GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 31 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong, 21st June, 2005

Consolidated Income Statement

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Finet Group Limited

Annual Report 2004/2005

For the year ended 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	3	21,714	18,962
Cost of sales		(5,994)	(5,245)
Gross profit		15,720	13,717
Other revenue	3	326	1
Selling expenses		(539)	(600)
General and administrative expenses		(14,052)	(11,463)
Profit before taxation	5	1,455	1,655
Taxation	6	–	–
Profit attributable to shareholders	7	1,455	1,655
Earnings per share	8		
– Basic		0.4 cents	0.4 cents*
– Diluted		0.3 cents	N/A

* Restated

Consolidated Balance Sheet

Annual Report 2004/2005

As at 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	2,546	2,303
Rental deposits		–	161
		2,546	2,464
Current assets			
Short term investments	12	2,163	–
Amount due from ultimate holding company	13	25	193
Accounts receivable	14	1,758	893
Prepayments, deposits and other current assets		1,143	636
Cash at banks and in hand		20,622	3,376
		25,711	5,098
Current liabilities			
Accounts payable	15	524	1,293
Accruals and other payables		1,079	2,210
		1,603	3,503
Net current assets		24,108	1,595
Total assets less current liabilities/Net assets		26,654	4,059
CAPITAL AND RESERVES			
Share capital	18	4,938	2,607
Reserves	19	21,716	1,452
Shareholders' funds		26,654	4,059

Yu Gang, George
Director

Au Siu Lun, Allen
Director

Balance Sheet

As at 31st March, 2005

	Notes	2005 HK\$'000	2004 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	11	5,920	5,143
Current assets			
Prepayments		154	9
Cash at banks and in hand		15,409	1,000
		15,563	1,009
Current liabilities			
Accruals and other payables		105	–
Amount due to a subsidiary	16	140	6,002
		245	6,002
Net current assets/(liabilities)		15,318	(4,993)
Total assets less current liabilities/Net assets		21,238	150
CAPITAL AND RESERVES			
Share capital	18	4,938	2,607
Reserves	19	16,300	(2,457)
Shareholders' funds		21,238	150

Yu Gang, George
Director

Au Siu Lun, Allen
Director

Consolidated Cash Flow Statement

Annual Report 2004/2005

For the year ended 31st March, 2005

<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash flows from operating activities		
Profit before taxation	1,455	1,655
Adjustments for:		
Depreciation of property, plant and equipment	1,307	1,211
Interest income	(2)	(1)
Unrealised holding loss on short term investments	126	–
Realised gain on disposal of short term investments	(319)	–
Operating profit before working capital changes	2,567	2,865
Decrease/(Increase) in non-current rental deposits	161	(161)
(Increase)/Decrease in prepayments, deposits and other current assets	(507)	608
Increase in accounts receivable	(865)	(369)
(Decrease)/Increase in accounts payable	(769)	663
(Decrease)/Increase in accruals and other payables	(1,131)	197
Decrease/(Increase) in amount due from ultimate holding company	168	(17)
Net cash (used in)/generated from operating activities	(376)	3,786
Cash flows from investing activities		
Purchase of short term investments	(4,110)	–
Proceeds from disposal of short term investments	2,140	–
Purchase of property, plant and equipment	(1,550)	(778)
Interest received	2	1
Net cash used in investing activities	(3,518)	(777)
Cash flows from financing activities		
Proceeds from issuance of share capital	28,800	–
Share issuance costs	(7,660)	(964)
Decrease in amount due to a shareholder of ultimate holding company	–	(500)
Net cash generated from/(used in) financing activities	21,140	(1,464)
Net increase in cash and cash equivalents	17,246	1,545
Cash and cash equivalents at 1st April	3,376	1,831
Cash and cash equivalents at 31st March	20,622	3,376
Analysis of cash and cash equivalents		
Cash at banks and in hand	20,622	3,376

