Finet Group Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 08317)

財華社
FINET

Annual Report 2008/2009

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

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

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

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This annual 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Profile

Founded in 1998 and listed on the Stock Exchange of Hong Kong Limited (HKSE stock code: 08317), Finet Group Limited ("the Company" and together with its subsidiaries "the Group") is a leading China Internet company, focusing on two business lines: financial information and technology and online games. The Group is headquartered in Hong Kong with offices in Shanghai, Shenzhen, Beijing, and Hangzhou.

The Group's financial information and technology business specializes in the provision of integrated information and technology solutions through various product distribution and technology platforms Finet operates two popular financial websites, www.caihuanet.com in Mainland China and www.finet.hk in Hong Kong, aiming to become the most influential online financial media in China region and to empower Chinese individual investors with in-depth market data, real-time financial news and powerful analytical tools on Hong Kong and China financial markets.

The Group's online game business is branded under "China Game", which aims to become a leading player in China's online game market. China Game is headquartered in Shanghai with a seasoned operations team, and sets up its game development centers in both Shanghai and Hangzhou. With its unparalleled development strengths and operational experiences, China Game targets to reach an aggregate of over one million concurrent users for all its games in the next few years.

Corporate Information

Board of Directors

Executive Directors

Dr. YU Gang, George *(Chairman)*
Mr. LIN Peng, Ben

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

Ms. NGAI Fung King, Carrie FCCA

Authorized Representatives

Dr. YU Gang, George
Ms. NGAI Fung King, Carrie

Audit Committee

Mr. WU Tak Lung *(Chairman)*
Dr. LAM Lee G.
Mr. William HAY

Remuneration Committee

Dr. LAM Lee G. *(Chairman)*
Dr. YU Gang, George
Mr. WU Tak Lung

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suite 505-506, 5th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Company Website

www.finet.hk

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Stock Code

08317

Investor Relations

Email: ir@finet.com.hk
Website: www.finet.hk/mainsite/IR.php

Financial Highlights

	Year ended 31 March 2009 HK$'000	Year ended 31 March 2008 HK$'000
Operating Results		
Revenue	33,088	35,829
(Loss)/Profit attributable to equity holders of the Company	(62,309)	5,519
	As at 31 March 2009 *HK$'000*	**As at 31 March 2008** *HK$'000*
Financial Position		
Total assets	67,610	129,070
Total liabilities	14,520	15,137
Net assets	53,090	113,933
Cash and cash equivalents	7,444	7,556
	Year ended 31 March 2009 *HK cents*	**Year ended 31 March 2008** *HK cents*
(Loss)/Profit Per Share		
Basic	(10.40)	0.98
Diluted	(10.40)	0.91

Statement from the Chairman and CEO

Dear Shareholders:

The fiscal year 2008/2009 has been a challenging year for Finet Group Limited ("Finet" or "the Group") amidst the global financial crisis that had impacted businesses of all walks in an unprecedented way. With Mainland China and Hong Kong both experiencing significant economic slowdown and financial market crashes, the Group's financial information business had experienced sharp slowdown in sales growth in China, while our online game business went through a strategic reorganization and was still developing its fundamentals last year as a relatively new business to the Group.

Even during this turbulent period, we continued to execute our business model to grow in China's Internet market. We made efforts to enhance our business foundations in financial information and online games, the latter being a sector that continues to demonstrate stunning success due to its anti-cyclical and explosive growth natures. We had restructured our operations to adapt to the changes in market conditions and prepared to capture the growth opportunities when the world economy is expected to recover in the second half of 2009.

Financial Results

Affected by the global financial crisis and the restructuring of online game operations, the Group's consolidated revenue in the 2008/2009 fiscal year was down 8% compared to the previous year. Although the revenue decline is insignificant in sales figures (HK$33,088,000 vs. HK$35,829,000 in the previous year), the consolidated revenue is below our expected growth targets in China: both in financial information sales and revenues from online games. In addition, due to increasing R&D expenses in online games development and financial information products, plus impairment of goodwill from 2007 acquisition of Hangzhou Tianchang, we arrived at a loss of HK$62,742,000 this fiscal year. Given the expected tough market conditions in the next few quarters, the Group will be examining ways to improve financial performance through streamlining our existing business and product lines.

Financial Information Business Overview

Finet is a brand name in Greater China financial information business, and we continue to see the emerging business opportunity from the increasing integration between Hong Kong's and China's financial markets and the cross-border investment activities by Mainland China investors. Because of that, we continued to expand our institutional and retail customer base in Mainland China.

Despite the stringent business environment in the past year, we focused on executing our China growth strategy through driving up sales from terminal distribution and online advertising. We had

Statement from the Chairman and CEO

substantially enhanced the functionalities of our flagship China-based product, Finet PowerStation 2008. At the same time, we strengthened our sales efforts by finding more business partners in China, for example, online brokers and banks with substantial potential customers in China. With enhanced content and marketing efforts, our two websites have shown consistent visitor traffic growth and commanded a pillar position for investors to understand Hong Kong's and China's financial markets. Following a strong partnership with Google during the year, we had significantly increased the advertising sales results on our websites. With more Chinese investors now investing in Hong Kong and overseas markets, we believe the sales in financial information terminals and online advertising will continue to grow.

While we have strong faith in our business strategy and execution capability, we continue to monitor and adapt to changing market conditions, with the aim to monetize our existing brand name built upon our loyal customers over the past decade. We believe the new China-Hong Kong CEPA Amendment VI reached in May 2009 will expedite the integration between Hong Kong and other regions of China, particularly in investment activities by Mainland Chinese investors. As a result, we will witness the next wave of strong cross-border demand by Mainland Chinese investors in financial information (for examples, content distribution and product sales), financial intermediary (corporate financing and brokerage business) and asset management in Hong Kong markets. Thus, the Group's future business strategy shall be open to capitalize on such market opportunities.

Online Game Business Overview

In a country where Internet population amounted to almost 300 million and online game users to 50 million by the end of 2008, as indicated by China Internet Network Information Center and IDC, respectively, and where another China online game company, Changyou, Inc., went public on the Nasdaq raising over US$120 million early this year amid hard-hit market conditions, the Group is committed to investing in and nourishing its online game business in China in a bid to capture the tremendous business opportunities on China's Internet space that only the persistent with its unique competitiveness can get a good share of it.

During the fiscal year, China Game had followed an intensive timetable to establish its standing in the market and strengthen its foundations. During the first three quarters of the fiscal year, China Game devoted most of its efforts to put "Warage" (「征戰」), one of the games acquired from Hangzhou Tianchang Network Technology Limited ("Tianchang"), into market, from alpha testing in May, closed-beta testing in June, pre-commercialization in August, to full-scale commercialization and open-beta testing in December 2008.

In this process, China Game completed the setup of its operational infrastructure, including comprehensive payment gateways, together with physical distribution channels covering the whole country. China Game also built up an extensive network of co-operation partners. In particular, we're pleased that China Game successfully steered into the overseas markets through licensing "Warage" to Taiwan-based Cayenne Entertainment Technology Limited to operate in the Taiwan, Hong Kong and Macau markets. The infrastructure lays down the foundation for China Game to operate multiple games on the same platform in a cost-effective manner.

China Game has an uncompromised pursuit for technological and innovative excellence in game development. In so doing, China Game added a research and development centre in Shanghai to explore and leverage on the latest game engine technologies. We hired a team of programming professionals and graphic specialists from both domestic and international markets who grasped the next-generation engine technologies. In our Hangzhou R&D center (previously Tianchang), we have a team to venture into the web game business utilizing some of the most advanced web technologies. The two development centers will together deliver two important games for the pipeline in the next fiscal year.

Statement from the Chairman and CEO

To combat the increasingly fierce competition, China Game is poised to enhance competitiveness through its people, technologies and products. In the next fiscal year, we will recruit more international game specialists and also diversify our engine technologies to achieve world-class standards. The product portfolio will not only consist of self-developed MMORPG and web game, but China Game will also explore the opportunity to co-develop MMORPG with other leading game developers to enrich its portfolio. I'm confident that China Game is progressing well to pursue long-term success.

The Road Ahead

On 6 May 2009, the Group announced an Open Offer of 1 for 2 existing shares proposal to enhance our capital base. If the proposed Open Offer is accepted by shareholders and completed, the new capital will help enhance our balance sheet and be used as working capital to execute our business plan in China's Internet market. I am sure, by focusing on execution, 2009 will be a year of turnaround for the Group. With our team of talented professionals in both financial information services and online games who have helped executed our China strategy for the past two years, the Group will be a story of success that grows with the success of China: the explosive growth opportunities of Internet businesses and the deepening of China's financial markets and investor activities.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders, business partners and customers for their continuing support during this difficult period. I would like to express my appreciation to my fellow Directors and all the staff for their hard work, diligence and commitment in executing our business strategy during this turbulent period.

George Yu
Chairman & CEO

Management Discussion and Analysis

OPERATIONS REVIEW

The Group continued to expand its two business lines in Greater China for the last fiscal year ended 31 March 2009: financial information services in Greater China, mainly through sales to corporations and financial institutions and online games in Mainland China.

Financial Information Business

On financial information services, the deepening financial crisis continued to impact the Group's business development efforts. During the year, both Hong Kong's and China's financial markets were experiencing higher market volatilities, sharp price drops and less market turnover. This led to slowdown in spending by both corporate and individual customers for financial information products, and for financial information system enhancements within the Group's scope of services.

Because of that, the Group has examined the ways to reduce costs and improve operational efficiency in the deteriorating business environment. The Group is also reviewing its existing business strategies compared to the latest industry developments, and plans new initiatives to enhance the Group's business scope, value-added product lines and financial positions to create shareholder value.

Despite negative market sentiment during this period, the Group continued to upgrade our products, enhance our sales efforts and examine new ways to improve the operational results of our China growth strategy. Specifically, we have achieved the following milestones in executing the China growth strategy:

1. Officially launched the China-focused financial website, www.caihuanet.com, on 23 June 2008, and in less than four months, the daily pageviews have reached over 1 million. With enhanced content and marketing efforts, our two websites have shown consistent visitor traffic growth and commanded a pillar position for investors to understand Hong Kong's and China's financial markets. Following a strong partnership with Google during the year, we had significantly increased the advertising sales results on our websites.

