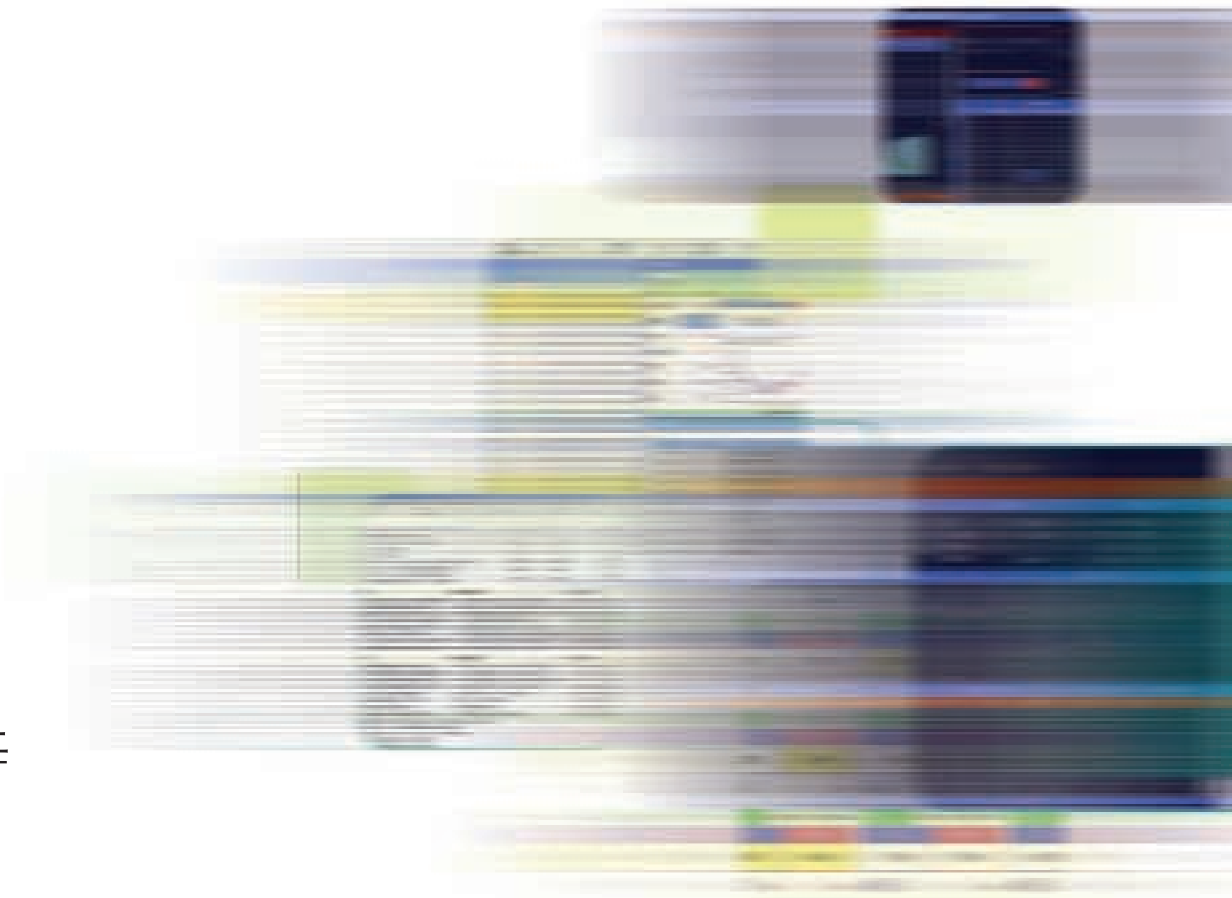
Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

Annual Report 2005/2006



財華社
FINET

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.

Contents

Corporate Profile

Finet Group Limited ("the Company" and together 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 and aggregation of multi-market news, data, reports 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 U.S., foreign exchange, commodities and fixed-income markets.

Headquartered in Hong Kong and listed on GEM of the Stock Exchange, the Group's products and services are woven into the daily fabrics of investment activities. Finet's customized information solutions are selected by leading banks, brokerages, research institutions, media and listed companies to drive trading and investment decisions. Finet's state-of-the-art financial terminal, *Finet PowerStation*, converges content, technologies and multi-media on a single platform, empowering institutional and individual investors to stay ahead of the market with unmatched information offerings. As the premier Chinese-language financial portal, *e-finet.com* fundamentally simplifies investment processes of retail investors at a click.

Founded in 1998, the Group has made inroads into the PRC market through its Beijing, Shanghai and Shenzhen offices and local strategic partners. The Group extends the global reach via a worldwide media network. 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.

Investing in Opportunities

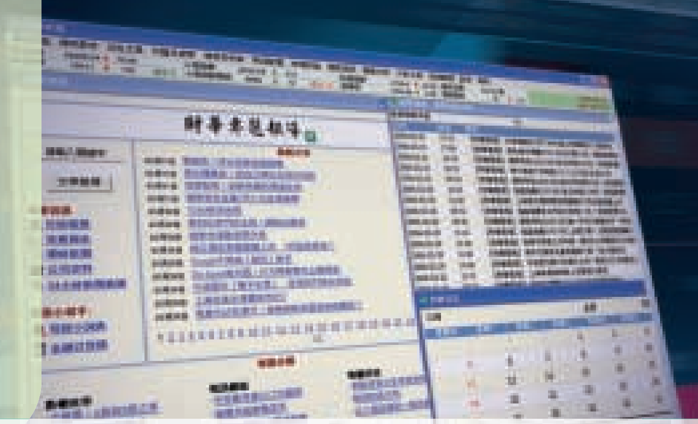
We invest in NEW TECHNOLOGY... and translate it into compelling possibilities

The digital revolution is reshaping our communication behaviors. With communication as an integral part of daily trading activities, such impact on the investment community is particularly prominent.

While many see it as a threat to their existing business, Finet embraces it as an opportunity. Finet's state-of-the-art financial terminal *Finet PowerStation*, developed by a team of innovative product engineers, is the first of its kind to use the VoIP ("Voice-over-Internet Protocol") technology to provide investors with a cost-free alternative to making instant voice, text, and graphic communications. With our courage to pioneer and experiment with new technology, our customers experience unprecedented convenience.

Investing in Opportunities

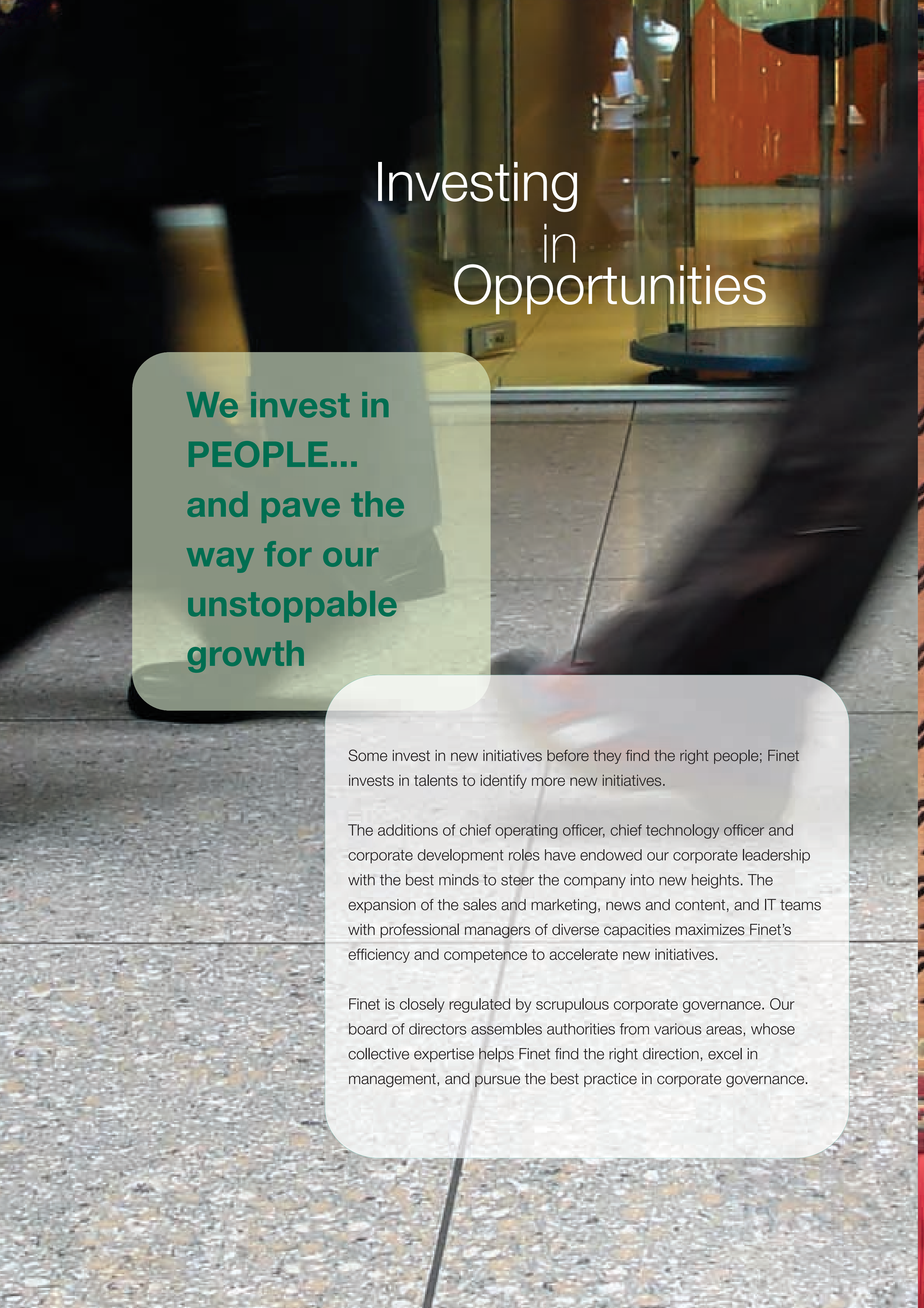
We invest in CONTENT development... to give our customers the right information at the right time



Using a search engine to look up a certain business? Chances are you will need to sift through thousands of results. In the Internet-enabled world it's the relevance and reliability, rather than the quantity, of information that matters.

Through the intuitive perspectives of our financial editors and reporters across Greater China, *Finet Newswires* – covering the Hong Kong, China, Taiwan, and International markets – asserts itself as one of the most market-oriented Chinese newswires to unfold company, industry, and economic headlines. Further in-house focus on digging deeper into straightforward data with advanced analytics consequently empowers our customers with tremendously valuable knowledge for making faster and better-informed decisions.

No one risks a decision on a single source of information. *Finet PowerStation* also provides an open platform to aggregate data, research, forecasts, commentaries and news from an unrivalled portfolio of authoritative sources across the world. Since the platform is modular, customers only pay for what they need.



Investing in Opportunities

We invest in PEOPLE... and pave the way for our unstoppable growth

Some invest in new initiatives before they find the right people; Finet invests in talents to identify more new initiatives.

The additions of chief operating officer, chief technology officer and corporate development roles have endowed our corporate leadership with the best minds to steer the company into new heights. The expansion of the sales and marketing, news and content, and IT teams with professional managers of diverse capacities maximizes Finet's efficiency and competence to accelerate new initiatives.

Finet is closely regulated by scrupulous corporate governance. Our board of directors assembles authorities from various areas, whose collective expertise helps Finet find the right direction, excel in management, and pursue the best practice in corporate governance.