Consolidated Statement of Changes in Equity

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Finet Group Limited

Annual Report 2004/2005

For the year ended 31st March, 2005

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share issuance costs <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st April, 2003	2,607	61,513	(2,881)	4,870	(62,741)	3,368
Profit for the year	–	–	–	–	1,655	1,655
Share issuance costs	–	–	(964)	–	–	(964)
Balance at 31st March, 2004 and 1st April, 2004	2,607	61,513	(3,845)	4,870	(61,086)	4,059
Profit for the year	–	–	–	–	1,455	1,455
Share issuance costs	–	–	(7,660)	–	–	(7,660)
Set off share issuance costs against share premium	–	(11,505)	11,505	–	–	–
Capitalisation	1,179	(1,179)	–	–	–	–
Issue of shares	1,152	27,648	–	–	–	28,800
Balance at 31st March, 2005	4,938	76,477	–	4,870	(59,631)	26,654

For the year ended 31st March, 2005

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law (Revised) of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7th January, 2005.

On 20th August, 2002, pursuant to a reorganisation (the "Reorganisation") in connection with the preparation for the initial listing of the shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries as set out in note 11 below.

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 11. The directors consider the ultimate holding company to be Finet International Holdings Limited, a company incorporated in the Cayman Islands.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements on pages 31 to 51 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention as modified by the revaluation of certain investments.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company.

Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	over the lease terms
Computer equipment	20%
Office equipment	20%
Furniture and fixtures	20%

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

(ii) *Measurement bases*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(f) Investments

The Group's investments in securities which are not intended to be held on a continuing basis for an identified long term purpose are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Hong Kong dollars at the rates of exchange ruling at that date. Gains and losses arising on exchange are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in reserve.

(h) Income tax

Income tax for the year comprises current and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Employee benefits

(i) *Employee entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to a defined contribution retirement benefit scheme which is available to all Hong Kong employees. Contributions to the scheme by the Group and employees are calculated as 5% of employees' basic salaries, subject to a cap of HK\$1,000 per month for each employee. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the scheme.

The Group's contributions to the defined contribution retirement benefit scheme are expensed as incurred.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(iii) *Equity compensations benefits*

Share options are granted to Directors and to employees at a price determined in accordance with the Company's share option scheme on the date of the grant and are exercisable at that price; no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium.

(m) Recognition of revenue

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Service income from on-line content information provision is recognised on a time-proportion basis over the service period.

Income from internet solutions is recognised when the services are rendered.

Income from advertisements on websites is recognised when the advertisements are placed.

Sales revenue is recognised when the merchandise is delivered and title has passed.

Interest income is recognised on a time-proportion basis by reference to the principal outstanding and the interest rates applicable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(o) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. TURNOVER AND OTHER REVENUE

Turnover represents total invoiced value of goods supplied and services rendered. Revenue recognised during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Service income	20,937	17,682
Advertising income	614	577
Sales of merchandise	163	703
	21,714	18,962
Other revenue		
Realised gain on disposal of short term investments	319	–
Exchange gain	5	–
Interest income	2	1
	326	1
Total Revenue	22,040	18,963

For the year ended 31st March, 2005

4. SEGMENT INFORMATION

The Group has only one business segment, which is the provision of financial information services and internet advertising. The Group's assets are mainly located in Hong Kong. During the year ended 31st March, 2005, over 90% of the Group's revenue is derived from customers located in Hong Kong. Accordingly, no separate business and geographical segment information is prepared.

5. PROFIT BEFORE TAXATION

	2005 HK\$'000	2004 HK\$'000
Profit before taxation is arrived at after charging:		
Operating lease charges		
– rentals of office premises	683	1,084
Depreciation of property, plant and equipment	1,307	1,211
Unrealised holding loss on short term investments	126	–
Auditors' remuneration	213	190
Staff costs, including Directors' emoluments (<i>note 9</i>)	7,396	5,551

6. TAXATION

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, is 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.

No Hong Kong profits tax has been provided for the year ended 31st March, 2005 (2004: nil) as the Group applied tax losses carried forward from prior years to offset the estimated assessable profit for the year.

No income tax was provided for the year ended 31st March, 2005 (2004: nil) for a subsidiary of the Company established in the People's Republic of China ("PRC") as the subsidiary had no assessable profits for the year ended 31st March, 2005.