2. An extensive online and offline distributional network for the Group's flagship product, Finet PowerStation 2008, is well established. The upgrades on product function have been well addressed on customer's needs; and

3. Several key projects of Finet Information and Technology Solutions had been delivered successfully with tremendous efforts. With trophy and reward achieved both through the project implementation, the team has been equipped valuable knowledge on project for multinational financial institutions.

Online Game Business

In a market where Internet population amounted to almost 300 million and online game users to 50 million by the end of 2008, as indicated by China Internet Network Information Center and IDC, respectively, and where another China online game company, Changyou, Inc., went public abroad raising over US$120 million early this year amid a hard-hit financial market, the Group is committed to investing in and nourishing its online game business in China in a bid to capture the tremendous business opportunities on China's Internet space that only the persistent with its unique competitiveness can get a good share of it.

Strategic Reorganization

The Group made its strategic entry into the booming online game market through the acquisition of Hangzhou Tianchang Network Technology Limited ("Tianchang"). To execute the next step of its online game business strategy, the Group had transferred Tianchang's online game-related assets into China Game and transformed Tianchang's original office into the Hangzhou research and development center under China Game. In the

Management Discussion and Analysis

second half of the fiscal year, China Game added another research and development center in Shanghai with new recruits from both domestic and overseas markets. The management decided that, with the availability of talent pools and costs in both places, China Game made the best of its resources to develop a new organizational structure that sees the operational headquarters in Shanghai and research and development centers in both Shanghai and Hangzhou, with the former developing new MMORPG and the latter continuing Tianchang's MMORPG and exploring web games.

On 24 September 2008, the Group reached agreement with a group of domestic buyers to dispose of the 100% equity interest of Tianchang, then a wholly-owned subsidiary of China Game, for RMB20 million. At the time of disposal, Tianchang mainly owned a site of 12,399 sq.m in Hangzhou's Yu Hang District. The disposal enabled China Game to focus its resources on its online game business while at the same time the cash generated from the transaction can be used for business development.

Game Operations

During the first three quarters of the fiscal year, China Game's operations team devoted most of its efforts to put "Warage" (「征戰」), one of the games acquired from Hangzhou, into market, from alpha testing in May, closed-beta testing in June, pre-commercialization in August, to full-scale commercialization and open-beta testing in December 2008.

In this process, China Game completed the setup of its operational infrastructure, including comprehensive payment gateways consisting of country-wide online banking payment system, China Mobile payment system, Alipay payment system and Tencent's payment system, together with physical distribution channels covering the whole country. China Game also built up an extensive network of co-operation partners. In particular, China Game successfully steered into the overseas markets through licensing "Warage" to Taiwan-based Cayenne Entertainment Technology Limited to operate in Taiwan, Hong Kong and Macau. The infrastructure lays down a solid foundation for China Game to operate multiple games on a scalable platform in a cost-effective manner.

China Game also made its debut into the industry's major event, China Joy, in July 2008 to establish the market awareness of our brand.

Game Development

Online game companies with its development strengths remained momentous last year in China, one of which went public early this year. Since its inception, China Game has followed a direction to excel in its game development capabilities. In order to enhance our core competency, the management decided to adopt a multiple engine strategy that we believe is fundamental to diversify our product offerings. In so doing, the new R&D center in Shanghai recruited a team of game experts who are conversant with one of the most powerful 3D engine technologies for MMORPGs in the world, which would be instrumental to upgrade the engine technologies of China Game to world-class standard.

Web games arose as a new paradigm of online entertainment in China in recent years. Compared to MMORPGs, its development costs are far lower, development cycle shorter and gamers can play web games online without downloading software. The management has considered that web games could increase the loyalty of its players and thus broaden the customer base. In order to differentiate from the commoditized web games, the new web game team in Hangzhou research and development center pioneered one of the most advanced web technologies and proceeded to develop a web game that deliver many role-playing game features on the web browser. The game is expected to launch in the next fiscal year.

Management Discussion and Analysis

The Hangzhou R&D center also spent efforts to launch the various versions of “Warage” since May 2008. To better allocate the company’s resources to diversify its technologies, the management had decided to streamline Tianchang’s products and solely focused on maintaining “Warage” and introducing other language versions to develop the overseas markets.

FINANCIAL REVIEW

Turnover of the Group for the year ended 31 March 2009 was approximately HK$33,088,000 (2008 : HK$35,829,000), which represented a decrease of approximately 8% as compared to the previous financial year. The net decrease was primarily attributable to (1) an increase in online game business of HK$987,000; and (2) a decrease in financial services and advertising services of total HK$3,728,000.

Other operating income of the Group for the year ended 31 March 2009 was approximately HK$37,443,000 (2008: HK$33,284,000), which mainly comprised the gain on disposal of interests in subsidiaries during the year.

Cost of sales of the Group for the year ended 31 March 2009 was approximately HK$10,140,000 (2008 : HK$10,031,000), representing an increase of approximately 1% as compared to the previous financial year. The increase in the cost of sales was mainly resulted in the increased in cost to the information providers in connection with the provision of relevant services.

Selling and marketing expenses of the Group for the year ended 31 March 2009 was decreased to approximately HK$4,493,000 compared with approximately HK$6,143,000 in 2008. The decrease was mainly attributable to the decreased in marketing and promotion expenses incurred for online game business.

Development costs of the Group for the year ended 31 March 2009 was approximately HK$6,375,000 (2008: HK$5,058,000), which mainly depreciation of property, plant and equipment of approximately HK$181,000 (2008: HK$122,000) and employee benefit expenses of approximately HK$5,504,000 (2008: HK$4,318,000).

General and administrative expenses of the Group for the year ended 31 March 2009 was increased by approximately HK$6,723,000 to approximately HK$45,118,000 (2008: HK$38,395,000), which mainly comprised the staff costs (including directors’ emoluments) of approximately HK$23,750,000 (2008: HK$21,683,000).

Other operating expenses of the Group for the year ended 31 March 2009 were approximately HK$66,722,000 (2008 : HK$5,231,000), which mainly represented the goodwill impairment charge of approximately HK$43,203,000 (2008: HK$3,600,000) and impairment loss on amount due from a former subsidiary of approximately HK$20,193,000 (2008: Nil). The impairment charges related to the goodwill impairment and capitalized online games development costs respectively in the Group’s online games segment.

Finance cost of the Group for the year ended 31 March 2009 was approximately HK$332,000 (2008 : HK$817,000), which represented the interest charges on bank loans for the investment properties in the PRC and on the finance lease for the computer equipments.

The Hong Kong profits tax of approximately HK$26,000 was paid during the year ended 31 March 2009 (2008: Nil) in respect of prior years. The PRC income tax of approximately HK$62,000 was paid during the year ended 31 March 2009 (2008: Nil) for the net rental income from the investment properties of the Company in the PRC.

Loss shared by minority interests of the Group for the year ended 31 March 2009 was approximately HK$433,000 (2008: HK$2,234,000). Loss shared by minority interests in this year represented minority interests’ share of loss in the Group’s online game business.

Management Discussion and Analysis

The audited consolidated loss attributable to equity holders of the Company for the year ended 31 March 2009 was approximately HK$62,309,000 (profit attributable to equity holders for 2008: HK$5,519,000).

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 March		
	2009	**2008**	**change**
	HK$'000	*HK$'000*	
Net current assets	3,045	9,641	–68%
Total assets	67,610	129,070	–48%
Total liabilities	14,520	15,137	–4%
Total equity	53,090	113,933	–53%
Cash and bank deposits	7,444	7,556	–1%
Debts to equity ratio	0.27x	0.14x	+193%
Gearing ratio	0.08x	0.03x	+267%

As at 31 March 2009, the total assets of the Group decreased by approximately HK$61,460,000 to approximately HK$67,610,000 as compared to approximately HK$129,070,000 as at the end of the previous financial year, representing a decrease of approximately 48%.

As at 31 March 2009, the total liabilities of the Group decreased by approximately HK$617,000 to approximately HK$14,520,000 as compared to approximately HK$15,137,000 as at the end of the previous financial year, representing a decrease of approximately 4%.

As at 31 March 2009, the total equity of the Group decreased by approximately HK$60,843,000 to approximately HK$53,090,000 as compared to approximately HK$113,933,000 as at the end of the previous financial year, representing a decrease of approximately 53%.

GEARING RATIO

As at 31 March 2009, the Group's gearing ratio was approximately 8% (2008: 3%), based on total borrowings of approximately HK$4,476,000 (2008: HK$3,452,000) and total equity of the Group of approximately HK$53,090,000 (2008: HK$113,933,000).

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2009, the Group held available-for-sale financial assets of approximately HK$580,000 (2008: HK$1,098,000).

ACQUISITION AND DISPOSAL OF SUBSIDIARY

During the year ended 31 March 2009, the Group disposed of the 100% equity interests in Hangzhou Tianchang Network Technology Company Limited ("Tianchang"), being a subsidiary of the Group at an aggregate cash consideration of RMB20,000,000 (equivalent to approximately HK$22,800,000). Upon disposal of the equity interests in Tianchang, the only asset of Tianchang is its interests in the property under development.

Save as disclosed above, the Group had no other acquisition and disposal of subsidiary during the year ended 31 March 2009.

Management Discussion and Analysis

CHARGES OF ASSETS

As at 31 March 2009, the investment properties and the property, plant and equipment with an aggregate carrying value of approximately HK$14,000,000 and approximately HK$1,360,000 respectively (2008: 17,155,000 and nil) were pledged as securities for the borrowing facilities of the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group holds buildings in RMB and available-for-sales financial assets in Japanese Yen. The Group is therefore exposed to currency risks, as the value of the assets will fluctuate due to change in exchange rates.

CONTINGENT LIABILITIES

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

STAFF

The Group had 242 (2008: 268) full-time employees in Hong Kong and the PRC as of 31 March 2009.

During the year, the Group incurred total staff costs (including directors' emoluments) of approximately HK$29,254,000 (2008: HK$26,001,000), which approximately HK$23,750,000 (2008: HK$21,683,000) was included under the general and administrative expenses and approximately HK$5,504,000 (2008: HK$4,318,000) was included under the development costs.

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.