Investing in Opportunities

We invest in the expansion of the CHINA MARKET ... and venture into a promising future

The newly launched QDII (Qualified Domestic Institutional Investor) scheme finally gave the green light to cross-border investment in Mainland China. Nearly 80 million domestic investors are now forming an immense force in the global financial infrastructure. Yet, their mounting needs for multi-market financial information in the Chinese language remain to be answered.

Since its inception, Finet has been cultivating the rise of the Chinese investment community; we democratize financial information for global Chinese investors by providing real-time market information in Chinese on an open web platform. Already establishing a foothold in Mainland China, we furthered our national footprint as we expanded the Shenzhen office and opened Beijing and Shanghai offices. We also extended our network of nation-wide media partners, including the top national newspaper China Securities Journal, to permeate our unrivalled international financial information through different channels. The launch of *Finet MarketWinner*, a Web-based product customized for the local requirements and preferences for market watch, financial news and company research, has prepared us for serving millions of retail investors in Mainland China. Together, we have opened the gate to realize the tremendous opportunities in the Chinese market.

Financial Highlights

	Year ended 31st March, 2006 HK$'000	2005 HK$'000 (restated)
Operating Results		
Revenue	29,245	21,714
General and administrative expenses	21,998	15,210
(Loss)/Profit for the year	(1,661)	171

	As at 31st March, 2006 HK$'000	2005 HK$'000
Financial Position		
Net current assets	21,217	24,108
Total assets	38,404	28,257
Total liabilities	8,482	1,603
Total equity	29,922	26,654

	Year ended 31st March, 2006 HK	2005 HK (restated)
(Loss)/Earnings Per Share		
Basic (cent)	(0.34)	0.04
Diluted (cent)	N/A	0.04

Corporate Information

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

Dr. LAM Lee G.

Mr. WU Tak Lung

Mr. William HAY

Compliance Officer

Dr. YU Gang, George

Qualified Accountant

Ms. NGAI Fung King, Carrie

FCCA

Company Secretary

Mr. TSANG Kwok Wai, Simon

FCPA, FCCA

Authorized Representatives

Mr. AU Siu Lun, Allen

Ms. NGAI Fung King, Carrie

Audit Committee

Mr. WU Tak Lung *(Chairman)*

Dr. LAM Lee G.

Mr. William HAY

Remuneration Committee

Dr. YU Gang, George

Dr. LAM Lee G.

Mr. WU Tak Lung

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

Statement from the Chairman and CEO

Dear Shareholders,

2005 was a distinctive year for Finet. It marked a year of solid organic growth and strategic development as well as the first year that Finet operated as a publicly listed company. As we became accountable for broader shareholder and customer bases, Finet was committed to investing in opportunities in order to create a profitable, high-growth and sustainable business. Among the new initiatives we launched over the past year, we focused on investing in new technologies, products, content development, the China operations and people – the pillars of Finet's core competence. With our dedication and courage to consolidating our business fundamentals, Finet has never been more ready for the tremendous opportunities ahead.

Unique Positioning

Finet has a tradition of proactively capturing the right opportunity. The founding of Finet was inspired by the arrival of the Internet, and consequently Finet was in an advantageous position to compete with traditional media and established information providers whose business was built on proprietary networks.

Eight years on, we have built a business of strong fundamentals by capitalizing on the unabated trend of the convergence of content, media and technology platforms as well as the increasing demands by Chinese investors for professional real-time market news, data and analyses. Through acquiring more resources and strategic expansions we have evolved from being just a financial portal to becoming a leading integrated financial information and solutions provider. Today, Finet's positioning is unique and unrivalled: we are a brand-name content provider, an information solutions provider and a technology platform provider all at the same time.

Statement from the Chairman and CEO

The combined offerings of differentiated, professional and value-added contents, decision-making tools and technology platforms enable us to cater to the demands of both corporate and mass markets, a service scope that is hardly replicable by our competitors. We continue to excel along three business lines: *information solutions* for corporate customers; *Finet PowerStation*, a state-of-the-art financial terminal for serious investors and decision-makers; and the *Finet website* (www.e-finet.com) as the information and media platform for retail investors.

Our clear and unique positioning has helped create significant entry barriers to incumbents and potential industry players. These include our widely recognized brand that we have delicately nurtured over years; premium financial contents covering multiple financial instruments in different markets, with a focus on Chinese user requirements; a scalable and expansive financial terminal business; solid presence in both the mass and corporate markets, the latter as proven by a fast-growing corporate clientele in China, Hong Kong and Japan. With a steadfast focus on protecting and adding up these assets, Finet is on an unchallenged route directed at long-term success.

Improving Core Competence

As a pioneering financial information provider in Greater China, Finet is presented with a target market filled with enormous potentials: nearly 80 million Mainland China investors, who are now allowed to invest overseas – in addition to investing domestically - through the newly launched QDII scheme, announced on 18th April, 2006. The rise of the Chinese economy and the mounting demands by the Chinese investors for cross-border investment in equities, fixed income, currencies, commodities and financial derivatives are perhaps the most crucial growth opportunity for financial information providers in Greater China to emerge as a global player.

In preparation for QDII, in 2005 we made strategic expansions in China by enlarging our Shenzhen office and opening representative offices in Shanghai and Beijing. We also launched *Finet MarketWinner*, a Web-based product catering for the local requirements and preferences of Mainland China retail investors for market watch, financial news and company research. Well-received since its launch, the product is paving the way for Finet to serve the investing public in Mainland China. Over the next few years, we will intensify our efforts in studying the local market needs and customizing the product accordingly to make *Finet MarketWinner* the critical source of basic market information by millions of local Chinese retail investors.

Meanwhile, we also significantly improved the features and functionalities of *Finet PowerStation*. As the only technology platform incorporating extensive market news, data and research on China, Hong Kong, Taiwan and the U.S. equities, the Forex and commodities markets in the Chinese language, we are making *Finet PowerStation* an indispensable tool for professional Chinese investors by strengthening its listed company database and news searching capabilities, incorporating advanced one-click search through Google and other relevant databases, and launching innovative value-added functionalities such as VoIP, Instant Messaging, SMS, Radio and Video streaming, in addition to cutting edge financial modeling and fundamental research tools. As we continue to accelerate the pace of product development, we are shaping *Finet PowerStation* as the only Chinese investment tool that is in line with the international standards of world-class financial terminals.

We also enhanced our content production capabilities. We augmented the China newsroom to cover China's economy and listed companies, and also added journalists and columnists to cover the burgeoning currencies and commodities markets. To advance our listed company databases, we bolstered the data integrity, rationalized the classification system and improved the database structure to facilitate analytical modeling at great ease. In recognition of our first-rate content, our distribution partners proliferated during the year. To date, Finet's content already appeared on a widespread network of global and domestic partners, including Bloomberg, Factiva, LexisNexis, Yahoo!, Sina.com, China Securities Journal and Asia Television Ltd. ("ATV").

Statement from the Chairman and CEO

The unchanged emphasis on defending our unique positioning, reinforcing our core competence and accelerating market expansion in Mainland China also defines our acquisition strategies in the next few years. Our search for acquisition targets and investment opportunities will primarily focus on Mainland China; they should match our criteria to complement Finet's product line, technology capabilities, and content development and drive customer acquisition in this most populous country in the world.

Financial Highlights

Our well-defined strategies have enabled Finet to achieve strong momentum in organic growth in 2005, and will again help Finet make new breakthroughs in the future.

For the financial year ended March 31st, 2006, the consolidated revenue of the Group grew approximately 35%, to HK$29,245,000. Measured by business lines, both FITS (solutions business) and *Finet PowerStation* sales all grew over 40% year-on-year, while sales through website, namely, online advertising and modularized streaming financial software had a modest growth of 10% during the financial year.

During the financial year ended March 31st, 2006, the Group recorded a net cash inflow of HK$2,233,000 from operations. Following the adoption of the new financial reporting standard, HKFRS 2, the Group recorded a net loss of HK$1,661,000 after expensing costs of HK$1,911,000 related to employee stock options.

The Group entered 2006 with a strong balance sheet and bright prospects through both fast-paced organic growth and potential acquisitive growth as we continue to seek synergistic targets.

Strengthening the Management Team

2005 was also a year for attracting talents. We have extended our Finet family to include the roles of chief operating officer, chief technology officer and corporate development; we are pleased to note that each individual has the most excellent expertise in their domain and has endowed our corporate leadership with the best minds to steer the company into new heights. Likewise, we have expanded the sales and marketing, news and content, and IT teams with professional managers of diverse capacities who possess the aptitude to drive and enforce Finet's new initiatives.

Finet is closely regulated by rigorous corporate governance. Our board of directors assembles authorities from various areas, whose collective expertise helps Finet find the right direction, excel in management, and pursue the best practice in corporate governance. Finet appointed Mr. William Hay as our new independent non-executive director; he will bring fresh insights to our board backed by his distinguished track record in financial services, cross-border investment and legal services.

Venturing into the Future

I am pleased to see that Finet is truly prepared to embrace new opportunities. In the coming years, Finet plans to enter select high-growth areas that we believe can best leverage our core competence, help build our size and scale, and broaden our market presence.

First, we anticipate that there will be increasing demands for Hong Kong market information from China-based companies listed in Hong Kong (i.e. H-shares), the institutional and individual investors in Mainland China. This appears evident from

Statement from the Chairman and CEO

the strong performance of H-share stocks in Hong Kong over the past two years, the recent mega-IPOs by Chinese banks in Hong Kong, and the implementation of the QDII initiatives. As a dominating provider of best-of-breed Hong Kong and international financial information in the Chinese language, Finet is advantaged to capture this largely uncharted market.

A second area that we pin high hopes on is Web-related business, especially in providing investor relations solutions to the listed companies in Mainland China and Hong Kong. With our unparalleled listed company database, effective news distribution capabilities, and robust web technologies, Finet is in the best position to improve the information transparency of listed companies while bringing investor relations, which was previously regarded as an exclusive privilege to institutional investors, closer to the investing public.

Finally, Finet will on the one hand aggregate more world-class content and on the other hand stretch our distribution network to permeate our content of unmatched quality and quantity. We plan to offer on *Finet PowerStation* - through partnerships with global service providers - market data of over 100 worldwide exchanges, financial analytics and built-in electronic trading capabilities of covered equities markets and commodities. At the same time, we will rigorously forge more channel partners with media, Internet companies, redistributors, and financial institutions to boost our user base.

Finet's share price performed spectacularly since listing. Despite its strong fundamentals, Finet did not entirely reach its ultimate potential with more aggressive capital investment due to the fund-raising difficulty of the Hong Kong GEM market where trading is less active than the Main Board. In the interest of all shareholders, the board of directors shall review all options to increase shareholder value and widen the Group's fund-raising prospective in the future. A possible alternative to Finet could be dual listing on the Nasdaq or to relist on the Nasdaq when the company is ready.

Appreciation

In closing, I would like to take this opportunity to extend my appreciation to the talented Finet colleagues in Hong Kong and China; their dedication and professionalism form the very foundation of Finet's present and set up the great achievements for Finet's future. Additionally, I would like to express my gratitude to our shareholders and board members for their continued support. With all of their contributions in shaping our strong fundamentals, I believe that Finet is entering into a most promising and exciting phase.

Sincerely yours,

George Yu
Chairman & CEO

Management Discussion and Analysis

Financial Review

Turnover of the Group for the year ended 31st March, 2006 was approximately HK$29,245,000 (2005: HK$21,714,000), which represented an increase of approximately 35% as compared to the previous financial year. Turnover from Finet Information Technology Solutions ("FITS"), Finet PowerStation, Finet Web Products and Advertising increased by approximately 44%, 40%, 10%, and 52% compared to the previous financial year, respectively. Turnover of the Group continued to experience steady growth during the year under review.

Other operating income of the Group for the year ended 31st March, 2006 was approximately HK$1,749,000, which mainly represented the fair value gain on financial liabilities at fair value through profit or loss.