Reconciliation between tax expense and accounting profit at applicable rates is as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	1,455	1,655
Tax on profit, calculated at 17.5% (2004: 17.5%)	255	290
Tax effect of non-deductible expenses	38	–
Tax effect of non-taxable revenue	(30)	–
Tax effect of temporary differences not recognised	(21)	–
Utilisation of tax losses previously not recognised	(242)	(290)
Actual tax expense	–	–

For the year ended 31st March, 2005

6. TAXATION (Continued)

The Group's deferred tax assets not recognised in the financial statements are as follows:

	2005 HK\$'000	2004 HK\$'000
Tax losses	11,169	11,411
Accelerated depreciation allowance	(296)	(275)
	10,873	11,136

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

The Company did not have any temporary difference as at 31st March, 2004 and 2005.

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated profit attributable to shareholders of HK\$1,455,000 (2004: HK\$1,655,000), a loss of HK\$52,000 (2004: a profit of HK\$620,000) has been dealt with in the financial statements of the Company.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,455,000 (2004: HK\$1,655,000) and on the weighted average of 405,467,397 (2004: 378,640,000, restated) ordinary shares in issue during the year.

On 6th January, 2005, the Company made a capitalisation of shares against the share premium and allot and issue 117,990,000 ordinary shares as fully paid ordinary shares at par to the persons whose names appear on the register of members of the Company at the close of business on 5th January, 2005 pro-rata to their then existing shareholdings in the Company (the "Capitalisation"). The weighted average number of ordinary shares for the year ended 31st March, 2004, as if the Capitalisation had occurred on 1st April, 2003, was deemed to be 378,640,000 ordinary shares (260,650,000 ordinary shares before restatement).

The calculation of diluted earnings per share is based on 405,467,397 ordinary shares which is the weighted average number of shares in issue during the year plus the weighted average of 16,039,573 ordinary shares deemed to be issued if all the outstanding potential ordinary shares representing 73,376,000 share options granted with an exercise price of HK\$0.15 per share were exercised.

No diluted earnings per share for the year ended 31st March, 2004 is presented as there was no dilutive instruments at 31st March, 2004.

For the year ended 31st March, 2005

9. STAFF COSTS

Staff costs including Directors' remuneration are as follow:

	2005 HK\$'000	2004 HK\$'000
Wages and salaries	7,080	5,291
Pension costs – defined contribution plans	251	226
Others	65	34
	7,396	5,551

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture & fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost					
At 1st April, 2004	815	5,216	484	634	7,149
Additions	–	1,534	6	10	1,550
At 31st March, 2005	815	6,750	490	644	8,699
Accumulated depreciation					
At 1st April, 2004	815	3,180	376	475	4,846
Charge for the year	–	1,098	87	122	1,307
At 31st March, 2005	815	4,278	463	597	6,153
Net book value					
At 31st March, 2005	–	2,472	27	47	2,546
At 31st March, 2004	–	2,036	108	159	2,303

For the year ended 31st March, 2005

11. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	1,000	1,000
Amounts due from subsidiaries	64,980	64,203
	65,980	65,203
Less : Provision for impairment	(60,060)	(60,060)
	5,920	5,143

Amounts due from subsidiaries are unsecured, interest-free and will be repaid when the subsidiaries are financially capable to do so.

Particulars of the subsidiaries at 31st March, 2005 are as follows:

Name	Place/Country of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities and place of operations
			Directly	Indirectly	
Finet Group (BVI) Limited	British Virgin Islands, limited liability company	1 ordinary share of US\$1 each	100%	–	Investment holding
Finet Group Technology (Shenzhen) Limited	PRC, wholly foreign-owned enterprise with limited liability	Registered capital of HK\$1,000,000	100%	–	Provision of financial information services in Mainland China
Finet Holdings Limited	Hong Kong, limited liability company	68,990,025 ordinary shares of HK\$1 each	–	100%	Provision of financial information management and technology solutions, internet advertising and investment holding in Hong Kong
Finet Investment Advisers Limited	Hong Kong, limited liability company	1,000,098 ordinary shares of HK\$1 each	–	100%	Provision of investment advisory services in Hong Kong
Finet Introducing Broker Limited	Hong Kong, limited liability company	1,000,000 ordinary shares of HK\$1 each	–	100%	Provision of securities dealing referral services in Hong Kong
Finet News Services Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK\$1 each	–	100%	Provision of financial information services in Hong Kong and Mainland China