PROSPECT

Due to the chaotic market conditions following the global financial crisis, growth has also slowed markedly in China, but with a sizeable monetary and fiscal stimulus, activity is projected to pick up in 2009 and 2010. A pick up in credit growth is helping the economy regain momentum. Therefore, the Group will commit to invest in China's financial services market and to strive to become a major market player in the next 3-5 years. We have identified financial services and online games, two most promising areas that offer proven business models and increasing user bases.

Following executing our China growth strategy in the past two years, the Group had tapped into the massive investor base in China, and to ride on the future development of China's capital markets, such as the new CEPA arrangement on cross-market brokerage cooperation as well as the further integration of Hong Kong and China stock market. We are continuing to offer more integrated financial information solutions through enhancing the content and functionalities of our products and services to Chinese financial institutions for their increasing demands to help their cross-border investment activities. In the mean time, we are also aiming to expand our services to provide more customized one-stop financial service solutions to our valuable clients in order to cater their needs on whole value chain, and capitalize on their exponential growth in the future. We are confident over time we shall capture a significant market share during the transformation.

Management Discussion and Analysis

We are confident to significantly enhance our online financial media and distribution business after the debut of our new website, so as to capture the massive retail investor base in China, estimated over 200 million at the end of 2008 and growing. We will grow this business line through enhancing the popularity of the new website through creative marketing activities in 2009, and through improving the operational results from the website through sales efforts in online advertising, online distribution of financial products and analyses and investor relations opportunities for Hong Kong and Mainland China listed companies.

Each year, China's online game market witnesses a few new blockbusters that achieve phenomenal success, some from the industry leaders, some from the up-and-coming. With its dedication to developing its fundamentals, China Game is poised for success over the long run, underpinned by its cutting-edge R&D and marketing capabilities and multiple engine technologies. In the next fiscal year, China Game will execute the following strategies to achieve our online game business plan:

- *Technology upgrade*: more experts in engine technologies and server technologies will join China Game to enhance the performance of both the server and client ends; China Game will register the IP for the latest version of new engine;
- *New self-developed MMORPG*: based on the new engine, the Shanghai research and development center will develop a new MMORPG that will achieve next-generation graphic effects;
- *New web game*: the Hangzhou R&D Center will release at least one web game in the next fiscal year; and
- *Co-development*: in order to diversify its product offerings and enrich the product portfolio, China Game will adopt an open approach to seek co-development opportunities with top-class game developers.

Like all market players, Finet has been facing challenges in the past year. Given the foundations built upon our efforts in the past few years to tap into China's growth opportunities, we are more dedicated to seize the opportunity to build a stronger company to succeed in China's financial and Internet markets. The additions of new talents to our management team will no doubt help carry our vision forward and execute our mission with fruitful results.

Board of Directors and Senior Management

Executive Directors' Profile

DR. YU GANG, GEORGE, aged 44, 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. LIN PENG, BEN, aged 43, serves as the chief operating officer of the Group and responsible for the Group's daily operations. Mr. Lin has over 16 years of experience in banking, finance and information technology industries. Before joining the Group in January 2009, Mr. Lin had spent eight years working with Infocast Limited, a leading financial technology service provider, as its chief financial officer. Prior to joining Infocast Limited, Mr. Lin had worked for Min Xin Holdings Limited, a listed company in Hong Kong, and Vigour Fine Company Limited, an international financial investment company. Mr. Lin has extensive knowledge and practice in corporate finance, mergers and acquisitions, portfolio management, syndicated loan and bond issuance as well as financial servicing industry. Mr. Lin was educated both in PRC and North America. Mr. Lin graduated from Ivey School of Business, University of Western Ontario with MBA degree in 2000, and also graduated from Xiamen University in PRC in 1989 with Bachelor degree in Finance.

Independent Non-Executive Directors' Profile

DR. LAM LEE G., aged 49, has been an independent non-executive director of the Group since April 2003. Dr. Lam holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Postgraduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 26 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or non-executive director of several publicly-listed companies and investment funds in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee (CPPCC), a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, an Adjunct Professor of the Hong Kong Baptist University School of Business, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

MR. WU TAK LUNG, aged 44, an independent non-executive director since February 2004, is currently a director and Head of Investment Banking of CSC Asia Limited. Mr. WU is also an independent non-executive director of China Water Industry Group Limited, Aupu Group Holding Company Limited, Neo-Neon Holdings Limited and iMerchants Limited and RBI Holdings Limited, all of which are listed on the Stock Exchange. Mr. Wu had worked in an international audit firm, Deloitte Touche Tohmatsu for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance, chief financial officer and executive director. Mr. Wu obtained a master's degree in Business Administration jointly awarded by the University of Manchester and the University of Wales. Mr. Wu is a fellow member of the Association of Chartered Certified Accountants (ACCA), Hong Kong Institute of Chartered Secretaries (HKICS) and the Taxation Institute of Hong Kong (TIHK). He is also a full member of the Hong Kong Securities Institute (HKSI) and an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA).

Board of Directors and Senior Management

MR. WILLIAM HAY, aged 57, 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 a consultant specializing in investment and management 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.

Senior Management's Profile

MS. SIU WING KEI, QUEENIE, aged 34, is the vice president of the Group and the chief executive officer of China Game, the Group's online game subsidiary. Ms. Siu held various senior management roles in corporate development, investor relations and marketing at the Group from 2005 to 2007. She participated in the Group's key corporate development activities including strategic planning, M&As and fund-raising. Prior to joining the Group, 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 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.

MS. HUANG SHOU XIANG, SHIRLEY, aged 36, is the vice president of the Group, responsible for managing the daily operations of the Group's financial information business in China. Ms. Huang is responsible for executing the Group's China growth strategy in financial information business. Since joining the Group in February 2001, Ms. Huang has been assigned various managerial roles in the past eight years including China finance director and China operations director. Prior to joining the Group, she spent about four years with East Dragon Trading (Shenzhen) Limited in China and served as the finance manager. Ms. Huang graduated from Beijing University of Science and Technology with a Bachelor of Science degree in Material Science in 1996.

MS. NGAI FUNG KING, CARRIE, aged 41, is the director of finance and administration and company secretary of the Group, responsible for the Group's financial control, human resources management and corporate affairs. Ms. Ngai has over 16 years of experience in accounting, financial management and corporate secretarial work. She was with Coopers & Lybrand (now PricewaterhouseCoopers) for three years and worked as group chief accountant in The Swank Shop Limited from 1995 to 1999. Before joining the Group, Ms. Ngai spent two years with Christie's as the financial controller in Asia. Ms. Ngai received a professional diploma in Accountancy from Hong Kong Polytechnics in 1990. She is a fellow member of The Association of Chartered Certified Accountants.

MR. LI YAN QING, aged 37, is the president of China Game, the Group's online game subsidiary. Prior to joining China Game, Mr. Li founded T2CN Group, now a brand-name online game company in China, in 2003 and served as its president, where he led the operations and development of a number of reputable online games, including "Freestyle", "Neosteam" and "House of Flying Daggers". Mr. Li joined the online game joint venture of Sina.com and NCSoft Corporation in 2002 as the vice president and marketing director, responsible for the game operations of "Lineage", one of the most popular online games from Korea. He joined Netease.com Inc. as operations director in Shanghai to operate "Westward Journey II", one of the most successful games in China, "Priston Tale" and more other online games. Back in 1999, Mr. Li founded the largest PC game information portal, *www.ali213.net*. Mr. Li graduated with a bachelor degree in Clinical Medicine from Zhejiang University in 1996.

MR. ZHANG CHENG, AUGUST, aged 30, joined China game, the Group's online game subsidiary, as the chief technology officer in 2009. Mr. Zhang held a variety of senior roles in art and project coordination at EA Pandemic Los Angeles from 2007 to early 2009. During his tenure at EA Pandemic, Mr. Zhang successfully released a muti-platform triple A title game, "Lord of the Rings: Conquest", and also provided significant art and design support to the projects of "Mercenaries 2" and "Saboteur". Prior to that, he served at Groove in Toronto, Canada as the senior artist of "KungFu Deadly Arts" for approximately one year. In 2004 to 2006, Mr. Zhang worked in Germany and served as the team leader at Acony Games, the subsidiary of world-renowned Crytek, where he coordinated the team to leverage on such state-of-the-art engines as Cry engine and Unreal3 engine during the production of "Parabellum". Back in 2003 and 2004, Mr. Zhang was the art director at T2CN Group where he oversaw the art presentation of the group's MMORPG games for the China market. Mr. Zhang started his career in online games by founding DongYuan Animation Studio in China in 2001 to provide the outsourcing of artwork to online game developers including "Xian Jian Qi Xia Zhuan 3" for Taiwan-based Softstar.

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 GEM Listing Rules except that:(1) the roles of chairman and chief executive officer are not separated and are performed by the same individual; and (2) an executive Director appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after his appointment.

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 31 March 2009. 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 19 to 25 and the section headed "Board of Directors and Senior Management" on pages 14 to 15 of this annual report.

During the year ended 31 March 2009, the Board held four physical meetings and the attendance of the Directors are as follows:

Name of director	Number of attendance in person	% of attendance
Yu Gang, George	4/4	100%
Lam Lee G.	3/4	75%
Wu Tak Lung	4/4	100%
William Hay	2/4	50%
Kwan Pun Fong, Vincent (resigned on 10 June 2008)	0/0	N/A

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

The Board is responsible for the overall management of the Company in accordance with the Company's articles of association (the "Articles of Association") and is entitled to delegate its powers to any executive Directors, 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.

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.

Corporate Governance Report

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

Prior to 1 March 2009, none of the non-executive Director and the independent non-executive Directors were appointed for specific terms. With effect from 1 March 2009, all the independent non-executive directors have been revised the appointment for a term of 3 years from 1 March 2009 to 28 February 2012 subject to retirement by rotation provisions under the Articles of Association.

According to CG Code provision A.4.2, Mr. Lin Peng, Ben, should have been subject to retirement and re-election by shareholders at the extraordinary general meeting (the "EGM") held on 3 July 2009, being the first general meeting after his appointment. However, this had not been done as Mr. Lin was appointed only after the notice of the EGM was sent to the shareholders. In the forthcoming annual general meeting of the Company, Mr. Lin will retire and, being eligible, offer for re-election.

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-executive Directors, namely, Mr. Wu Tak Lung, Dr. Lam Lee G. and Mr. William Hay (with Mr. Wu Tak Lung as the chairman thereof).