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, 2006 was approximately HK$9,547,000 (2005: HK$5,730,000), representing an increase of approximately 67% as compared to the previous financial year. 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, 2006 was approximately HK$37,000 (2005: HK$264,000), representing a decrease of approximately 86% as compared to the previous financial year.

Selling expenses of the Group for the year ended 31st March, 2006 was approximately HK$553,000 (2005: HK$539,000), which represented an increase of approximately 3% as compared to the previous financial year.

General and administrative expenses of the Group for the year ended 31st March, 2006 was approximately HK$21,998,000 (2005 restated: HK$15,210,000), which represented an increase of approximately 45% as compared to the previous financial year. During the year ended 31st March, 2006, the Group incurred staff costs (including directors' emoluments) of approximately HK$12,515,000 (2005 restated: HK$8,680,000), which represented an increase of approximately 44% as compared to the previous financial year and approximately 57% (2005 restated: 57%) 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 purpose of capturing various market opportunities.

Finance cost of the Group for the year ended 31st March, 2006 was approximately HK$160,000 (2005: Nil), which represented the interest charges on bank loans for acquisition of the properties and the leasehold land and land use rights.

No Hong Kong profits tax was paid for the year ended 31st March, 2006 (2005: Nil) as the Group applied tax losses carried forward from previous years to offset the estimated assessable profit. No PRC profits tax was paid for the year ended 31st March, 2006 (2005: Nil) for a subsidiary of the Company incorporated in the PRC as it had no assessable profits for the year ended 31st March, 2006.

The audited consolidated loss attributable to equity holders of the Company for the year ended 31st March, 2006 was approximately HK$1,661,000 (2005 restated: profit attributable to equity holders of the Company HK$171,000).

Management Discussion and Analysis

Liquidity and Financial Resources

	As at 31st March		
	2006	2005	
	in HK$'000	*in HK$'000*	Change
Net current assets	21,217	24,108	–12%
Total assets	38,404	28,257	+36%
Total liabilities	8,482	1,603	+429%
Total equity	29,922	26,654	+12%
Cash and bank deposits	18,632	20,622	–10%
Debt to equity ratio	0.28x	0.06x	N/A
Gearing ratio	0.12x	0.00x	N/A

As at 31st March, 2006, the total assets of the Group increased by approximately HK$10,147,000 to approximately HK$38,404,000 as compared to approximately HK$28,257,000 as at the end of the previous financial year, representing an increase of approximately 36%.

As at 31st March, 2006, the total liabilities of the Group increased by approximately HK$6,879,000 to approximately HK$8,482,000 as compared to approximately HK$1,603,000 as at the end of the previous financial year, representing an increase of approximately 429%.

As at 31st March, 2006, the total equity of the Group increased by approximately HK$3,268,000 to approximately HK$29,922,000 as compared to approximately HK$26,654,000 as at the end of the previous financial year, representing an increase of approximately 12%.

The Group's properties were revalued on 31st March, 2006 by an independent firm of chartered surveyors. The revaluation surplus of HK$2,384,000 was credited to property revaluation reserve in equity.

Management Discussion and Analysis

Significant Investment Held

As at 31st March, 2006, the Group held financial assets at fair value through profit or loss of approximately HK$612,000 and financial liabilities at fair value through profit or loss of approximately HK$346,000.

Acquisitions and Disposal of Subsidiaries

The Group had no acquisitions and disposal of subsidiaries during the year ended 31st March, 2006.

Charges of Assets

As at 31st March, 2006, the properties and the leasehold land and land use rights with an aggregate carrying value of HK$8,047,000 (2005: Nil) were pledged as securities for the borrowing facilities of the Group.

Exposure to Fluctuation in Exchange Rates

The Group holds leasehold land and land use rights and buildings in RMB, call options classified under financial assets/liabilities at fair value through profit or loss in Japanese Yen. The Group is therefore exposed to currency risks, as the value of the assets/liabilities will fluctuate due to change in exchange rates.

Contingent Liabilities

As at 31st March, 2006, the Group had no contingent liabilities (2005: Nil).

Staff

The Group had 71 full-time employees in Hong Kong and the PRC as of 31st March, 2006. During the year, the Group continued to expand the workforce in the PRC and had 34 full-time employees in the PRC as of 31st March, 2006.

During the year, the Group incurred staff costs (including directors' emoluments) of approximately HK$12,515,000 (2005 restated: HK$8,680,000), representing approximately 57% (2005 restated: 57%) of the total general and administrative expenses for 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

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 six months ended 31st March, 2006. (*Note:* The comparison of the Group's business objectives with actual business progress for the six months ended 30th September, 2005 is available on the Company's 2005/2006 interim report dated 16th November, 2005.)

Business Objectives	Actual Business Progress
Enhancing the Group's business in the PRC	
■ Continue to promote the brand of Finet (財華社) and the Group's product and services through advertising on TV and newspapers and sponsorship on financial market related events in the PRC	■ Established strategic partnership with China Securities Journal (中國證券報), one of the national newspapers with the highest readership in China, and contributed a regular Finet column (財華社專欄) on the newspaper to promote the Group's brand and editorial capabilities ■ Sponsored the Hong Kong Financial Services Expo, Shanghai organized by Trade Development Council to promote the Group's brand and terminal products ■ Continued to advertise with a variety of media in Greater China, including 21st Century Business Herald, Money Weekly, Capital Circle, AM730, SCMP, ChinaYes.com
■ Continue to customize the features and functionalities of Finet PowerStation for the PRC users	■ Ongoing customization of Finet PowerStation to match PRC user preferences, including the introduction of Financial Dictionary and enhancement of technical analysis features
■ Continue to enhance the quality of China listed company database and macroeconomic statistics	■ Sourcing and developing more related information to enrich the China listed company database
■ To offer ICP business in China	■ Seeking potential acquisition targets to expedite the entry into ICP business in China
■ Continue to expand the workforce at FGTL by employing additional 2 content developers; and 2 sales and marketing professionals	■ Expanded the workforce on an ongoing basis and the number of full-time employees in the PRC grew from 29 to 34 during the six months ended 31st March, 2006, including 2 content professionals and 1 marketing professional
■ Continue to develop the data servers and IT infrastructure in Shenzhen	■ Added data servers in Shenzhen to accommodate growing data capacity and customer relationship management from an enlarging user base across the PRC ■ Ongoing enhancement of the IT infrastructure in Shenzhen to ensure further stability and cost-effectiveness
■ Continue to solicit qualified distribution agents for marketing the Group's services in the PRC	■ In contract negotiations with leading brokerage houses and websites in the PRC as potential distribution partners, and confirmed marketing partnership with Shun Loong Holdings Limited

Comparison of Business Objectives with Actual Business Progress

Business Objectives	Actual Business Progress
Enhancing the Group's business in the PRC *(continued)*	
■ To increase the market share of FITS and Finet PowerStation in the PRC	■ Strengthened sales presence by establishing offices and experienced sales people in Beijing and Shanghai ■ Won new contracts with a number of brokerages, fund houses, telecommunications, Internet companies and media, all are market leaders in their domain
Enhancing the Group's technology and product development capabilities and IT infrastructure	
■ Continue to strengthen and upgrade the database and datafeed storage systems	■ Scaled up the datafeed storage system to accommodate the expanding capacity of data and news feed from a growing number of sources from around the world
■ Continue to upgrade the network and system capacity and security level	■ Achieved further synergies of network architecture in data center ■ Further enhanced system security by streamlining the flow of security control procedure ■ Further enhanced overall system stability by the implementation of advanced features in databases and the deployment of sophisticated clustering technology
■ Continue to conduct the content and database reengineering project	■ Adopted the latest JAVA technology JSF to enhance product development capabilities ■ As the Group aggregates more sources of information from around the world, the Group upgraded content delivery architecture to increase the stability and efficiency of content transmission to and from any geographical location
Enhancing the Group's content development capabilities	
■ Continue to enhance the features and functionalities of Finet PowerStation	■ Added many new contents and analytical tools on Finet PowerStation, including industry statistics, HK-listed Taiwan company data, DDE function and market reminder ■ Enhanced the multi-media capabilities of Finet PowerStation by adding built-in TV and Radio channels and enhancing the VoIP and instant messaging functions, in order to enable more timely and convenient communications for the users ■ Introduced the Featured Report column to provide in-depth and topical commentaries on major sectors

Comparison of Business Objectives with Actual Business Progress

Business Objectives	Actual Business Progress
Enhancing the Group's content development capabilities *(continued)*	
■ Continue to introduce new features and enhanced functionalities of Finet Web Products according to market demand	■ Finet MarketWinner, under the family of Finet Web Products, underwent several upgrades, including the introduction of delayed version, addition of warrants data and technical indicators, and enhancement of company data presentation
■ Continue to develop the web business through marketing campaigns and new subscription-based service offerings	■ Introduced the Event Calendar as an electronic hub of the region's financial and economic-related events, in order to increase the chance of event sponsorship, benefit web members with event special offers, drive web traffic and explore advertising revenue from event organizers ■ Enhanced the Featured Report column to provide in-depth and topical commentaries on major sectors
■ Continue to solicit the US, China, Hong Kong, Taiwan and Singapore financial information and data such as news, database, and equity market data aggregation for FITS, Finet PowerStation and the Group's website	■ In contract negotiations with two global information providers to aggregate and redistribute their data and contents, which, when completed, will significantly strengthen the information coverage of Finet's products and services ■ Introduced Forex Newswire and Commodities Newswire under Finet Newswires
Strengthening the Group's sales and marketing efforts	
■ Continue to promote the brand of Finet (財華社) through advertising on newspapers and magazines and sponsorship on financial market related events	■ Established strategic partnership with China Securities Journal (中國證券報), one of the national newspapers with the highest readership in China, and contributed a regular Finet column (財華社專欄) on the newspaper to promote the Group's brand and editorial capabilities ■ Partnered with ATV to power its Tsangsir 28 Show (曾 Sir28 騷) and Tsangsir Afternoon Tea (曾 Sir 下午茶) programs with market information, aiming to promote the Group's brand and editorial capabilities ■ Continued to advertise with a variety of media in Greater China, including 21st Century Business Herald, Money Weekly, Capital Circle, AM730, SCMP, ChinaYes.com

Comparison of Business Objectives with Actual Business Progress

Business Objectives	Actual Business Progress
Strengthening the Group's sales and marketing efforts *(continued)*	
	■ As the Grand Sponsor of the Hall of Investment Fusion in FW Expo 2005, one of the largest financial events in Hong Kong. Co-organized with Deutsche Bank and other leading financial houses, the Hall successfully marketed the Group's products and brand with a month-long media campaign and product showcase to the mass investors ■ Sponsored the Hong Kong Financial Services Expo, Shanghai, China organized by Trade Development Council to promote the Group's brand and terminal products
■ Continue to carry out advertising on financial newspapers and seminars to promote the Group's products	■ Established strategic partnership with China Securities Journal (中國證券報), one of the national newspapers with the highest readership in China, and contributed a regular Finet column (財華社專欄) on the newspaper to promote the Group's brand and editorial capabilities ■ Continued to advertise with a variety of media in Greater China, including 21st Century Business Herald, Money Weekly, Capital Circle, AM730, SCMP, ChinaYes.com ■ As the Grand Sponsor of the Hall of Investment Fusion in FW Expo 2005, one of the largest financial events in Hong Kong. Co-organized with Deutsche Bank and other leading financial houses, the Hall successfully marketed the Group's products and brand with a month-long media campaign and product showcase to the mass investors ■ Sponsored the Hong Kong Financial Services Expo, Shanghai, China organized by Trade Development Council to promote the Group's brand and terminal products
■ Continue to increase the market share of FITS, Finet PowerStation and Finet Web Products in Hong Kong by direct marketing and sales	■ Focused direct sales efforts on global financial institutions with a need of professional real-time financial information to service their Chinese customers
■ To solicit qualified distribution agents for marketing the Group's services in Taiwan and Singapore	■ Searching for leading information providers or system integrators in Taiwan to be the distribution agent of Finet's products and services ■ Upon changes in market conditions, the Group decided that the market demand and size of Japan was more considerable than the Singapore market. The Group shifted more sales and marketing focus on the Japan market and won a number of major contracts with Japanese brokerages

Use of Proceeds

The actual use of proceeds for the six months ended 31st March, 2006 as compared to the amount set out the section headed "Use of Proceeds" of the Company prospectus dated 31st December, 2004 is summarized as follows:

	Proposed *HK$'000*	Actual *HK$'000*
Expanding the Group's business into the PRC	1,100	1,235
Enhancing the Group's technology and product development capabilities and IT infrastructure	700	1,229
Enhancing the Group's content development capabilities	900	944
Strengthening the Group's sales and marketing efforts	600	709
Total	3,300	4,117

Note:

1. The actual use of proceeds for the six months ended 30th September, 2005 as compared to the scheduled use of proceeds is available on the Company's 2005/2006 interim report dated 11th November, 2005.