For the year ended 31st March, 2005

12. SHORT TERM INVESTMENTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed equity securities		
Listed in Hong Kong	746	–
Listed overseas	1,417	–
Fair value of listed investments	2,163	–
Market value of listed investments	2,163	–

13. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from Finet International Holdings Limited is unsecured, interest-free and has no fixed repayment terms. The maximum amount outstanding during the year was HK\$193,000 (2004: HK\$627,000).

14. ACCOUNTS RECEIVABLE

The credit terms granted by the Group to its customers range from 14 days to 90 days. At 31st March, 2005, the ageing analysis of the accounts receivable were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	638	610
31 – 60 days	796	193
61 – 90 days	30	3
Over 90 days	294	87
	1,758	893

15. ACCOUNTS PAYABLE

At 31st March, 2005, the ageing analysis of the accounts payable were as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 – 30 days	391	380
31 – 60 days	49	297
61 – 90 days	12	39
Over 90 days	72	577
	524	1,293

For the year ended 31st March, 2005

16. AMOUNT DUE TO A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed repayment terms.

17. EQUITY COMPENSATION BENEFITS

(a) The Company adopted a share option scheme ("Pre-IPO Share Option Scheme") on 23rd July, 2004. On 21st September, 2004, options were granted to the executive directors and other employees of the Group to subscribe for an aggregate of 74,076,000 shares of the Company at a price of HK\$0.15 per share. The options vest after one year from the date on which the Company's shares were listed and are exercisable within a period of ten years from the date of grant. Each option gives the holder the right to subscribe for one share.

(i) Movements in share options

	2005 Number	2004 Number
At 1st April	–	–
Issued	74,076,000	–
Lapsed	(700,000)	–
At 31st March	73,376,000	–

(ii) Terms of unexpired and unexercised share options at the balance sheet date

Date granted	Exercise period	Exercise price	2005 Number	2004 Number
21st September, 2004	7th January, 2006 – 21st September, 2014	HK\$0.15	73,376,000	–

At the balance sheet date, the Company had 73,376,000 share options outstanding under the Pre-IPO Share Option Scheme which represented approximately 14.9% of the Company's shares in issue at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 73,376,000 additional ordinary shares of the Company and additional share capital of HK\$734,000 and share premium of HK\$10,273,000 (before issue expenses).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

For the year ended 31st March, 2005

17. EQUITY COMPENSATION BENEFITS (Continued)

- (b) The Company adopted another share option scheme (“Share Option Scheme”) on 16th December, 2004, pursuant to which it may grant options to employees (including executive directors) of the Group to subscribe for shares of the Company. Up to 31st March, 2005, no option has been granted under the Share Option Scheme.

18. SHARE CAPITAL

	2005		2004	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1st April	700,000,000	7,000	700,000,000	7,000
Increase during the year	300,000,000	3,000	–	–
At 31st March	1,000,000,000	10,000	700,000,000	7,000
Issued and fully paid:				
At 1st April	260,650,000	2,607	260,650,000	2,607
Capitalisation	117,990,000	1,179	–	–
Issue of shares	115,200,000	1,152	–	–
At 31st March	493,840,000	4,938	260,650,000	2,607

Pursuant to an ordinary resolution passed on 16th December 2004, the authorised share capital of the Company was increased from HK\$7,000,000 divided into 700,000,000 ordinary shares of HK\$0.01 each to HK\$10,000,000 by the creation of an additional 300,000,000 ordinary shares of HK\$0.01 each ranking pari passu in all respects with the existing shares of the Company.

Pursuant to the written resolutions of the Company dated 16th December, 2004, conditional on the share premium account of the Company being credited as a result of the new issue of shares in connection with the initial listing of the Company's shares on the GEM of the Stock Exchange, the directors were authorised to capitalise and apply the amount of HK\$1,179,900 from the amount outstanding to the credit of the share premium account as capital to pay up in full at par 117,990,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 5th January, 2005 pro-rata to their then existing shareholdings in the Company.