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 31 March 2009 and the attendance of the members is as follows:

Name of director	Number of attendance in person	% of attendance
Wu Tak Lung	4/4	100%
Lam Lee G.	3/4	75%
William Hay	2/4	50%

During the year ended 31 March 2009, 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 Director, management and the auditors of the Company, and making recommendations to the Board.

The audited financial statements for the year ended 31 March 2009 have been reviewed by the audit committee.

Corporate Governance Report

Remuneration Committee

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 (with Dr. Lam Lee G. as the chairman thereof). 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. The remuneration committee met one time during the year ended 31 March 2009 and the attendance of the members is as follows:

Name of director	Number of attendance in person	% of attendance
Lam Lee G.	1/1	100%
Yu Gang, George	1/1	100%
Wu Tak Lung	1/1	100%

Nomination of Directors

The Board has the power to appoint Director(s) pursuant to the Articles of Association. During the year ended 31 March 2009, the Board has not considered any appointment of Directors. In June 2009, the Board appointed Mr. Lin Peng, Ben as an executive Director after consideration with reference to his experience, expertise and professional qualifications.

Auditors' Remuneration

The auditors provide audit and non-audit services to the Company during the year ended 31 March 2009. The remuneration paid/payable to the auditors for the provision of audit and non-audit services during the year under review is HK$480,000 and HK$5,000 respectively.

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 Independent Auditors' Report on pages 26 to 27 of this 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.

In consideration of the size of the Company, the Board does not consider to establish an internal audit team at present. However, the key control procedures established by the Company are day-to-day supervision of the business by the executive Directors, supported by managers responsible for the operations and the key divisional supporting functions of finance, information system and human resources.

The Board will continue to review and improve the Company's internal control systems, taking into account the prevailing regulatory requirements, the Group's business development, shareholder interest, and technological advances.

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 31 March 2009.

Principal Activities

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

Results and Appropriations

Details of the Group's results for the year ended 31 March 2009 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 for the last five financial years is set out in the section headed "Financial Summary" on page 82 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 31 and Note 32 on page 78 to the accompanying financial statements.

The Company had reserves of approximately HK$35,140,000 (2008: HK$92,643,000) available for dividend distribution to shareholders as at 31 March 2009.

Share Capital

Details of movements in share capital of the Company are set out in Note 30 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 31 March 2009 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 21 to the accompanying financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company are set out in Note 17 to the accompanying financial statements.

Borrowings and Interest Capitalized

Particulars of borrowings of the Group and the Company as at 31 March 2009 are set out in Note 29 to the accompanying financial statements. No interest was capitalized by the Group during the year.

Report of the Directors

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 14 to 15 of this annual report.

Directors

The Directors who held office during the year ended 31 March 2009 and up to the date of this annual report were:

Executive Directors

Dr. Yu Gang, George
Mr. Lin Peng, Ben (appointed on 16 June 2009)

Non-executive Director

Dr. Kwan Pun Fong, Vincent (resigned on 10 June 2008)

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Wu Tak Lung
Mr. William Hay

In accordance with Article 87(1) 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.

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

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 15 and Note 16 to the accompanying financial statements respectively.

Directors' Service Agreements

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

The Company has entered into service agreement with Mr. Lin Peng, Ben for an initial term of two years commencing on 16 June 2009 and subject to the retirement by rotation provisions under the Articles of Association.

During the year, the Company and all the independent non-executive Directors have entered into service contracts with initial term of three years from 1 March 2009 to 28 February 2012 and subject to the retirement by rotation provisions under the Articles of Association.

Prior to 1 March 2009, all the independent non-executive Directors were not appointed for specific terms but were subject to the retirement by rotation provisions under the Articles of Association.

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.

Report of the Directors

Directors' and Chief Executives' Interests

As at 31 March 2009, 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

	Number of shares		Number of Underlying Shares (share options)				
Name of director	Direct interest	Interest of controlled corporation	Direct interest	Interest of controlled corporation	*Note*	Total number of shares	% of shares in issue
Executive Director:							
Yu Gang, George	–	183,337,456	12,126,000	–	1	195,463,456	32.61%
Independent Non-executive Directors:							
Lam Lee G.	–	–	1,000,000	–	–	1,000,000	0.17%
Wu Tak Lung	–	–	1,000,000	–	–	1,000,000	0.17%

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

		Number of shares			
Name of associated corporation	Name of director	Direct interest	Interest of controlled corporation	*Note*	% of shares in issue
Opulent Oriental International Limited	Yu Gang, George	100	–	1	100%

Note:

1. Dr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 195,463,456 shares in the Company. These shares were held in the following capacity:

   (a) 183,337,456 shares were held by Opulent Oriental International Limited which is wholly-owned by Dr. Yu Gang, George; and

   (b) Dr. Yu Gang, George is directly interested in options carrying 12,126,000 underlying shares.

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executives 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.

Report of the Directors

Substantial Shareholders

As at 31 March 2009, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

	Number of shares				
Name of company	Direct interest	Interest of controlled corporation	*Notes*	Total number of shares	% of shares in issue
Substantial shareholder:					
Opulent Oriental International Limited	183,337,456	–		183,337,456	30.59%
Other persons:					
Union Stars Group Limited	54,739,152	–	1	54,739,152	9.13%
Chang Wen Shiann	–	54,739,152	1	54,739,152	9.13%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	9.13%
T & C Holdings, Inc.	48,320,000	–		48,320,000	8.06%
Stellar Group Co. Limited	29,680,000	8,290,000	2	37,970,000	6.33%
Nebulamart Limited	38,738,477	–	3	38,738,477	6.46%
United Business Media Plc	–	38,738,477	3	38,738,477	6.46%
Grand Alliance Asia Pacific Funds Limited	37,220,000	–		37,220,000	6.21%

Notes:

1. 54,739,152 shares were held by Union Stars Group Limited ("USG"), which Mr. Chang Wen Shiann and Mrs. Chang Hu Ching Yueh hold 50% of the total voting rights respectively. Accordingly, all USG, Mr. Chang and Mrs. Chang were deemed (by virtue of the SFO) to be interested in 54,739,152 shares in the Company.

2. Stellar Group Co. Limited ("Stellar") was deemed (by virtue of the SFO) to be interested in 37,970,000 shares in the Company. These shares were held in the following capacity: (a) 29,680,000 shares were held by Stellar as beneficial owners; and (b) 8,290,000 shares were held by OA System Plaza Co., Ltd. of which Stellar controlled 46.81% of the total voting rights.

3. 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 31 March 2009, 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.

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 31 to the accompanying financial statements.

Report of the Directors

Details of Outstanding Options Granted

As at 31 March 2009, options to subscribe for an aggregate of 13,881,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23 July 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 31 March 2009 are as follows:

Grantee	Date of grant	Exercise price	Outstanding as at 1 April 2008	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2009
Pre-IPO Share Option Scheme:						
Director						
Yu Gang, George	21 September 2004	HK$0.15	12,126,000	–	–	12,126,000
Employees	21 September 2004	HK$0.15	11,115,000	(1,520,000)	(7,840,000)	1,755,000
Total			23,241,000	(1,520,000)	(7,840,000)	13,881,000

As at 31 March 2009, options to subscribe for an aggregate of 6,050,000 underlying shares had been granted by the Company under the Share Option Scheme adopted on 16 December 2004. Details of the outstanding options which have been granted and remaining unexercised under the Share Option Scheme as at 31 March 2009 are as follows:

Grantee	Date of grant	Exercise price	Outstanding as at 1 April 2008	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Reclassified during the year	Outstanding as at 31 March 2009
Share Option Scheme:									
Directors									
Yu Gang, George	6 December 2006	HK$0.668	5,000,000	–	–	–	(5,000,000)	–	–
Kwan Pun Fong, Vincent *(Note 1)*	29 September 2005	HK$0.365	400,000	–	–	–	–	(400,000)	–
	6 December 2006	HK$0.668	1,000,000	–	–	(1,000,000)	–	–	–
Lam Lee G.	29 September 2005	HK$0.365	1,000,000	–	–	–	–	–	1,000,000
	6 December 2006	HK$0.668	1,000,000	–	–	–	(1,000,000)	–	–
Wu Tak Lung	29 September 2005	HK$0.365	1,000,000	–	–	–	–	–	1,000,000
	6 December 2006	HK$0.668	1,000,000	–	–	–	(1,000,000)	–	–
William Hay	6 December 2006	HK$0.668	1,000,000	–	–	–	(1,000,000)	–	–
Sub-total			11,400,000	–	–	(1,000,000)	(8,000,000)	(400,000)	2,000,000
Employee	5 September 2005	HK$0.280	2,650,000	–	–	–	–	–	2,650,000
Employee	29 September 2005	HK$0.365	–	–	–	–	–	400,000	400,000
Employee	6 December 2006	HK$0.668	10,480,000	–	–	–	(9,480,000)	–	1,000,000
Sub-total			13,130,000	–	–	–	(9,480,000)	400,000	4,050,000
Total			24,530,000	–	–	(1,000,000)	(17,480,000)	–	6,050,000

Note:

1. Mr. Kwan Pun Fing, Vincent resigned from office on 10 June 2008. Accordingly, the options held by him were reclassified to the pool of employee.

Report of the Directors

Customers and Suppliers

For the year ended 31 March 2009, the five largest customers accounted for approximately 31% (2008: 45%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 67% (2008: 80%) of the Group's total cost of sales. The largest customer of the Group accounted for approximately 16% (2008: 28%) of the Group's total turnover while the largest supplier of the Group accounted for approximately 44% (2008: 56%) 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.

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.

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 16 to 18 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 31 March 2009.

Report of the Directors

Auditors

On 25 April 2007, Messrs. Grant Thornton resigned as the auditors of the Company and Messrs. HLB Hodgson Impey Cheng were appointed on 25 April 2007 by the Directors to fill the casual vacancy so arising.