2. The excess in the actual amount of the use of proceeds was financed by the unused funds in the similar purpose brought forward from previous periods.

Board of Directors and Senior Management

Mr. William HAY | Dr. Vincent KWAN | Dr. George YU | Dr. LAM Lee G. | Mr. WU Tak Lung | Mr. Allen AU

Executive Directors' Profile

Dr. YU Gang, George, aged 41, serves as the chairman, chief executive officer, and compliance officer of the Group and is responsible for leading the Group's overall strategic planning and development. Prior to joining the Group in December 1999, Dr. Yu had gathered years of banking experience when he was with Goldman Sachs (Asia) L.L.C. in Hong Kong and J.P. Morgan Securities, Inc. in New York. Dr. Yu later joined the University of Hong Kong as an Assistant Professor of Finance for three years. 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 29, serves as the executive director and the director of product development of the Group and is responsible for leading the research and development of *Finet PowerStation*, the Group's flagship product that integrates multi-market, multi-region financial information onto a robust open platform. Mr. Au joined the Group in October 1998 and has gathered over 7 years' experience in the information technology industry. Mr. Au was instrumental in building up the Group's IT foundation when the Group started. 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 55, 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. Dr. 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. 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 in Business Administration from the University of Western Sydney in Australia 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

Dr. LAM Lee G., aged 46, has been an independent non-executive director of the Group 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. Dr. Lam 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 Harbour Ring Limited, Capital Strategic Investment Limited, Mingyuan Medicare Development Company Limited, Far East Technology International Limited, Vongroup Limited, and China Merchants DiChain (Asia) 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 (TMT), conglomerates and financial services sectors.

Mr. WU Tak Lung, aged 41, 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 Chartered Secretaries. Mr. Wu is the director of corporate finance of Wallbanck 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 Glory Future Group 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 vice-president of The Taxation Institute of Hong Kong.

Mr. William HAY, aged 54, became an independent non-executive director of the Group in May 2006. Mr. Hay is a qualified solicitor in Hong Kong and lawyer in New York State. Mr. Hay was the general counsel of Colony Capital Asia Limited, the general counsel of GE Capital Asia Pacific and a partner of Lovells, one of the world's largest law firms. Mr. Hay had previously practised corporate and financial law in New York City for 13 years, and has resided in Hong Kong since 1995. Currently, Mr. Hay is the managing director of William Hay & Co, an investment company active in China. Mr. Hay received a B.A. from the University of California at Berkeley in the U.S. in 1973, an A.M. in East Asian Studies from Harvard University in the U.S. in 1978, and a J.D. from Harvard Law School in 1982.

Board of Directors and Senior Management

Mr. Steven PENG | Ms. Queenie SIU | Ms. Angela KWAN | Mr. Elton MAN | Ms. Amanda LIM | Mr. Wilson CHAN

Senior Management's Profile

Mr. MAN Kong Yui, Elton, aged 46, joined the Group in November 2005 and now serves as the chief operating officer. Mr. Man is responsible for aligning the Group's resources and maximizing the Group's execution power to capture growing business opportunities. Mr. Man has over 29 years of experience in the financial services industry. From 1993, he spent over ten years with Hantec Group, a company listed in Hong Kong, as executive director and deputy general manager with overall responsibility of securities and commodities, operational control and risk management. Prior to that, he had gathered over 15 years' experience in bullion and Forex trading in Smith Barney Shearson (now part of Citigroup), Lehman Brothers, Derby Metals and Po Sang Bank in Hong Kong. Mr. Man possesses a number of licenses granted by the Securities and Futures Commission. He now serves on the board of GreaterChina Technology Group Ltd. and Get Nice Holdings Ltd. as independent non-executive director. Mr. Man received his bachelor's degree in Business Administration from the Chinese University of Hong Kong in 1995.

Ms. SIU Wing Kei, Queenie, aged 31, is the director of corporate development and investor relations, responsible for identifying growth drivers of the Group with a focus on investment and mergers-and-acquisitions opportunities, managing investor relations, and securing strategic partnerships. Prior to joining the Group in April 2005, Ms. Siu spent about three years with Sino-i Technology Limited, a company listed in Hong Kong, as the marketing director and web business director of its China-based information services arm in Beijing. Ms. Siu has an impressive record of forging and strengthening strategic partnerships with a variety of media, Internet companies and financial institutions driven by her eight years' marketing experience. 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 simultaneously in 2003. She is an accredited translator.

Ms. LIM Ping, Amanda, aged 36, is the director of sales and marketing of the Group, responsible for leading the Group's sales and marketing initiatives and maximizing the Group's revenue potentials. Ms. Lim is a sales and marketing specialist in the information technology and telecommunications industries, where she held management positions in Sun Microsystems, PCCW and Xerox. During her 13-year career in sales and marketing, Ms. Lim has created a track record of delivering excellent sales results. Ms. Lim graduated with a Master's degree in Business Administration from Manchester Business School in 2005 and a bachelor's degree in Social Sciences from the University of Hong Kong in 1993. Ms. Lim is a Member of Hong Kong Institute of Marketing and a Member of Hong Kong Computer Society.

Ms. KWAN Lai King, Angela, aged 28, is the director of solutions business of the Group, responsible for developing and executing the Group's information solutions business, with a focus on content development, web services and technical consultation to facilitate the delivery of the Group's products and services. With eight years' experience in managing large-scale solution projects, extensive banking and IT contacts and all-round operational know-how within the Group, Ms. Kwan has played an integral part in building the Group as an unrivalled Internet-based financial information provider in the region since she joined the Group in August 1999. Ms. Kwan received a bachelor's degree in Finance from the City University of Hong Kong in 1999.

Mr. PENG Xinqiao, Steven, aged 40, is the deputy general manager of China operations of the Group, responsible for steering the Group's business operations and delivering new initiatives in Mainland China. Mr. Peng is a system engineering expert with over 12 years' experience in system development. Mr. Peng held a number of executive positions in Jiangnan Securities Limited and its subsidiaries, where he managed a sizable team of IT professionals and oversaw the company's development of trading, financial and wealth management systems. Mr. Peng also gained considerable overseas experience from leading several international system engineering projects and during his stationing in the U.S. as one of the representing engineers of China Institute of Aviation System Engineering. Mr. Peng graduated with a Master's degree in System Engineering from Harbin Institute of Technology in the PRC in 1990 and a bachelor's degree in System Engineering from China University of Mining and Technology in the PRC in 1987.

Mr. CHAN Hei Choi, Wilson, aged 45, is the chief technology officer, responsible for defining the technical direction for the Group to deploy its development of products and services and expansion of distribution channels. Mr. Chan has 19 years of sophisticated project experiences in the Internet technology, e-business and banking industries. Mr. Chan commenced his career in the HSBC for over nine years and subsequently spent three years with First Pacific Bank as assistant vice president. Mr. Chan graduated with Master of Arts in Electronic Business from City University of Hong Kong in 2002 and Master of Business Administration from the University of South Australia in 1999.

Corporate Governance Report

Corporate Governance Practice

The Board is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders.

The Board has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Listing Rules except that: (1) the roles of chairman and chief executive officer are not separate and are performed by the same individual; (2) the non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association (the "Articles"); (3) Directors are not subject to retirement by rotation at least once every three years and the chairman is not subject to retirement by rotation under the Articles; and (4) a remuneration committee was only established on 30th September, 2005.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31st March, 2006. Having made specific enquiry of all Directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors of the Company.

Board of Directors

The composition of the Board and the biographical details of the Directors are set out in the Report of the Directors (on pages 29 to 36) and the section headed "Board of Directors and Senior Management" (on page 22) of the Annual Report.

During the year ended 31st March, 2006, the Board held four physical meetings and the attendance of the Directors is as follows:

Name of Director	**Number of Attendance in Person**	**Percentage of Attendance**
Dr. Yu Gang, George *(Chairman)*	4/4	100%
Mr. Au Siu Lun, Allen	4/4	100%
Dr. Kwan Pun Fong, Vincent	4/4	100%
Dr. Lam Lee G.	4/4	100%
Mr. Wu Tak Lung	4/4	100%
Mr. Ng Ching Wo	3/4	75%

In addition to physical meetings, the Board also approved matters by resolutions in writing from all the directors.

Corporate Governance Report

The Board is responsible for the overall management of the Company in accordance with the Articles and is entitled to delegate its powers to any executive Director, committees of the Board and the management team. The Board is primarily responsible for approving and monitoring the Company's major corporate matters, the evaluation of the performance of the Company and oversight of the management.

Following the resignation of Mr. Ng Chig Wo as an independent non-executive Director with effect from 30th April, 2006, the Company appointed Mr. William Hay as an independent non-executive Director with effect from 3rd May, 2006 to fill the vacancy to comply with Rule 5.05 of the GEM Listing Rules.

The Company has received the annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and considered them to be independent.

To the knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

The roles of the chairman and chief executive officer are performed by the same individual, Dr. Yu Gang, George. While serving as the chairman of the Company, Dr. Yu Gang, George leads the Board and is responsible for the proceedings and workings of the Board. He is also responsible for running the Company and executing strategies adopted by the Board. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises of experienced and professional individuals. Given the Company's current stage of development, the Board considers that vesting the role of chairman and chief executive officer in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operations. However, the Board will review the existing structure from time to time.

Non-executive Directors and Retirement by Rotation

None of the non-executive Directors of the Company is appointed for specific terms but are subject to the retirement by rotation provisions under the Articles. In addition, Directors are not subject to retirement by rotation at least once every three years and the chairman is not subject to retirement by rotation under the Articles.

In the forthcoming annual general meeting of the Company, a resolution will be proposed to amend the Articles so that (a) every Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected; and (b) Directors holding office as the chairman of the Board or the Managing Director of the Company are also subject to retirement by rotation. Following the amendments to the Articles, the Company considers that sufficient measures will be in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

Corporate Governance Report

Audit Committee

The Board established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members who are independent non-executives Directors, namely, Mr. Wu Tak Lung, Dr. Lam Lee G. and Mr. Ng Ching Wo (with Mr. Wu Tak Lung as the chairman thereof). Following the resignation of Mr. Ng Ching Wo as an audit committee member with effect from 30th April, 2006, the Company appointed Mr. William Hay with effect from 3rd May, 2006 to fill the vacancy to comply with Rule 5.28 of the GEM Listing Rules.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company.