On 6th January, 2005, 115,200,000 shares of HK\$0.01 each were issued to placees at HK\$0.25 each for cash totalling HK\$28,800,000. The excess of the consideration over the par value of the shares issued was credited to the share premium account.

For the year ended 31st March, 2005

19. RESERVES**Group**

	2005 HK\$'000	2004 HK\$'000
Balance at 31st March		
Share premium	76,477	61,513
Share issuance costs	–	(3,845)
Merger reserve	4,870	4,870
Accumulated losses	(59,631)	(61,086)
Total reserves	21,716	1,452

Company

	Share premium HK\$'000	Share issuance costs HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1st April, 2003	61,513	(2,881)	(60,745)	(2,113)
Profit for the year	–	–	620	620
Share issuance costs	–	(964)	–	(964)
Balance at 31st March, 2004 and 1st April, 2004	61,513	(3,845)	(60,125)	(2,457)
Loss for the year	–	–	(52)	(52)
Share issuance costs	–	(7,660)	–	(7,660)
Set off share issuance costs against share premium	(11,505)	11,505	–	–
Capitalisation	(1,179)	–	–	(1,179)
Issue of shares	27,648	–	–	27,648
Balance at 31st March, 2005	76,477	–	(60,177)	16,300

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.

In the opinion of the directors, as at 31st March, 2005, the Company had reserves of HK\$16,300,000 (2004: nil) available for dividend distribution.

For the year ended 31st March, 2005

20. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

Remuneration of the Directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees <i>HK\$'000</i>	Basic salaries and allowances <i>HK\$'000</i>	Contributions to pension schemes <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Yu Gang, George	–	141	3	144	–
Au Siu Lun, Allen	–	420	12	432	432
Kwan Pun Fong, Vincent	14	–	–	14	–
Ng Ching Wo	14	–	–	14	–
Lam Lee G.	14	–	–	14	–
Wu Tak Lung	14	–	–	14	–
	56	561	15	632	432

None of the directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2004: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries and allowances	1,544	1,372
Discretionary bonus	870	–
Contributions to pension schemes	43	48
	2,457	1,420

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
HK\$nil – HK\$1,000,000	4	5
HK\$1,000,001 – HK\$1,500,000	1	–

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.

For the year ended 31st March, 2005

21. OPERATING LEASE COMMITMENTS

At 31st March, 2005, the total future minimum lease payments in respect of a property under an non-cancellable operating lease are payable as follows:

	2005 HK\$'000	Group 2004 HK\$'000
Within one year	137	563
In the second to fifth years	–	137
	137	700

The Group leases a property under an operating lease. The lease runs for a period of 1 year. The lease does not include any contingent rentals.

The Company had no operating lease commitment as at 31st March, 2004 and 2005.

22. POST BALANCE SHEET EVENT

On 13th May, 2005, the Company announced that it had entered into a sale and purchase agreement with an independent third party to acquire a property in Shenzhen, the PRC, at the consideration of HK\$5,585,000, equivalent to approximately RMB5,919,000.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 31 to 51 were approved by the board of Directors on 21st June, 2005.

	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
RESULTS			
Turnover	21,714	18,962	16,894
Profit from operations	1,455	1,655	75
Taxation	–	–	–
Net profit attributable to shareholders	1,455	1,655	75
Earnings per share			
– Basic	0.4 cents	0.4 cents	0.03 cents
– Diluted	0.3 cents	N/A	N/A
ASSETS AND LIABILITIES			
Non-current assets	2,546	2,464	2,736
Current assets	25,711	5,098	3,775
Current liabilities	1,603	3,503	3,143

Notes:

1. The Company was incorporated in the Cayman Islands on 24th June, 2002 and became the holding company of the companies comprising the Group on 20th August, 2002 as a result of the Group reorganization (the "Reorganization"). Further details of the Reorganization are set out in the Company's prospectus dated 31st December, 2004.
2. The figures for the two years ended 31st March, 2003 and 2004 presented above have been extracted from the Company's prospectus dated 31st December, 2004.