The accompanying financial statements have been audited by Messrs. HLB Hodgson Impey Cheng. A resolution for the re-appointment of Messrs. HLB Hodgson Impey Cheng 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

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF FINET GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Finet Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 81, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 30 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	33,088	35,829
Cost of sales		(10,140)	(10,031)
Gross profit		22,948	25,798
Other income and gains	6	37,443	33,284
Development costs		(6,375)	(5,058)
Selling and marketing expenses		(4,493)	(6,143)
General and administrative expenses		(45,118)	(38,395)
Other operating expenses	8	(66,722)	(5,231)
Finance costs	9	(332)	(817)
Share of loss of associates	22	(5)	(153)
(Loss)/Profit before income tax	10	(62,654)	3,285
Income tax expense	11	(88)	–
(Loss)/Profit for the year		(62,742)	3,285
Attributable to:			
Equity holders of the Company	12	(62,309)	5,519
Minority interests		(433)	(2,234)
		(62,742)	3,285
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	13		
– Basic (in HK cent)		(10.40)	0.98
– Diluted (in HK cent)		(10.40)	0.91

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	12,168	10,374
Investment properties	18	14,000	17,155
Property under development	19	–	8,524
Intangible assets	20	27,006	70,339
Investments in associates	22	–	80
Available-for-sale financial assets	23	580	1,098
		53,754	107,570
Current assets			
Financial assets at fair value through profit or loss	24	–	3,056
Accounts receivable	25	1,661	3,888
Prepayments, deposits and other receivables		4,751	7,000
Cash and cash equivalents	26	7,444	7,556
		13,856	21,500
Total assets		67,610	129,070
Current liabilities			
Accounts payable	27	2,033	1,955
Accruals and other payables		3,540	5,196
Deferred income		4,471	4,534
Finance lease payables – due within one year	28	533	–
Bank borrowings – due within one year	29	234	174
		10,811	11,859
Net current assets		3,045	9,641
Total assets less current liabilities		56,799	117,211
Non-current liabilities			
Finance lease payables – due after one year	28	711	–
Bank borrowings – due after one year	29	2,998	3,278
		3,709	3,278
Net assets		53,090	113,933
Capital and reserves			
Share capital	30	5,993	5,978
Reserves	32	35,099	95,630
Equity attributable to equity holders of the Company		41,092	101,608
Minority interests		11,998	12,325
Total equity		53,090	113,933

Yu Gang, George
Director

Lin Peng, Ben
Director

Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	230	–
Investment properties	18	14,000	17,155
Investments in subsidiaries	21	40,056	97,531
Available-for-sale financial assets	23	580	1,098
		54,866	115,784
Current assets			
Amounts due from subsidiaries	21	6,568	10,519
Prepayments, deposits and other receivables		165	216
Cash and cash equivalents	26	96	818
		6,829	11,553
Total assets		61,695	127,337
Current liabilities			
Accruals and other payables		660	753
Amounts due to subsidiaries	21	5,852	10,414
Bank borrowings – due within one year	29	234	174
		6,746	11,341
Net current assets		83	212
Total assets less current liabilities		54,949	115,996
Non-current liabilities			
Bank borrowings – due after one year	29	2,998	3,278
Net assets		51,951	112,718
Capital and reserves			
Share capital	30	5,993	5,978
Reserves	32	45,958	106,740
Total equity		51,951	112,718

Yu Gang, George
Director

Lin Peng, Ben
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

			Reserves								
	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Employee compensation reserve *HK$'000*	Translation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total reserves *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2007	5,279	98,286	4,870	4,390	141	6,747	500	(65,071)	49,863	95	55,237
Fair value gains/(losses):											
– Buildings *(Note 17)*	–	–	–	–	–	3,242	–	–	3,242	–	3,242
– Available-for-sale financial assets *(Note 23)*	–	–	–	–	–	–	(1,067)	–	(1,067)	–	(1,067)
Currency translation differences	–	–	–	–	1,702	–	–	–	1,702	135	1,837
Net income and expense recognized directly in equity	–	–	–	–	1,702	3,242	(1,067)	–	3,877	135	4,012
Profit/(Loss) for the year	–	–	–	–	–	–	–	5,519	5,519	(2,234)	3,285
Total recognized income and expense for the year	–	–	–	–	1,702	3,242	(1,067)	5,519	9,396	(2,099)	7,297
Issue of shares upon exercise of share options *(Note 30)*	238	3,509	–	–	–	–	–	–	3,509	–	3,747
Issue of shares *(Note 30)*	461	30,874	–	–	–	–	–	–	30,874	–	31,335
Share issue costs	–	(359)	–	–	–	–	–	–	(359)	–	(359)
Employee share-based compensation *(Note 14)*	–	–	–	2,347	–	–	–	–	2,347	–	2,347
Exercise of share options *(Note 31)*	–	1,859	–	(1,859)	–	–	–	–	–	–	–
Vested share options lapsed	–	–	–	(203)	–	–	–	203	–	–	–
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	–	14,329	14,329
Balance at 31 March 2008 and 1 April 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933
Fair value losses:											
– Available-for-sale financial assets *(Note 23)*	–	–	–	–	–	–	(497)	–	(497)	–	(497)
Currency translation differences	–	–	–	–	796	–	–	–	796	240	1,036
Net income and expense recognized directly in equity	–	–	–	–	796	–	(497)	–	299	240	539
Transfer to profit or loss on disposal of available-for-sale financial assets	–	–	–	–	–	–	145	–	145	–	145
Loss for the year	–	–	–	–	–	–	–	(62,309)	(62,309)	(433)	(62,742)
Total recognized income and expense for the year	–	–	–	–	796	–	(352)	(62,309)	(61,865)	(193)	(62,058)
Issue of shares upon exercise of share options *(Note 30)*	15	213	–	–	–	–	–	–	213	–	228
Employee share-based compensation *(Note 14)*	–	–	–	1,366	–	–	–	–	1,366	–	1,366
Exercise of share options *(Note 31)*	–	54	–	(54)	–	–	–	–	–	–	–
Vested share options lapsed/ cancelled	–	–	–	(4,239)	–	–	–	4,239	–	–	–
Disposal of interest in a subsidiary	–	–	–	–	(245)	–	–	–	(245)	(134)	(379)
Balance at 31 March 2009	5,993	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,090

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

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(62,654)	3,285
Adjustments for:			
– Depreciation of property, plant and equipment		3,890	2,829
– Amortization of leasehold land and land use rights		–	55
– Amortization of intangible assets		22	33
– Goodwill impairment charge		43,203	3,600
– Impairment loss on amount due from a former subsidiary		20,193	–
– Share of loss of associates		5	153
– Gain on disposal of interests in subsidiaries		(34,212)	(26,970)
– Recycling of loss from equity on disposal of available-for-sale financial assets		145	–
– (Gain)/Loss on disposal of property, plant and equipment		(158)	255
– Fair value loss/(gain) on investment properties		3,155	(1,943)
– Interest income		(24)	(635)
– Finance costs		332	817
– Equity-settled share-based payments		1,366	2,347
Changes in working capital:			
– Financial assets at fair value through profit or loss		3,056	(3,034)
– Accounts receivable		2,227	(1,575)
– Prepayments, deposits and other receivables		2,198	(427)
– Financial liabilities at fair value through profit or loss		–	(18)
– Accounts payable		434	(1,394)
– Accruals and other payables		6	(7,145)
– Deferred income		(7)	3,479
Cash used in operations		(16,823)	(26,288)
Interest paid		(275)	(817)
Income tax paid		(88)	–
Net cash used in operating activities		(17,186)	(27,105)

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Acquisition of subsidiaries		–	(63,680)
Purchase of property, plant and equipment	17	(7,100)	(4,978)
Purchase of intangible assets	20	(2)	(5)
Proceeds from disposal of property, plant and equipment		3,291	835
Proceeds from disposal of available-for-sale financial assets		96	–
Disposal of interests in subsidiaries	34	20,745	41,119
Interest received		24	635
Net cash generated from/(used in) investing activities		17,054	(26,074)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	30	228	35,082
Share issue costs		–	(359)
Interest element of finance lease rental payments		(57)	–
Capital element of finance lease rental payments		(356)	–
Proceeds from borrowings		4,500	–
Repayment of borrowings		(4,720)	(11,975)
Net cash (used in)/generated from financing activities		(405)	22,748
Net decrease in cash and cash equivalents		(537)	(30,431)
Cash and cash equivalents at beginning of the year		7,556	37,036
Effect of foreign exchange rate changes, net		425	951
Cash and cash equivalents at end of the year	26	7,444	7,556

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

1. GENERAL INFORMATION

Finet Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China and (ii) the development and operations of online games in Mainland China. The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in Note 21.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Suite 505-506, 5/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

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

These consolidated financial statements are presented in Hong Kong dollars (HK$) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 30 June 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

In the current year, the Group has applied the following amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combination[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2009

4 Effective for annual periods beginning on or after 1 July 2009

5 Effective for annual periods ending on or after 30 June 2009

6 Effective for annual periods beginning on or after 1 July 2008

7 Effective for annual periods beginning on or after 1 October 2008

8 Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

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

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

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

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

(b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Associates (continued)

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

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

2.5 Property, plant and equipment

Buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. 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 historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of buildings are credited to the property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated income statement and depreciation based on the asset's original cost is transferred from "other reserves" to "accumulated losses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	Over the remaining lease terms
Leasehold improvements	Over the term of leases
Computer equipment	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicle	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

2.6 Investment property

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property (continued)

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at the date between the carrying amount and the fair value of the property is accounted for as a revaluation. Increases in the carrying amount arising on revaluation are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the consolidated income statement.

2.7 Properties under development

Properties under development are classified as non-current assets and are stated at cost less accumulated amortization and accumulated impairment loss. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortized over the expected life and are included as part of cost of properties under development.

2.8 Intangible assets

(a) *Goodwill*

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

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

(b) *Trademarks and licenses*

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

(c) *Computer software*

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

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(c) *Computer software (continued)*

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

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

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

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

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

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

2.10 Financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

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

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

Recognition and measurement (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated income statement – is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

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

2.15 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Development costs

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

2.17 Deferred income tax

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) *Pension obligations*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.19 Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

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

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

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

(b) Income from Internet solutions is recognized when the services are rendered.

(c) Online game income is recognized when the in-game premium features are consumed or points for in-game premium features are expired.

(d) Income from advertisements on websites is recognized when the advertisements are placed.

(e) Rental income from property letting is recognized in the period in which the properties are let and on a straight-line basis over the lease terms.

(f) Commission income is recognized when the services are rendered.

(g) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.21 Leases

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

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

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

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

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognized over the term of the lease on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Leases (continued)

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

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

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

2.22 Contingent liabilities and contingent assets

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

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

2.23 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale financial assets (Note 23) as at 31 March 2009. The Group's listed investment is listed on the Osaka Securities Exchange in Japan and is valued at quoted market prices at the balance sheet date.