The audit committee met four times during the year ended 31st March, 2006 and the attendance of the members is as follows:

Name of Member	Number of Attendance in Person	Percentage of Attendance
Mr. Wu Tak Lung	4/4	100%
Dr. Lam Lee G.	4/4	100%
Mr. Ng Ching Wo	3/4	75%

During the year ended 31st March, 2006, the audit committee discharged its duties by reviewing the financial matters, quarterly, interim and annual financial reports and financial statements as well as audit matters of the Company, discussing with executive directors, management and the auditors of the Company, and making recommendations to the Board.

The audited financial statements for the year ended 31st March, 2006 have been reviewed by the audit committee.

Remuneration Committee

The Company established a remuneration committee on 30th September, 2005. The committee comprises the executive Director, Dr. Yu Gang, George and two independent non-executive Directors, namely, Dr. Lam Lee G. and Mr. Wu Tak Lung. The principal responsibilities of the remuneration committee include the formulation of the Company's remuneration policy, the approval or recommendation of remuneration packages for the Directors and the senior management, and the review and approval of performance-based remuneration by reference to corporate goals and objectives.

According to the terms of reference, the remuneration committee should meet once a year. As the remuneration committee was only established on 30th September, 2005, the remuneration committee has not held any meeting for the year ended 31st March, 2006.

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Articles. During the year ended 31st March, 2006, the Board has not considered any appointment of Directors. In May 2006, the Board appointed Mr. William Hay as an independent non-executive director after referral and consideration with reference to his experience, expertise and professional qualifications as well as the GEM Listing Rules' requirements.

Auditor's Remuneration

The auditors did not provide any non-audit services to the Company during the year ended 31st March, 2006. The remuneration of the auditors for the provision of audit services during the year under review is HK$270,000.

Preparation of Financial Statements

The respective responsibilities of the Directors and the auditors for preparing financial statements of the Company are set out in the Report of the Auditors on page 37 of the Annual Report.

Internal Controls

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the Company's assets.

Information for Investors

Financial Calendar

Listing Date	7th January, 2005
2005/2006 First Quarterly Results Announced	12th August, 2005
2005/2006 Interim Results Announced	11th November, 2005
2005/2006 Third Quarterly Results Announced	13th February, 2006
2005/2006 Annual Results Announced	23rd June, 2006
2005/2006 Annual General Meeting	31st July, 2006 by 4:00 p.m.

Information for Investors

Company Name	Finet Group Limited （財華社集團有限公司）
Traded	GEM of the Stock Exchange
Stock Code	8317
Registrars	***Principal share registrar and transfer office*** Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies ***Hong Kong branch share registrar and transfer office*** 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 shares
Issued Shares	498,555,000 shares (as at 23rd June, 2006)
Par Value	HK$0.01
Board Lot Size	10,000 shares
Enquiries	Ms. SIU Wing Kei, Queenie Director of Corporate Development and Investor Relations Tel: (852) 2153-7220 Fax: (852) 2110-0186 Email: ir@finet.com.hk

Report of the Directors

The Directors have the pleasure to present the annual report together with the audited financial statements of the Group for the year ended 31st March, 2006.

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, 2006 are set out in the accompanying financial statements.

The Directors do not recommend the payment of any dividend.

Group Financial Summary

A summary of the published annual results and assets and liabilities of the Group since the listing of the Company are set out in the section headed "Financial Highlights" on page 8 of this report.

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 42 and Note 26 on page 79 to the accompanying financial statements.

The Company had reserves of approximately HK$13,865,000 (2005 restated: HK$15,016,000) available for dividend distribution to shareholders as at 31st March, 2006.

Share Capital

Details of movements in share capital of the Company are set out in Note 25 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, 2006 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 16 to the accompanying financial statements.

Report of the Directors

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company are set out in Note 14 to the accompanying financial statements.

Borrowings and Interest Capitalized

Particulars of borrowings of the Group and the Company as at 31st March, 2006 are set out in notes 23 to the accompanying financial statements. No interest was capitalized by the Group during the year.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 22 to 23 of this annual report.

Directors

The Directors who held office during the year ended 31st March, 2006 and up to the date of this report were:

Executive Directors

Dr. Yu Gang, George
Mr. Au Siu Lun, Allen

Non-executive Director

Dr. Kwan Pun Fong, Vincent

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Wu Tak Lung
Mr. William Hay (appointed on 3rd May, 2006)
Mr. Ng Ching Wo (resigned on 30th April, 2006)

Mr. Au Siu Lun, Allen has indicated to the Company that he wishes to retire at the forthcoming annual general meeting and will not offer himself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. William Hay will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Report of the Directors

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 13 to the accompanying financial statements.

Directors' Service Agreements

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

The Non-executive Directors of the Company are not appointed for specific terms but are subject to the retirement by rotation provisions under the Articles of Association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executives' Interests

As at 31st March, 2006, 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

	No. of shares		No. of underlying shares (share options)				
Name of director	**Personal interest**	**Interest of controlled corporation**	**Personal interest**	**Interest of controlled corporation**	*Notes*	**Total**	**% of shares in issue**
Executive Directors:							
Yu Gang, George	–	218,956,608	27,726,000	–	*1(a) & (b)*	246,682,608	49.53%
Au Siu Lun, Allen	15,053,267	–	3,800,000	–	–	18,853,267	3.79%
Non-executive Director:							
Kwan Pun Fong, Vincent	280,000	–	1,000,000	–	–	1,280,000	0.26%

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

Name of director	No. of shares: Personal interest	No. of shares: Interest of controlled corporation	No. of underlying shares (share options): Personal interest	No. of underlying shares (share options): Interest of controlled corporation	*Notes*	Total	% of shares in issue
Independent Non-executive Directors:							
Lam Lee G.	—	—	1,000,000	—	—	1,000,000	0.20%
Ng Ching Wo	—	—	1,000,000	—	—	1,000,000	0.20%
Wu Tak Lung	—	—	1,000,000	—	—	1,000,000	0.20%

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

Name of associated corporation	Name of director	No. of shares: Personal interest	No. of shares: Interest of controlled corporation	*Notes*	% of shares in issue
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 246,682,608 shares in the Company. These shares were held in the following capacity:

   (a) 218,956,608 shares were held by Opulent Oriental International Limited ("Opulent") which Mr. Yu Gang, George controlled 75% of the total voting rights of Opulent.

   (b) Mr. Yu Gang, George is directly interested in options carrying 27,726,000 underlying shares.

Save as disclosed above, as at 31st March, 2006, 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 31st March, 2006, 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 shareholder:				
Opulent Oriental International Limited	Direct Interest		218,956,608	43.97%
Other persons:				
T & C Holdings, Inc.	Direct Interest		40,160,000	8.06%
Nebulamart Limited	Direct Interest	*(1)*	38,738,477	7.78%
United Business Media Plc	Interest of controlled corporation	*(1)*	38,738,477	7.78%

Notes:

1. 38,738,477 shares were held by Nebulamart Limited ("Nebulamart"), which was a wholly-owned subsidiary of United Business Media Plc ("UBM"). Accordingly, both Nebulamart and UBM were deemed (by virtue of the SFO) to be interested in 38,738,477 shares in the Company.

Save as disclosed above, the Directors are not aware of other person who, as at 31st March, 2006, 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.

Report of the Directors

Summary of the Share Option Schemes

A summary of the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme is set out in Note 24 to the accompanying financial statements.

Details of Outstanding Options Granted

As at 31st March, 2006, options to subscribe for an aggregate of 53,766,000 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, 2006 are as follows:

			Number of share options				
Name of grantee	**Date of grant**	**Exercise price per share**	**Balance as at 1st April, 2005**	**Granted during the year**	**Exercised during the year**	**Cancelled or lapsed during the year**	**Balance as at 31st March, 2006**
Directors:							
Yu Gang, George	21st September, 2004	HK$0.15	27,726,000	–	–	–	27,726,000
Au Siu Lun, Allen	21st September, 2004	HK$0.15	3,800,000	–	–	–	3,800,000
Employees	21st September, 2004	HK$0.15	41,850,000	–	(4,160,000)	(15,450,000)	22,240,000
			73,376,000	–	(4,160,000)	(15,450,000)	53,766,000

Report of the Directors

As at 31st March, 2006, options to subscribe for an aggregate of 15,500,000 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16th December, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 31st March, 2006 are as follows:

			Number of share options				
Name of grantee	**Date of grant**	**Exercise price per share**	**Balance as at 1st April, 2005**	**Granted during the year**	**Exercised during the year**	**Cancelled or lapsed during the year**	**Balance as at 31st March, 2006**
Non-executive Director:							
Kwan Pun Fong, Vincent	29th September, 2005	HK$0.365	–	1,000,000	–	–	1,000,000
Independent Non-executive Directors:							
Lam Lee G.	29th September, 2005	HK$0.365	–	1,000,000	–	–	1,000,000
Ng Ching Wo	29th September, 2005	HK$0.365	–	1,000,000	–	–	1,000,000
Wu Tak Lung	29th September, 2005	HK$0.365	–	1,000,000	–	–	1,000,000
Employees	5th September, 2005	HK$0.28	–	8,500,000	–	–	8,500,000
	24th March, 2006	HK$0.83	–	3,000,000	–	–	3,000,000
			–	15,500,000	–	–	15,500,000

Customers and Suppliers

For the year ended 31st March, 2006, the five largest customers accounted for approximately 51% (2005: 43%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 72% (2005: 79%) of the Group's total cost of sales. The largest customer of the Group accounted for approximately 24% (2005: 19%) of the Group's total turnover while the largest supplier of the Group accounted for approximately 45%(2005: 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 or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Significant Contracts

There was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

Report of the Directors

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, 2006, 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 year 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.

Corporate Governance

The Company has published its Corporate Governance Report, details of which are set out on pages 24 to 27 of this annual report.

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, 2006.

Auditors

On 31st May, 2005, Messrs. PricewaterhouseCoopers resigned as the auditors of the Company and Messrs. Grant Thornton were appointed on 1st June, 2005 by the Directors to fill the casual vacancy so arising.

The accompanying financial statements have been audited by Messrs. Grant Thornton. A resolution for the re-appointment of Messrs. Grant Thornton as the auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors
Finet Group Limited

Yu Gang, George
Chairman

Hong Kong, 23rd June, 2006

Report of the Auditors

Grant Thornton
均富會計師行

To the members of Finet Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 38 to 81 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 Hong Kong Standards on Auditing 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, 2006 and of the Group's loss 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

23rd June, 2006

Consolidated Income Statement

For the year ended 31st March, 2006

	Notes	2006 HK$'000	(Restated) 2005 HK$'000
Revenue	5	29,245	21,714
Cost of sales		(9,584)	(5,994)
Gross profit		19,661	15,720
Other operating income	5	1,749	326
Selling expenses		(553)	(539)
General and administrative expenses		(21,998)	(15,210)
Other operating expenses		(360)	(126)
Operating (loss)/profit		(1,501)	171
Finance costs	7	(160)	–
(Loss)/Profit before income tax	8	(1,661)	171
Income tax expense	9	–	–
(Loss)/Profit for the year	10	(1,661)	171
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	11		
– Basic (in HK cent)		(0.34)	0.04
– Diluted (in HK cent)		N/A	0.04

Consolidated Balance Sheet

As at 31st March, 2006

	Notes	2006 HK$'000	(Restated) 2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	9,841	2,546
Leasehold land and land use rights	*15*	2,499	–
		12,340	2,546
Current assets			
Short term investments	*17*	–	2,163
Financial assets at fair value through profit or loss	*18*	612	–
Amount due from ultimate holding company	*19*	–	25
Amount due from a related company	*19*	25	–
Accounts receivable	*20*	2,387	1,758
Prepayments, deposits and other receivables		4,408	1,143
Cash and cash equivalents	*21*	18,632	20,622
		26,064	25,711
Current liabilities			
Accounts payable	*22*	1,539	524
Accruals and other payables		2,803	1,079
Financial liabilities at fair value through profit or loss	*18*	346	–
Borrowings	*23*	159	–
		4,847	1,603
Net current assets		21,217	24,108
Total assets less current liabilities		33,557	26,654
Non-current liabilities			
Borrowings	*23*	3,635	–
Net assets		29,922	26,654
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*25*	4,980	4,938
Reserves	*26*	24,942	21,716
Total equity		29,922	26,654

Yu Gang, George
Director

Au Siu Lun, Allen
Director

Balance Sheet

As at 31st March, 2006

	Notes	2006 HK$'000	(Restated) 2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	5,548	–
Leasehold land and land use rights	*15*	2,499	–
Interests in subsidiaries	*16*	11,340	5,920
		19,387	5,920
Current assets			
Financial assets at fair value through profit or loss	*18*	352	–
Prepayments		182	154
Cash and cash equivalents	*21*	9,064	15,409
		9,598	15,563
Current liabilities			
Accruals and other payables		586	105
Amount due to a subsidiary	*16*	72	140
Financial liabilities at fair value through profit or loss	*18*	346	–
Borrowings	*23*	159	–
		1,163	245
Net current assets		8,435	15,318
Total assets less current liabilities		27,822	21,238
Non-current liabilities			
Borrowings	*23*	3,635	–
Net assets		24,187	21,238
EQUITY			
Share capital	*25*	4,980	4,938
Reserves	*26*	19,207	16,300
Total equity		24,187	21,238

Yu Gang, George
Director

Au Siu Lun, Allen
Director

Consolidated Cash Flow Statement

For the year ended 31st March, 2006

	2006 HK$'000	(Restated) 2005 HK$'000
Cash flows from operating activities		
(Loss)/Profit before income tax	(1,661)	171
Adjustments for:		
Depreciation of property, plant and equipment	1,303	1,307
Amortisation of leasehold land and land use rights	41	–
Interest income	(263)	(2)
Interest expense	160	–
Equity settled share based payment expenses	1,911	1,284
Unrealised holding loss on short term investments	–	126
Realised gain on disposal of short term investments	–	(319)
Operating profit before working capital changes	1,491	2,567
Decrease in financial assets at fair value through profit or loss	1,551	–
Decrease in non-current rental deposits	–	161
Increase in prepayments, deposits and other receivables	(3,265)	(507)
Increase in accounts receivable	(629)	(865)
Decrease in amount due from ultimate holding company	25	168
Increase in amount due from a related company	(25)	–
Increase in financial liabilities at fair value through profit or loss	346	–
Increase/(Decrease) in accounts payable	1,015	(769)
Increase/(Decrease) in accruals and other payables	1,724	(1,131)
Cash generated from/(used in) operations	2,233	(376)
Interest paid	(160)	–
Net cash generated from/(used in) operating activities	2,073	(376)
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	(6,297)	(1,550)
Acquisition of leasehold land and land use rights	(2,540)	–
Proceeds from disposal of property, plant and equipment	83	–
Interest received	263	2
Net cash used in investing activities	(8,491)	(3,518)
Cash flows from financing activities		
Proceeds from issuance of share capital	624	28,800
Share issuance costs	–	(7,660)
Proceeds from bank loans	3,900	–
Repayment of bank loans	(106)	–
Net cash generated from financing activities	4,418	21,140
Net (decrease)/increase in cash and cash equivalents	(2,000)	17,246
Cash and cash equivalents at 1st April	20,622	3,376
Effect of foreign exchange rate changes, net	10	–
Cash and cash equivalents at 31st March	18,632	20,622

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2006

	Share capital HK$'000	Share premium HK$'000	Share issuance costs HK$'000	Merger reserve# HK$'000	Employee compensation reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2004	2,607	61,513	(3,845)	4,870	–	–	–	(61,086)	4,059
Share issuance costs	–	–	(7,660)	–	–	–	–	–	(7,660)
Set off of share issuance costs against share premium	–	(11,505)	11,505	–	–	–	–	–	–
Capitalisation	1,179	(1,179)	–	–	–	–	–	–	–
Employee share-based compensation	–	–	–	–	1,284	–	–	–	1,284
Issue of shares	1,152	27,648	–	–	–	–	–	–	28,800
Profit for the year (Total recognised income and expense for the year)	–	–	–	–	–	–	–	171	171
At 31st March, 2005	4,938	76,477	–	4,870	1,284	–	–	(60,915)	26,654
At 31st March, 2005 and 1st April, 2005, as previously reported	4,938	76,477	–	4,870	–	–	–	(59,631)	26,654
Effect of initial adoption of HKFRS 2	–	–	–	–	1,284	–	–	(1,284)	–
At 31st March, 2005 and 1st April, 2005, as restated	4,938	76,477	–	4,870	1,284	–	–	(60,915)	26,654
Revaluation of buildings	–	–	–	–	–	–	2,384	–	2,384
Currency translation	–	–	–	–	–	10	–	–	10
Net income recognised directly in equity	–	–	–	–	–	10	2,384	–	2,394
Loss for the year	–	–	–	–	–	–	–	(1,661)	(1,661)
Total recognised income and expense for the year	–	–	–	–	–	10	2,384	(1,661)	733
Issue of shares	42	582	–	–	–	–	–	–	624
Employee share-based compensation	–	–	–	–	1,911	–	–	–	1,911
Exercise of share options	–	237	–	–	(237)	–	–	–	–
At 31st March, 2006	4,980	77,296*	–*	4,870*	2,958*	10*	2,384*	(62,576)*	29,922

The merger reserve represented the difference between the share capital and share premium of the Company and the nominal value of shares of a subsidiary acquired pursuant to the reorganisation in connection with the preparation for the initial listing of the shares of the Company on the GEM of The Stock Exchange.

* The aggregate amount of these balances of HK$24,942,000 (2005 restated: HK$21,716,000) in surplus is included as reserves in the consolidated balance sheet.

Notes to the Financial Statements

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law (Revised) of the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, Cayman Islands. Its principal place of business has been changed to Suite 505-506, 5/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong with effect from 28th June, 2005. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7th January, 2005.

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 16.

The financial statements on pages 38 to 81 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31st March, 2006 were approved by the board of directors on 23rd June, 2006.

2. Adoption of New or Revised HKFRS

From 1st April, 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effect of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HK(SIC) Int-15	Operating Leases – Incentives

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31st March, 2005.

2. Adoption of New or Revised HKFRS (continued)

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Adoption of HKAS 17

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid land lease payments under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term.

2.2 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1st April, 2005, the Group did not recognise the financial effect of share options until they were exercised.

The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company and its subsidiaries, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is cash settled share-based payment.

According to the transitional provisions of HKFRS 2, the Group applies this HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not vested on 1st April, 2005.

2.3 Adoption of HKAS 39

Prior to the adoption of HKAS 39, the Group recorded its short term investments at fair values with changes in value being recognised in the income statement as they arise.

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities investments but resulted in reclassification of the Group's short term investments as financial assets at fair value through profit or loss on 1st April, 2005.

2. Adoption of New or Revised HKFRS (continued)

2.4 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 The effect on the adoption of HKFRS 2 on consolidated income statement is summarised below:

	2006 *HK$'000*	2005 *HK$'000*
Increase in staff costs	1,911	1,284
Total increase in loss/decrease in profit for the year	(1,911)	(1,284)
Increase in loss/Decrease in earnings per share		
– Basic	(HK0.39 cent)	(HK0.32 cent)
– Diluted	N/A	(HK0.30 cent)

2.6 The effect on the adoption of HKFRS 2 on consolidated balance sheet is summarised below:

	2006 *HK$'000*	2005 *HK$'000*
Increase/(Decrease) in equity:		
At 1st April, 2005		
Employee compensation reserve	1,284	–
Accumulated losses	(1,284)	–
At 31st March, 2006		
Employee compensation reserve	2,958	1,284
Share premium	237	–
Accumulated losses	(3,195)	(1,284)

2. Adoption of New or Revised HKFRS (continued)

2.7 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2006
3 Effective for annual periods beginning on or after 1st December, 2005
4 Effective for annual periods beginning on or after 1st March, 2006
5 Effective for annual periods beginning on or after 1st May, 2006
6 Effective for annual periods beginning on or after 1st June, 2006

Notes to the Financial Statements

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis as modified for revaluation of certain financial assets and liabilities as set out in note 3.6 and 3.16 respectively and certain buildings as set out in note 3.4 below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

3. Summary of Significant Accounting Policies (continued)

3.4 Property, plant and equipment

All buildings are recognised at fair value, based on their use at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that would be determined using fair values at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of buildings is credited to the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.10. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the property revaluation reserve. A decrease in net carrying amount of buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the asset and the remaining decrease recognised in income statement.

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:

Buildings	over the remaining lease terms
Leasehold improvements	over the lease terms
Computer equipment	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicle	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. Summary of Significant Accounting Policies (continued)

3.5 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.

Leasehold land and land use rights are up-front payments to acquire the leasehold land or land use rights. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the lease term.

3.6 Financial assets

Prior to 1st April, 2005, 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.

From 1st April, 2005 onwards, the Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss and receivables. Management determines the classification of its financial assets at initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, reclassified this designation at every reporting date.

All financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

3. Summary of Significant Accounting Policies (continued)

3.6 Financial assets (continued)

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.7 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity.

3. Summary of Significant Accounting Policies (continued)

3.8 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement or in equity if they relate to items that are charged or credited directly to equity.

3.9 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand which form an integral part of the Group's cash management.

3. Summary of Significant Accounting Policies (continued)

3.10 Impairment testing of assets

The property, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. An impairment loss is reversed in subsequent periods if there has been a change in the estimates used to determine the asset's recoverable amount and 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.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3. Summary of Significant Accounting Policies (continued)

3.12 Retirement benefit costs and short term employee benefits

(i) Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

(ii) Short-term employee benefits

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.

3.13 Share-based employee compensation

All share-based payment arrangements granted after 7th November, 2002 and had not vested on 1st April, 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

3. Summary of Significant Accounting Policies (continued)

3.13 Share-based employee compensation (continued)

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in the employee compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

3.14 Income and expense recognition

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.

Dividend income is recognised when the right to receive payment is established.

Commission income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Operating expenses are recognised in the income statement upon utilisation of the services.

3. Summary of Significant Accounting Policies (continued)

3.15 Related parties

A party is considered to be related to the Company if:

(i) directly, or indirectly through one or more intermediaries, the party:

– controls, is controlled by, or is under common control with, the Company;
– has an interest in the Company that gives it significant influence over the Company; or
– has joint control over the Company;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

3.16 Financial liabilities

The Group's financial liabilities mainly include financial liabilities at fair value through profit or loss, accounts payable, accruals and other payables and borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as expenses in finance costs in the income statement.

3. Summary of Significant Accounting Policies (continued)

3.16 Financial liabilities (continued)

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities that are either held for trading or are designated by the Group to be carried at fair value through profit or loss on initial recognition.

Subsequent to initial recognition, the financial liabilities included in this category are measured at fair value with changes in fair value recognised in income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be re-classified.

(ii) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(iii) *Accounts payables, accruals and other payables*

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. Critical Accounting Estimates and Judgements

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

Estimated fair value of share options

The fair value of share option granted was calculated using the Binomial valuation model based on the Group managements' significant inputs into calculation including the impact of vesting period, exit rate of employees, and estimated life of share options granted based on exercise restrictions and behavioural consideration, volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

Estimated fair value of buildings

The fair value of the buildings was calculated using the direct comparison valuation method which takes into account the direct similar sales transaction in the locality, especially within the same development or the building, as the basis of valuation analysis and comparison. Adjustments have been allowed for the discrepancies between the subject property and the similar comparables in respect of various factors including location, accessibility or condition.