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

	Increase/ (decrease) in carrying amount of equity investments *HK$'000*	Increase/ (decrease) in (loss)/profit before income tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2009			
5% increase in equity price	29	–	29
5% decrease in equity price	(29)	–	(29)
2008			
5% increase in equity price	208	153	55
5% decrease in equity price	(208)	(153)	(55)

* *Excluding retained earnings*

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in (loss)/ profit before income tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2009			
Hong Kong dollar	50	(7)	–
Hong Kong dollar	(50)	7	–
2008			
Hong Kong dollar	50	(18)	–
Hong Kong dollar	(50)	18	–

* *Excluding retained earnings*

(b) Credit risk

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

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

At the balance sheet date, the Group has certain concentrations of credit risk as nil (2008: 53%) and 28% (2008: 72%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 25 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

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

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or within 1 year *HK$'000*	More than 1 year but less than 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
2009				
Accounts payable	2,033	–	–	2,033
Accruals and other payables	3,540	–	–	3,540
Finance lease payables	618	825	–	1,443
Bank borrowings	234	1,274	1,724	3,232
2008				
Accounts payable	1,955	–	–	1,955
Accruals and other payables	5,196	–	–	5,196
Bank borrowings	174	1,196	2,082	3,452

3.2 Capital risk management

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity, as shown in the consolidated balance sheet. The gearing ratios at 31 March 2008 and 2009 were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Total borrowings *(Notes 28 and 29)*	4,476	3,452
Total equity	53,090	113,933
Gearing ratio	8%	3%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

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

3.4 Financial instruments by category

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

	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Financial assets as per consolidated balance sheet			
31 March 2009			
Available-for-sale financial assets *(Note 23)*	–	580	580
Accounts receivable *(Note 25)*	1,661	–	1,661
Deposits and other receivables	4,327	–	4,327
Cash and cash equivalents *(Note 26)*	7,444	–	7,444
Total	13,432	580	14,012

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

3. FINANCIAL RISK MANAGEMENT (continued)

3.4 Financial instruments by category (continued)

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Financial assets as per consolidated balance sheet				
31 March 2008				
Available-for-sale financial assets *(Note 23)*	–	–	1,098	1,098
Financial assets at fair value through profit or loss *(Note 24)*	–	3,056	–	3,056
Accounts receivable *(Note 25)*	3,888	–	–	3,888
Deposits and other receivables	2,668	–	–	2,668
Cash and cash equivalents *(Note 26)*	7,556	–	–	7,556
Total	14,112	3,056	1,098	18,266

	Financial liabilities at amortized cost HK$'000
Financial liabilities as per consolidated balance sheet	
31 March 2009	
Accounts payable *(Note 27)*	2,033
Accruals and other payables	3,540
Finance lease payables *(Note 28)*	1,244
Bank borrowings *(Note 29)*	3,232
Total	10,049

	Financial liabilities at amortized cost HK$'000
Financial liabilities as per consolidated balance sheet	
31 March 2008	
Accounts payable *(Note 27)*	1,955
Accruals and other payables	5,196
Bank borrowings *(Note 29)*	3,452
Total	10,603

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Estimated fair values of employee share options

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

(c) Estimated fair values of investment properties

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

5. REVENUE

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

	2009 *HK$'000*	2008 *HK$'000*
Service income from provision of financial information services	29,952	33,503
Advertising income	1,306	1,483
Online game income	1,830	843
	33,088	35,829

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

6. OTHER INCOME AND GAINS

	2009 *HK$'000*	2008 *HK$'000*
Fair value gain on investment properties	–	1,943
Gain on disposal of interests in subsidiaries *(Note 34)*	34,212	26,970
Gain on disposal of property, plant and equipment	158	–
Gross rental income from investment properties	1,063	91
Net fair value gains on financial assets at fair value through profit or loss	161	–
Commission income	–	1
Interest income from bank deposits	24	635
Sundry income	1,825	3,644
	37,443	33,284

7. SEGMENT INFORMATION

(a) Primary reporting format – business segments

At 31 March 2009, the Group is organized into two main business segments:

(i) Financial information services business – the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China.

(ii) Online game business – the development and operations of online games in Mainland China.

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

	Financial information services business *HK$'000*	Online game business *HK$'000*	Group *HK$'000*
Revenue	31,258	1,830	33,088
Segment results	(16,217)	(46,100)	(62,317)
Finance costs			(332)
Share of loss of an associate			(5)
Loss before income tax			(62,654)
Income tax expense			(88)
Loss for the year			(62,742)
Other segment items included in the consolidated income statement are as follows:			
Goodwill impairment charge	–	43,203	43,203
Impairment loss on amount due from a former subsidiary	–	20,193	20,193
Fair value loss on investment properties	3,155	–	3,155
Recycling of loss from equity on disposal of available-for-sale financial assets	145	–	145
Amortization of intangible assets	–	22	22
Depreciation of property, plant and equipment	2,498	1,392	3,890

7. SEGMENT INFORMATION (continued)

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

The segment results for the year ended 31 March 2008 are as follows:

	Financial information services business *HK$'000*	Online game business *HK$'000*	Group *HK$'000*
Revenue	34,986	843	35,829
Segment results	(1,691)	5,946	4,255
Finance costs			(817)
Share of loss of associates			(153)
Profit before income tax			3,285
Income tax expense			–
Profit for the year			3,285
Other segment items included in the consolidated income statement are as follows:			
Goodwill impairment charge	–	3,600	3,600
Net fair value loss on financial assets at fair value through profit or loss	487	–	487
Amortization of leasehold land and land use rights	–	55	55
Amortization of intangible assets	–	33	33
Depreciation of property, plant and equipment	2,215	614	2,829

Segment assets consist primarily of property, plant and equipment, investment properties, property under development, intangible assets, available-for-sale financial assets, financial assets at fair value through profit or loss, accounts receivable, prepayments, deposits and other receivables, and cash and cash equivalents.

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

Capital expenditure comprises additions to property, plant and equipment (Note 17), property under development (Note 19) and intangible assets (Note 20), including additions resulting from acquisitions through business combinations.

For the year ended 31 March 2009

7. SEGMENT INFORMATION (continued)

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

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

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

The segment assets and liabilities at 31 March 2008 and capital expenditure for the year then ended are as follows:

	Financial information services business *HK$'000*	Online game business *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Assets	40,725	88,265	–	128,990
Associates	–	–	80	80
Total assets	40,725	88,265	80	129,070
Liabilities	8,106	3,579	3,452	15,137
Capital expenditure	2,850	87,417	–	90,267

Notes to the Consolidated Financial Statements

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7. SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

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

	2009 *HK$'000*	2008 *HK$'000*
Revenue		
Hong Kong	24,076	31,530
PRC	9,012	4,299
	33,088	35,829

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

	2009 *HK$'000*	2008 *HK$'000*
Total assets		
Hong Kong	12,431	16,458
PRC	54,599	109,428
Other countries	580	3,104
	67,610	128,990
Associates	–	80
	67,610	129,070

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

	2009 *HK$'000*	2008 *HK$'000*
Capital expenditure		
Hong Kong	2,243	1,934
PRC	6,459	88,333
	8,702	90,267

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

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For the year ended 31 March 2009

8. OTHER OPERATING EXPENSES

	2009 *HK$'000*	2008 *HK$'000*
Goodwill impairment charge	43,203	3,600
Impairment loss on amount due from a former subsidiary	20,193	–
Fair value loss on investment properties	3,155	–
Recycling of loss from equity on disposal of available-for-sale financial assets	145	–
Net fair value loss on financial assets at fair value through profit or loss	–	487
Others	26	1,144
	66,722	5,231

9. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Interest expense on bank borrowings:		
– wholly repayable within five years	–	591
– not wholly repayable within five years	139	226
Interest expense on other borrowings:		
– wholly repayable within five years	136	–
Interest on a finance lease	57	–
	332	817

10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	2009 *HK$'000*	2008 *HK$'000*
Operating lease payments in respect of rented premises	5,760	2,141
Amortization of leasehold land and land use rights	–	55
Amortization of intangible assets (included in general and administrative expenses)	22	33
Depreciation of property, plant and equipment	3,890	2,829
Development costs *(Note)*	6,375	5,058
Loss on disposal of property, plant and equipment	–	255
Auditors' remuneration – current year provision	320	320
– under-provision in prior year	160	–
Net foreign exchange losses/(gains)	244	(418)

Note: Development costs mainly comprise depreciation of property, plant and equipment of approximately HK$181,000 (2008: HK$122,000) and employee benefit expenses of approximately HK$5,504,000 (2008: HK$4,318,000), which are also included in the total amounts disclosed separately above and in Note 14 for each of these types of expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

11. INCOME TAX

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit arising in or derived from Hong Kong for the year (2008: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2009 *HK$'000*	2008 *HK$'000*
Current tax:		
– Hong Kong profits tax	–	–
– Overseas taxation – PRC	62	–
Adjustments in respect of prior years	26	–
Income tax expense	88	–

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2008: 17.5%) as follows:

	2009 *HK$'000*	2008 *HK$'000*
(Loss)/Profit before income tax	(62,654)	3,285
Tax calculated at Hong Kong profits tax rate	(10,338)	575
Effect of different tax rates of other jurisdictions	(3,285)	(2,732)
Income not subject to tax	(3,428)	(4,200)
Expenses not deductible for tax purposes	14,709	5,195
Tax effect of temporary differences not recognized	(53)	16
Utilization of previously unrecognized tax losses	–	(2)
Tax losses for which no deferred income tax asset was recognized	2,457	1,148
Adjustment in respect of prior years	26	–
Income tax expense	88	–

No deferred tax liabilities are recognized in the financial statements as the Group and the Company did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2009 (2008: Nil). The Group's deferred tax assets and liabilities not recognized in the financial statements are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Tax losses	14,362	13,794
Accelerated depreciation allowance	(416)	(943)
Revaluation of properties	(3,525)	(5,144)
	10,421	7,707

11. INCOME TAX (continued)

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

12. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$62,009,000 (2008: Profit of HK$23,646,000).

13. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the loss attributable to equity holders of the Company for the year ended 31 March 2009 of HK$62,309,000 (2008: Profit of HK$5,519,000) by the weighted average number of 599,347,315 (2008: 562,948,142) ordinary shares in issue during the year.

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
(Loss)/Profit attributable to equity holders of the Company (in thousands of HK dollars)	(62,309)	5,519
Weighted average number of ordinary shares in issue (thousands)	599,347	562,948
Adjustments for share options (thousands)	–	40,708
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousands)	599,347	603,656
Diluted (loss)/earnings per share (HK cent per share)	(10.40)	0.91

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

14. EMPLOYEE BENEFIT EXPENSES

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

	2009 *HK$'000*	2008 *HK$'000*
Wages and salaries	27,169	22,917
Equity-settled share-based payments	1,366	2,347
Pension costs – defined contribution plans	304	355
Others	415	382
	29,254	26,001

15. DIRECTORS' REMUNERATION

The remuneration of every director of the Company for the years ended 31 March 2008 and 2009 is set out below:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

15. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries and allowances HK$'000	Contributions to pension schemes HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 March 2008					
Executive director					
Yu Gang, George	–	978	12	757	1,747
Non-executive directors					
Kwan Pun Fong, Vincent	60	–	–	103	163
Brendan McMahon (Retired from office on 27 July 2007)	20	–	–	32	52
Independent non-executive directors					
Lam Lee G.	60	–	–	103	163
Wu Tak Lung	60	–	–	103	163
William Hay	60	–	–	107	167
	260	978	12	1,205	2,455

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil). None of the directors waived or agreed to waive any remuneration during the year (2008: Nil).

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

16. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2008: one) director whose emoluments have been reflected in the analysis presented above. The emoluments payable to the remaining four (2008: four) individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries and allowances	1,970	1,985
Share-based payments	295	659
Discretionary bonus	174	–
Contributions to pension schemes	48	43
	2,487	2,687

The emoluments fell within the following bands:

	2009 Number of individuals	2008 Number of individuals
Emolument band		
Nil to HK$1,000,000	4	4

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 (2008: Nil).

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For the year ended 31 March 2009

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *HK$'000*	Leasehold improvements *HK$'000*	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 April 2007							
Cost	–	795	10,788	381	218	200	12,382
Valuation	9,792	–	–	–	–	–	9,792
	9,792	795	10,788	381	218	200	22,174
Accumulated depreciation	–	(459)	(6,234)	(123)	(74)	(67)	(6,957)
Net book amount	9,792	336	4,554	258	144	133	15,217
Year ended 31 March 2008							
Opening net book amount	9,792	336	4,554	258	144	133	15,217
Acquisition of subsidiaries	–	–	3,044	–	172	123	3,339
Additions	–	–	3,197	13	96	1,672	4,978
Depreciation	(211)	(280)	(1,935)	(78)	(92)	(233)	(2,829)
Disposals	–	–	–	–	–	(1,091)	(1,091)
Revaluation	3,242	–	–	–	–	–	3,242
Transfer to investment properties *(Note 18)*	(12,823)	–	–	–	–	–	(12,823)
Exchange differences	–	–	305	–	14	22	341
Closing net book amount	–	56	9,165	193	334	626	10,374
At 31 March 2008							
Cost	–	795	18,566	395	583	888	21,227
Accumulated depreciation	–	(739)	(9,401)	(202)	(249)	(262)	(10,853)
Net book amount	–	56	9,165	193	334	626	10,374
Year ended 31 March 2009							
Opening net book amount	–	56	9,165	193	334	626	10,374
Additions	–	–	6,825	–	1,762	113	8,700
Depreciation	–	(56)	(3,275)	(79)	(193)	(287)	(3,890)
Disposals	–	–	(2,710)	–	(193)	(230)	(3,133)
Exchange differences	–	–	103	–	6	8	117
Closing net book amount	–	–	10,108	114	1,716	230	12,168
At 31 March 2009							
Cost	–	795	20,964	395	2,029	265	24,448
Accumulated depreciation	–	(795)	(10,856)	(281)	(313)	(35)	(12,280)
Net book amount	–	–	10,108	114	1,716	230	12,168

At 31 March 2009, the carrying amount of computer equipment included an amount of approximately HK$1,360,000 (2008: Nil) in respect of assets held under finance lease.

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For the year ended 31 March 2009

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
At 1 April 2007			
Cost	–	–	–
Valuation	9,792	–	9,792
	9,792	–	9,792
Accumulated depreciation	–	–	–
Net book amount	9,792	–	9,792
Year ended 31 March 2008			
Opening net book amount	9,792	–	9,792
Depreciation	(211)	–	(211)
Revaluation	3,242	–	3,242
Transfer to investment properties *(Note 18)*	(12,823)	–	(12,823)
Closing net book amount	–	–	–
At 31 March 2008			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 March 2009			
Opening net book amount	–	–	–
Additions	–	265	265
Depreciation	–	(35)	(35)
Closing net book amount	–	230	230
At 31 March 2009			
Cost	–	265	265
Accumulated depreciation	–	(35)	(35)
Net book amount	–	230	230

18. INVESTMENT PROPERTIES

Group and Company

	2009 *HK$'000*	2008 *HK$'000*
Beginning of the year	17,155	–
Transfer from property, plant and equipment *(Note 17)*	–	12,823
Transfer from leasehold land and land use rights	–	2,389
Fair value (losses)/gains	(3,155)	1,943
End of the year	14,000	17,155

The fair value of the investment properties at 31 March 2009 was arrived at on the basis of a valuation carried out at that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, an independent professional valuer, on open market value, existing use basis calculated on the net income allowing for reversionary potential.

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

	2009 *HK$'000*	2008 *HK$'000*
In the PRC, held on:		
Leases of between 10 to 50 years	14,000	17,155

Bank loans (Note 29) are secured by the above investment properties with carrying amount of approximately HK$14,000,000 (2008: HK$17,155,000).

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

	2009 *HK$'000*	2008 *HK$'000*
Not later than 1 year	1,082	1,092
Later than 1 year and no later than 5 years	–	1,047
	1,082	2,139

19. PROPERTY UNDER DEVELOPMENT

Group

Land in the PRC	2009 *HK$'000*	2008 *HK$'000*
Beginning of the year	8,524	–
Arising on acquisition of subsidiaries	–	7,987
Amortization of interests in land	(88)	(134)
Capitalization of amortization of interests in land	88	134
Exchange differences	–	537
Disposal of a subsidiary	(8,524)	–
End of the year	–	8,524

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20. INTANGIBLE ASSETS

Group

	Goodwill *HK$'000*	Trademarks, licenses and computer software *HK$'000*	Total *HK$'000*
At 1 April 2007			
Cost	–	–	–
Accumulated amortization	–	–	–
Net book amount	–	–	–
Year ended 31 March 2008			
Opening net book amount	–	–	–
Exchange differences	–	9	9
Acquisition of subsidiaries	73,803	155	73,958
Additions	–	5	5
Impairment charge	(3,600)	–	(3,600)
Amortization charge	–	(33)	(33)
Closing net book amount	70,203	136	70,339
At 31 March 2008			
Cost	73,803	172	73,975
Accumulated amortization and impairment	(3,600)	(36)	(3,636)
Net book amount	70,203	136	70,339
Year ended 31 March 2009			
Opening net book amount	70,203	136	70,339
Exchange differences	–	3	3
Additions	–	2	2
Impairment charge	(43,203)	–	(43,203)
Amortization charge	–	(22)	(22)
Disposal of interest in a subsidiary	–	(113)	(113)
Closing net book amount	27,000	6	27,006
At 31 March 2009			
Cost	73,803	8	73,811
Accumulated amortization and impairment	(46,803)	(2)	(46,805)
Net book amount	27,000	6	27,006

20. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

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

On 18 June 2007, the Group completed the acquisition of East Treasure Limited. East Treasure Limited and its subsidiaries are principally engaged in the development and operations of online games in Mainland China. The related goodwill arising from the aforesaid acquisition amounted to approximately HK$73,803,000.

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

As a result of the above impairment test for goodwill, the Group recognized a goodwill impairment charge of approximately HK$43,203,000 which has been charged to the consolidated income statement for the year ended 31 March 2009 (2008: HK$3,600,000).

21. INVESTMENTS IN SUBSIDIARIES

Company

	2009 *HK$'000*	2008 *HK$'000*
Unlisted investments, at cost	97,761	97,531
Provision for impairment *(Note)*	(57,705)	–
	40,056	97,531

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

The following is a list of the Company's subsidiaries at 31 March 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
China Game & Digital Entertainment Limited	Cayman Islands, limited liability company	Investment holding	1,000,000 ordinary shares of US$0.01 each	85.71% (Direct)
Finet Group (BVI) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US$1 each	100% (Direct)
Finet Group Technology (Shenzhen) Limited	PRC, wholly foreign owned enterprise	Provision of financial information services in Mainland China	Registered capital of HK$11,000,000	100% (Direct)

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21. INVESTMENTS IN SUBSIDIARIES (continued)

The following is a list of the Company's subsidiaries at 31 March 2009: (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
深圳市財科信息技術有限公司 (transliterated as Shenzhen Cai Ke Information Technology Company Limited)	PRC, limited liability company	Provision of financial information services in Mainland China	Registered capital of RMB1,000,000	100% (Direct)
Finet Holdings Limited	Hong Kong, limited liability company	Provision of financial information management and technology solutions, internet advertising and investment holding in Hong Kong	68,990,025 ordinary shares of HK$1 each	100% (Indirect)
Finet Introducing Broker Limited	Hong Kong, limited liability company	Provision of securities dealing referral services in Hong Kong	1,000,000 ordinary shares of HK$1 each	100% (Indirect)
Finet News Services Limited	Hong Kong, limited liability company	Provision of financial information services in Hong Kong and Mainland China and investment holdings	10,000 ordinary shares of HK$1 each	100% (Indirect)
East Treasure Limited	Republic of Seychelles, limited liability company	Investment holding	50,000 ordinary shares of US$1 each	85.71% (Indirect)
杭州笑傲數碼科技有限公司 (transliterated as Hangzhou Xiaoao Digital Technology Company Limited)	PRC, wholly foreign owned enterprise	Provision of online game products, computer network products, technology services and technology consultancy services in the PRC	Registered capital of US$5,000,000	85.71% (Indirect)
上海龍傲游數碼科技有限公司 (transliterated as Shanghai Long Ao You Digital Technology Company Limited)	PRC, limited liability company	Development and operations of online games in the PRC	Registered capital of RMB1,000,000	85.71% (Indirect)
杭州仙暢網絡科技有限公司 (transliterated as Hangzhou Xian Chang Network Technology Company Limited)	PRC, limited liability company	Development and operations of online games in the PRC	Registered capital of RMB200,000	85.71% (Indirect)

Amounts due from and due to subsidiaries

The amounts due from and due to subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and repayable on demand.