Estimated fair value of derivative financial instruments

The Group determines the fair values of options by applying a valuation technique which incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. In applying valuation techniques, the Group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instruments.

Notes to the Financial Statements

5. Revenue and Other Operating Income

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

	2006 *HK$'000*	2005 *HK$'000*
Service income from provision of financial information services	28,273	20,937
Advertising income	935	614
Sales of merchandise	37	163
	29,245	21,714
Other operating income		
Realised gain on disposal of short term investments	–	319
Fair value gain on financial liabilities at fair value through profit or loss	1,310	–
Exchange gain	–	5
Dividend income	14	–
Sundry income	50	–
Commission income	112	–
Interest income	263	2
	1,749	326
Total income	30,994	22,040

6. Segment Information

The Group is principally engaged in the provision of financial information services. The Group's assets are mainly located in Hong Kong. During the year ended 31st March, 2006, 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.

7. Finance Costs

	2006 HK$'000	2005 HK$'000
Interest charges on bank loans wholly repayable within five years	160	–

8. (Loss)/Profit Before Income Tax

	2006 HK$'000	(Restated) 2005 HK$'000
(Loss)/Profit before income tax is arrived at after charging:		
Operating lease charges		
– rentals of office premises	1,199	683
Amortisation of leasehold land and land use rights	41	–
Depreciation of property, plant and equipment	1,303	1,307
Unrealised holding loss on short term investments	–	126
Net fair value loss on financial assets at fair value through profit or loss	360	–
Auditors' remuneration	274	213
Staff costs, including directors' emoluments *(note 12)*	12,515	8,680

9. Income Tax Expense

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, 2006 (2005: 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, 2006 (2005: Nil) for a subsidiary of the Company established in the People's Republic of China as the subsidiary had no assessable profit for the year.

9. Income Tax Expense (continued)

Reconciliation between tax expense and accounting (loss)/profit at applicable rates is as follows:

	2006 HK$'000	(Restated) 2005 HK$'000
(Loss)/Profit before income tax	(1,661)	171
Tax on (loss)/profit, calculated at Hong Kong profits tax rate of 17.5% (2005 : 17.5%)	(291)	30
Effect of different tax rate of the other jurisdictions	24	–
Tax effect of non-deductible expenses	160	38
Tax effect of non-taxable revenue	(48)	(30)
Tax effect of temporary differences not recognised	(216)	(21)
Utilisation of tax losses previously not recognised	(92)	(242)
Tax effect of tax losses not recognised	463	225
Income tax expense	–	–

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

	2006 HK$'000	(Restated) 2005 HK$'000
Tax losses	11,735	11,394
Accelerated depreciation allowance	(527)	(296)
	11,208	11,098

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 arising from subsidiaries operating in Hong Kong are subject to approval by the Hong Kong Inland Revenue Department.

The Company did not have any temporary difference as at 31st March, 2005 and 2006.

Notes to the Financial Statements

10. (Loss)/Profit for The Year

Of the consolidated loss for the year of HK$1,661,000 (2005 restated: profit for the year of HK$171,000), a loss of HK$1,970,000 (2005 restated: loss of HK$1,336,000) has been dealt with in the financial statements of the Company.

11. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$1,661,000 (2005 restated: profit of HK$171,000) and on the weighted average number of 494,450,384 (2005: 405,467,397) ordinary shares in issue during the year.

On 6th January, 2005, the Company made a capitalisation of shares against the share premium and allotted and issued 117,990,000 ordinary shares as fully paid ordinary shares at par to the persons whose names appeared 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, 2005, as if the Capitalisation had occurred on 1st April, 2004, was deemed to be 405,467,397 ordinary shares.

Diluted loss per share for the year ended 31st March, 2006 has not been disclosed as the share options outstanding during the year has an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the year ended 31st March, 2005 was based on 405,467,397 ordinary shares which was the weighted average number of shares in issue during the year plus the weighted average number 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.

12. Employee Benefit Expense (Including Directors' Emoluments)

	2006 *HK$'000*	(Restated) **2005** *HK$'000*
Wages and salaries	10,193	7,080
Share-based payment	1,911	1,284
Pension costs – defined contribution plans	317	251
Others	94	65
	12,515	8,680

Notes to the Financial Statements

13. Directors' Remuneration and Senior Management's Emoluments

(i) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contributions to pension schemes *HK$'000*	Equity-settled share-based payment expenses *HK$'000*	Total *HK$'000*
Year ended 31st March, 2006					
Executive Directors					
Yu Gang, George	–	600	12	1,149	1,761
Au Siu Lun, Allen	–	420	12	157	589
Non-executive Director					
Kwan Pun Fong, Vincent	60	–	–	24	84
Independent Non-executive Directors					
Ng Ching Wo *(Note 1)*	60	–	–	24	84
Lam Lee G.	60	–	–	24	84
Wu Tak Lung	60	–	–	24	84
	240	1,020	24	1,402	2,686

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contributions to pension schemes *HK$'000*	Equity-settled share-based payment expenses *HK$'000*	(Restated) Total *HK$'000*
Year ended 31st March, 2005					
Executive Directors					
Yu Gang, George	–	141	3	675	819
Au Siu Lun, Allen	–	420	12	92	524
Non-executive Director					
Kwan Pun Fong, Vincent	14	–	–	–	14
Independent Non-executive Directors					
Ng Ching Wo *(Note 1)*	14	–	–	–	14
Lam Lee G.	14	–	–	–	14
Wu Tak Lung	14	–	–	–	14
	56	561	15	767	1,399

Note 1: Resigned on 30th April, 2006

13. Directors' Remuneration and Senior Management's Emoluments (continued)

(i) Directors' emoluments (continued)

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.

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2005: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: four) individuals during the year are as follows:

	2006 *HK$'000*	(Restated) 2005 *HK$'000*
Basic salaries and allowances	1,189	1,544
Share-based payment	268	166
Discretionary bonus	–	870
Contributions to pension schemes	30	43
	1,487	2,623

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

	Number of individuals	
	2006	2005
Emolument bands		
HK$Nil – HK$1,000,000	3	3
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.

14. Property, Plant and Equipment

Group

	Buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004							
Cost	–	815	5,216	484	634	–	7,149
Accumulated depreciation	–	(815)	(3,180)	(376)	(475)	–	(4,846)
Net book amount	–	–	2,036	108	159	–	2,303
Year ended 31st March, 2005							
Opening net book amount	–	–	2,036	108	159	–	2,303
Additions	–	–	1,534	6	10	–	1,550
Depreciation	–	–	(1,098)	(87)	(122)	–	(1,307)
Closing net book amount	–	–	2,472	27	47	–	2,546
At 31st March, 2005							
Cost	–	815	6,750	490	644	–	8,699
Accumulated depreciation	–	(815)	(4,278)	(463)	(597)	–	(6,153)
Net book amount	–	–	2,472	27	47	–	2,546
Year ended 31st March, 2006							
Opening net book amount	–	–	2,472	27	47	–	2,546
Additions	3,216	795	1,509	376	201	200	6,297
Disposals	–	–	(83)	–	–	–	(83)
Depreciation	(52)	(179)	(909)	(69)	(67)	(27)	(1,303)
Revaluation	2,384	–	–	–	–	–	2,384
Closing net book amount	5,548	616	2,989	334	181	173	9,841
At 31st March, 2006							
Cost or valuation	5,548	795	8,066	381	212	200	15,202
Accumulated depreciation	–	(179)	(5,077)	(47)	(31)	(27)	(5,361)
Net book amount	5,548	616	2,989	334	181	173	9,841

The analysis of the cost or valuation at 31st March, 2006 of the above assets is as follows:

	Buildings	Leasehold improvements	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicle	Total
At 31st March, 2006							
At cost	–	795	8,066	381	212	200	9,654
At valuation	5,548	–	–	–	–	–	5,548
	5,548	795	8,066	381	212	200	15,202

14. Property, Plant and Equipment (continued)

Company

	Buildings *HK$'000*
Year ended 31st March, 2006	
Opening net book amount	–
Additions	3,216
Depreciation	(52)
Revaluation	2,384
Closing net book amount	5,548
At 31st March, 2006	
At valuation	5,548
Accumulated depreciation	–
Net book amount	5,548

The Group's and the Company's buildings were revalued on 31st March, 2006. Valuation was carried out by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent firm of chartered surveyors. The fair value of the buildings was calculated using the direct comparison valuation method which takes into account the direct similar sales transaction in the locality, especially within the same development or the building, as the basis of valuation analysis and comparison. Adjustments have been allowed for the discrepancies between the subject property and the similar comparables in respect of various factors including location, accessibility or condition. If the buildings were stated at the historical cost less accumulated depreciation, the carrying amount as at 31st March, 2006 would be HK$3,164,000. The revaluation surplus of HK$2,384,000 was credited to property revaluation reserve in equity.

Bank loans (note 23) are secured by the above buildings with carrying amount of HK$5,548,000 as at 31st March, 2006.

15. Leasehold Land and Land Use Rights

Group and Company

The Group's and the Company's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	HK$'000
Year ended 31st March, 2006	
Opening net book amount	–
Additions	2,540
Amortisation for the year	(41)
Closing net book amount	2,499

	31st March, 2006 HK$'000
Outside Hong Kong, held on a lease of between 10 to 50 years	2,499

Bank loans (note 23) are secured by the above leasehold land and land use rights with carrying amount of HK$2,499,000 as at 31st March, 2006.

16. Interests in Subsidiaries

	Company	
	31st March, 2006 HK$'000	31st March, 2005 HK$'000
Unlisted shares, at cost	1,000	1,000
Amounts due from subsidiaries	70,400	64,980
	71,400	65,980
Less: Provision for impairment	(60,060)	(60,060)
	11,340	5,920

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

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

16. Interests in Subsidiaries (continued)

Particulars of the subsidiaries at 31st March, 2006 are as follows:

Name	Place/country of incorporation/ operation and kind of legal entity	Particulars of issued and fully paid share capital/registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
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 and investment holdings in Hong Kong
Finet Investment Fund Limited *	Cayman Islands, limited liability company	100 management shares of US$1 each	–	100%	Dormant

* Finet Investment Fund Limited was incorporated on 18th November, 2005.

Notes to the Financial Statements

17. Short Term Investments

Short term investments at 31st March, 2005 are set out below. Upon the adoption of HKAS 39 on 1st April, 2005, short term investments were reclassified to financial assets at fair value through profit or loss.

Group

	31st March, 2005 *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 securities	2,163

18. Financial Assets/Liabilities at Fair Value through Profit or Loss

	Group 31st March, 2006 *HK$'000*	Company 31st March, 2006 *HK$'000*
Financial assets		
Listed equity securities in Hong Kong	260	–
Call options in listed equity securities	352	352
	612	352
Market value of listed equity securities	260	–
Financial liabilities		
Call options in listed equity securities	346	346

The above financial assets and financial liabilities are held for trading.

As at 31st March, 2006, the call options in listed equity securities purchased by the Company and classified under financial assets at fair value through profit or loss have an exercise period from 3rd October, 2005 to 2nd October, 2007. The call options in listed equity securities sold by the Company and classified under financial liabilities at fair value through profit or loss have an exercise period from 3rd October, 2005 to 22nd September, 2007.

18. Financial Assets/Liabilities at Fair Value through Profit or Loss (continued)

The Group determines the fair values of the call options by applying the Binomial valuation model which incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. In applying valuation techniques, the Group uses estimates and assumptions that are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instruments.

19. Amount Due from Ultimate Holding Company/a Related Company

As at 31st March, 2005, the directors considered that the ultimate holding company to be Finet International Holdings Limited ("FIHL"), incorporated in Cayman Islands, which held 74.08% direct interest in the Company. Following the transfer of shares in the Company by FIHL to the shareholders of FIHL on 6th and 28th February, 2006, FIHL became a related company. Yu Gang, George, director of the Company has 75% equity interest in Opulent Oriental International Limited, which in turn has 100% equity interest in FIHL as at 31st March, 2006.

Particulars of the amount due from FIHL, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	31st March, 2006 *HK$'000*	Maximum amount outstanding during the year *HK$'000*	1st April, 2005 *HK$'000*
Finet International Holdings Limited	25	25	25

The amounts due from Finet International Holdings Limited as at 31st March, 2006 and 2005 were unsecured, interest-free and repayable on demand.

20. Accounts Receivable

The credit terms granted by the Group to its customers range from 14 days to 90 days. At 31st March, 2006, the ageing analysis of the accounts receivable was as follows:

	Group	
	31st March, 2006	31st March, 2005
	HK$'000	*HK$'000*
0 – 30 days	1,768	638
31 – 60 days	393	796
61 – 90 days	73	30
Over 90 days	153	294
	2,387	1,758

21. Cash and Cash Equivalents

	Group	
	31st March, 2006	31st March, 2005
	HK$'000	*HK$'000*
Cash at banks and in hand	18,632	20,622

	Company	
	31st March, 2006	31st March, 2005
	HK$'000	*HK$'000*
Cash at banks and in hand	9,064	15,409

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in cash and cash equivalents of the Group are HK$120,000 (2005: HK$481,000) of bank balances denominated in Renminbi ("RMB") placed with banks in Mainland China. RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Accounts Payable

At 31st March, 2006, the ageing analysis of the accounts payable was as follows:

	Group	
	31st March, 2006	31st March, 2005
	HK$'000	*HK$'000*
0 – 30 days	1,094	391
31 – 60 days	164	49
61 – 90 days	90	12
Over 90 days	191	72
	1,539	524

23. Borrowings

Group and Company

	31st March, 2006
	HK$'000
Secured bank loans – floating rates	3,794
Carrying amount repayable:	
Within one year	159
More than one year, but not exceeding two years	171
More than two years, but not more than five years	591
Wholly repayable within 5 years	921
After the fifth year	2,873
	3,794
Less: Amount due within one year shown under current liabilities	(159)
Amount due after one year shown under non-current liabilities	3,635

All bank loans were secured by the leasehold land and land use rights and buildings of the Group (notes 14 and 15).

The interest rates (which also equal to contracted interest rate) on the Group's floating rate bank loans are the PRC bank's prime lending rates minus 1.25% per annum. The maturity date of the bank loans is on 22nd July, 2020 being 15 years from the loans draw down date.

23. Borrowings (continued)

The effective interest rate on the Group's floating rate bank loans is 7% per annum.

The carrying amounts of the borrowings are denominated in Renminbi.

The carrying amounts of the borrowings approximate their fair values.

24. Share-based Employee Compensation

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

The Pre-IPO Share Option Scheme terminated on 6th January, 2005 being the date immediately preceding the date on which the shares of the Company were listed on GEM. The maximum number of shares issuable under this scheme is limited to 74,076,000 shares.

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

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

Notes to the Financial Statements

24. Share-based Employee Compensation (continued)

The following is details of outstanding share options granted under the Pre-IPO Share Option Scheme as at 31st March, 2005:

Grantee	Date of grant	Exercise price	Exercise period	Granted during the year	Lapsed during the year	Outstanding as at 31st March, 2005
Pre-IPO Share Option Scheme:						
Directors						
Yu Gang, George	21st September, 2004	HK$0.15	*Note 1*	27,726,000	–	27,726,000
Au Siu Lun, Allen	21st September, 2004	HK$0.15	*Note 1*	3,800,000	–	3,800,000
Sub-total				31,526,000	–	31,526,000
Employees	21st September, 2004	HK$0.15	*Note 1*	42,550,000	(700,000)*	41,850,000
Total				74,076,000	(700,000)	73,376,000

* The 700,000 share options under the Pre-IPO Share Options Scheme lapsed upon the resignation of the employees of the Group.

24. Share-based Employee Compensation (continued)

The following is details of outstanding share options granted under the Pre-IPO Share Option Scheme as at 31st March, 2006:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding as at 1st April, 2005	Exercised during the year	Lapsed during the year	Outstanding as at 31st March, 2006
Pre-IPO Share Option Scheme:							
Directors							
Yu Gang, George	21st September, 2004	HK$0.15	*Note 1*	27,726,000	–	–	27,726,000
Au Siu Lun, Allen	21st September, 2004	HK$0.15	*Note 1*	3,800,000	–	–	3,800,000
Sub-total				31,526,000			31,526,000
Employees	21st September, 2004	HK$0.15	*Note 1*	41,850,000	(4,160,000)#	(15,450,000)*	22,240,000
Total				73,376,000	(4,160,000)	(15,450,000)	53,766,000

The weighted average share price of the Company during the year ended 31st March, 2006 was HK0.544 cents.

* The 15,450,000 share options under the Pre-IPO Share Options Scheme lapsed upon the resignation of the employees of the Group.

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

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

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

24. Share-based Employee Compensation (continued)

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

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

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

The following is details of outstanding share options granted under the Share Option Scheme as at 31st March, 2006:

Grantee	Date of grant	Exercise price	Exercise period	Granted during the year and outstanding as at 31st March, 2006
Share Option Scheme:				
Directors				
Kwan Pun Fong, Vincent	29th September, 2005	HK$0.365	*Note 2 (a)*	1,000,000
Lam Lee G.	29th September, 2005	HK$0.365	*Note 2 (a)*	1,000,000
Ng Ching Wo	29th September, 2005	HK$0.365	*Note 2 (a)*	1,000,000
Wu Tak Lung	29th September, 2005	HK$0.365	*Note 2 (a)*	1,000,000
Sub-total				4,000,000
Employee	5th September, 2005	HK$0.28	*Note 2(b)*	3,000,000
Employee	5th September, 2005	HK$0.28	*Note 2(c)*	4,300,000
Employee	5th September, 2005	HK$0.28	*Note 2(d)*	1,200,000
Employee	24th March, 2006	HK$0.83	*Note 2(e)*	3,000,000
Sub-total				11,500,000
Total				15,500,000

24. Share-based Employee Compensation (continued)

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

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

Note 1:

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

Note 2:

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

The fair values of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, measured at the dates of grant and the underlying assumptions used to derive the fair values, using the Binomial option pricing model are as follows:

Risk free interest rate	3.8% – 4.1%
Expected life of options (in years)	2 – 5 years

24. Share-based Employee Compensation (continued)

During the year ended 31st March, 2006, employee share-based compensation of HK$1,911,000 has been included in the consolidated income statement (2005 restated: HK$1,284,000) with a corresponding credit to the employee compensation reserve.

At the balance sheet date, the Company had 53,766,000 and 15,500,000 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme respectively, which represented approximately 13.9% 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 69,266,000 additional ordinary shares of the Company and additional share capital of HK$693,000 and share premium of HK$13,702,000 (before issue expenses).

25. Share Capital

	2006		2005	
	Number of shares	*HK$'000*	Number of shares	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning of the year	1,000,000,000	10,000	700,000,000	7,000
Increase during the year	–	–	300,000,000	3,000
At end of the year	1,000,000,000	10,000	1,000,000,000	10,000
Issued and fully paid:				
At beginning of the year	493,840,000	4,938	260,650,000	2,607
Capitalisation	–	–	117,990,000	1,179
Issue of shares	4,160,000	42	115,200,000	1,152
At end of the year	498,000,000	4,980	493,840,000	4,938

During the year, the issued share capital of the Company was increased from HK$4,938,000 to HK$4,980,000 due to exercise of share options by the employees (note 24).

Notes to the Financial Statements

26. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 42 of the financial statements.

Company

	Share premium *HK$'000*	Share issuance costs *HK$'000*	Employee compensation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st April, 2004	61,513	(3,845)	–	–	(60,125)	(2,457)
Share issuance costs	–	(7,660)	–	–	–	(7,660)
Set off of share issuance costs against share premium	(11,505)	11,505	–	–	–	–
Capitalisation	(1,179)	–	–	–	–	(1,179)
Employee share-based compensation	–	–	1,284	–	–	1,284
Issue of shares	27,648	–	–	–	–	27,648
Loss for the year (Total recognised income and expense for the year)	–	–	–	–	(1,336)	(1,336)
At 31st March, 2005	76,477	–	1,284	–	(61,461)	16,300
At 31st March, 2005 and 1st April, 2005, as previously reported	76,477	–	–	–	(60,177)	16,300
Effect of initial adoption of HKFRS 2	–	–	1,284	–	(1,284)	–
At 31st March, 2005 and 1st April, 2005, as restated	76,477	–	1,284	–	(61,461)	16,300
Revaluation of buildings (Net income recognised directly in equity)	–	–	–	2,384	–	2,384
Loss for the year	–	–	–	–	(1,970)	(1,970)
Total recognised income and expense for the year	–	–	–	2,384	(1,970)	414
Issue of shares	582	–	–	–	–	582
Employee share-based compensation	–	–	1,911	–	–	1,911
Exercise of share options	237	–	(237)	–	–	–
At 31st March, 2006	77,296	–	2,958	2,384	(63,431)	19,207

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.

Notes to the Financial Statements

27. Operating Lease Commitments

At 31st March, 2006, the total future minimum lease payments in respect of a property under a non-cancellable operating lease are payable as follows:

	Group	
	31st March, 2006	31st March, 2005
	HK$'000	*HK$'000*
Within one year	1,038	137
In the second to fifth years	1,152	–
	2,190	137

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

The Company had no operating lease commitment as at 31st March, 2006 and 2005.

28. Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is based on close monitoring by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The most significant financial risks to which the Group is exposed to are described below.

(i) Foreign currency risk

The Group holds leasehold land and land use rights and buildings in RMB, call options classified under financial assets/liabilities at fair value through profit or loss in Japanese Yen. The Group is therefore exposed to currency risks, as the value of the assets/liabilities will fluctuate due to change in exchange rates.

(ii) Interest rate risk

The Group is exposed to interest rate risk as the Company has borrowed bank loans which bear floating interest rates.

28. Risk Management Objectives and Policies (continued)

(iii) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of amount due from a related company, accounts receivable, prepayments, deposits and other receivables, cash and cash equivalents included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. The Group monitors the trade receivables on an ongoing basis and only trades with creditworthy third parties. In addition, all the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and Mainland China. The Group has no significant concentrations of credit risk.

(iv) Fair values

The fair values of financial assets/liabilities at fair value through profit or loss, amount due from a related company, accounts receivable, prepayments and other receivables, cash and cash equivalents, accounts payable, accruals and other payables and borrowings, are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of borrowings due after one year from the balance sheet date approximate their fair values.

Financial Summary

	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		
RESULTS				
Revenue	29,245	21,714	18,962	16,894
Operating (loss)/profit	(1,501)	171	1,655	75
Taxation	–	–	–	–
(Loss)/Profit for the year	(1,661)	171	1,655	75
(Loss)/Earnings per share				
– Basic	(0.34 cent)	0.04 cent	0.4 cent	0.03 cent
– Diluted	N/A	0.04 cent	N/A	N/A
ASSETS AND LIABILITIES				
Non-current assets	12,340	2,546	2,464	2,736
Current assets	26,064	25,711	5,098	3,775
Current liabilities	4,847	1,603	3,503	3,143