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22. INVESTMENTS IN ASSOCIATES

Group

	2009 *HK$'000*	2008 *HK$'000*
Beginning of the year	80	–
Arising on disposal of interest in a subsidiary	–	198
Acquisition of subsidiaries	–	35
Share of loss	(5)	(153)
Disposals	(75)	–
End of the year	–	80

The following is a list of the Group's associates at 31 March 2008:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operations	Particulars of issued capital	Interest held
China Capital Management Limited	Hong Kong, limited liability company	Provision of investment advisory services in Hong Kong	1,000,098 ordinary shares of HK$1 each	20%
浙江遂昌凱恩飛石嶺景區有限公司	PRC, limited liability company	Park and hotel operation in the PRC	Registered capital of RMB1,000,000	49%

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2009 *HK$'000*	2008 *HK$'000*
Beginning of the year	1,098	2,165
Addition	75	–
Disposals	(96)	–
Fair value losses transfer to equity	(497)	(1,067)
End of the year	580	1,098

Company

	2009 *HK$'000*	2008 *HK$'000*
Beginning of the year	1,098	2,165
Disposals	(77)	–
Fair value losses transfer to equity	(441)	(1,067)
End of the year	580	1,098

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23. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets include the following:

Group and Company

	2009 *HK$'000*	2008 *HK$'000*
Equity securities listed in Japan	580	1,098
Market value of listed equity securities	580	1,098

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2009 *HK$'000*	2008 *HK$'000*
Equity securities listed in Hong Kong	–	1,050
Equity securities listed in the United States	–	2,006
	–	3,056
Market value of listed equity securities	–	3,056

The above financial assets are classified as held for trading.

25. ACCOUNTS RECEIVABLE

The credit terms granted by the Group to its customers range from 10 days to 90 days. At 31 March 2009, the ageing analysis of the accounts receivable was as follows:

Group

	2009 *HK$'000*	2008 *HK$'000*
0 – 30 days	1,186	1,921
31 – 60 days	194	648
61 – 90 days	109	873
Over 90 days	172	446
	1,661	3,888

25. ACCOUNTS RECEIVABLE (continued)

As of 31 March 2009, accounts receivable of approximately HK$172,000 (2008: HK$446,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Over 90 days	172	446

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

	2009 *HK$'000*	2008 *HK$'000*
HK dollars	1,419	3,467
US dollars	242	421
	1,661	3,888

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

26. CASH AND CASH EQUIVALENTS

	2009 *HK$'000*	2008 *HK$'000*
Group		
Cash at banks and in hand	7,444	7,556
Company		
Cash at banks and in hand	96	818

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

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$4,800,000 (2008: HK$2,425,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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For the year ended 31 March 2009

27. ACCOUNTS PAYABLE

At 31 March 2009, the ageing analysis of the accounts payable was as follows:

Group

	2009 *HK$'000*	2008 *HK$'000*
0 – 30 days	1,110	671
31 – 60 days	562	131
61 – 90 days	101	–
Over 90 days	260	1,153
	2,033	1,955

28. FINANCE LEASE PAYABLES

The Group leased certain of its computer equipment under a finance lease agreement. The finance lease is repayable by instalments of 36 months and has a remaining lease term of 28 months as at 31 March 2009.

At 31 March 2009, the total future minimum lease payments under the finance lease and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2009 *HK$'000*	2008 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*
Amounts payable:				
Within one year	618	–	533	–
In the second year	618	–	533	–
In the third to fifth years, inclusive	207	–	178	–
Total minimum finance lease payments	1,443	–	1,244	–
Future finance charges	(199)	–	–	–
Total net finance lease payables	1,244	–	1,244	–
Portion classified as current liabilities	(533)	–		
Non-current portion	711	–		

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

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

Notes to the Consolidated Financial Statements

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29. BANK BORROWINGS

Group and Company

	2009 *HK$'000*	2008 *HK$'000*
Secured bank loans – floating rates	3,232	3,452
At 31 March 2009, the bank loans are repayable as follows:		
Within 1 year	234	174
Between 1 and 2 years	300	280
Between 2 and 5 years	974	916
Over 5 years	1,724	2,082
	3,232	3,452
Less: Amount due within one year shown under current liabilities	(234)	(174)
Amount due after one year shown under non-current liabilities	2,998	3,278

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

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

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

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

30. SHARE CAPITAL

	2009		2008	
Ordinary shares of HK$0.01 each	**Number of shares**	**Amount** *(HK$'000)*	**Number of shares**	**Amount** *(HK$'000)*
Authorized:				
At beginning and 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	597,850,000	5,978	527,955,000	5,279
Issue of shares upon exercise of share options *(Note (a))*	1,520,000	15	23,815,000	238
Issue of shares *(Note (b))*	–	–	46,080,000	461
At end of the year	599,370,000	5,993	597,850,000	5,978

30. SHARE CAPITAL (continued)

Notes:

(a) Share options were exercised by option-holders during the year ended 31 March 2009 to subscribe for a total of 1,520,000 (2008: 23,815,000) shares in the Company by payment of subscription monies of approximately HK$228,000 (2008: HK$3,747,000), of which approximately HK$15,000 (2008: HK$238,000) was credited to share capital and the balance of approximately HK$213,000 (2008: HK$3,509,000) was credited to the share premium account.

(b) Pursuant to the subscription agreement dated 20 September 2007, the Company issued and allotted a total of 46,080,000 new shares (the "Subscription Shares") at a subscription price of HK$0.68 per Subscription Share to the subscribers on 8 October 2007 (the "Subscription") following the completion of a placing agreement for the placing of 46,080,000 existing shares (the "Placing"). The Company raised a net sum of approximately HK$31 million through the Placing and the Subscription and the funds were used as general working capital for media network and future acquisition of the Group. The Subscription Shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 27 July 2007.

31. SHARE-BASED EMPLOYEE COMPENSATION

Pre-IPO Share Option Scheme

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

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

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

The following table discloses movements of the share options granted under the Pre-IPO Share Option Scheme during the year ended 31 March 2008:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding as at 1 April 2007	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2008
Pre-IPO Share Option Scheme:							
Director							
Yu Gang, George	21 September 2004	HK$0.15	*Note 1*	27,726,000	(15,600,000)	–	12,126,000
Employees	21 September 2004	HK$0.15	*Note 1*	20,745,000	(7,265,000)	(2,365,000)	11,115,000
Total				48,471,000	(22,865,000)#	(2,365,000)*	23,241,000

\# The weighted average share price of the Company during the period which the share options were exercised was HK0.717 cents.

* The 2,365,000 share options granted under the Pre-IPO Share Options Scheme lapsed upon the resignation of the employees of the Group.

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31. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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

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

[#] The weighted average share price of the Company during the period which the share options were exercised was HK0.15 cents.

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

Share Option Scheme

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

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

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

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

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

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For the year ended 31 March 2009

31. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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 table discloses movements of the share options granted under the Share Option Scheme during the year ended 31 March 2008:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding as at 1 April 2007	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Outstanding as at 31 March 2008
Share Option Scheme:									
Directors									
Yu Gang, George	6 December 2006	HK$0.668	*Note 3(d)*	5,000,000	–	–	–	–	5,000,000
Kwan Pun Fong, Vincent	29 September 2005	HK$0.365	*Note 2(a)*	1,000,000	–	(600,000)	–	–	400,000
	6 December 2006	HK$0.668	*Note 3(d)*	1,000,000	–	–	–	–	1,000,000
Lam Lee G.	29 September 2005	HK$0.365	*Note 2(a)*	1,000,000	–	–	–	–	1,000,000
	6 December 2006	HK$0.668	*Note 3(d)*	1,000,000	–	–	–	–	1,000,000
Wu Tak Lung	29 September 2005	HK$0.365	*Note 2(a)*	1,000,000	–	–	–	–	1,000,000
	6 December 2006	HK$0.668	*Note 3(d)*	1,000,000	–	–	–	–	1,000,000
Brendan McMahon	6 December 2006	HK$0.668	*Note 3(c)*	1,000,000	–	–	–	(1,000,000)†	–
William Hay	6 December 2006	HK$0.668	*Note 3(b)*	1,000,000	–	–	–	–	1,000,000
Sub-total				13,000,000	–	(600,000)	–	(1,000,000)	11,400,000
Employee	5 September 2005	HK$0.280	*Note 2(b)*	3,000,000	–	(350,000)	–	–	2,650,000
Employees	6 December 2006	HK$0.668	*Note 3(d)*	6,500,000	–	–	(1,520,000)	–	4,980,000
Employees	6 December 2006	HK$0.668	*Note 3(a)*	4,500,000	–	–	–	–	4,500,000
Employee	6 December 2006	HK$0.668	*Note 3(c)*	–	–	–	–	1,000,000	1,000,000
Sub-total				14,000,000	–	(350,000)	(1,520,000)	1,000,000	13,130,000
Total				27,000,000	–	(950,000)#	(1,520,000)*	–	24,530,000

The weighted average share price of the Company during the period which the share options were exercised was HK0.592 cents.

* The 1,520,000 share options granted under the Share Options Scheme lapsed upon the resignation of the employees of the Group.

† Mr. Brendan McMahon retired from office as a director of the Company on 27 July 2007. Accordingly, the share options held by him were reclassified to the pool of employee.

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For the year ended 31 March 2009

31. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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

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

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

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

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

The 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 authorized share capital of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

31. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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

Note 1:

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

Note 2:

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

Note 3:

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

During the year ended 31 March 2009, employee share-based compensation of approximately HK$1,366,000 (2008: HK$2,347,000) has been included in the consolidated income statement with a corresponding credit to the employee compensation reserve.

At 31 March 2009, the Company had 13,881,000 and 6,050,000 share options outstanding under the Pre-IPO Share Option Scheme and Share Option Scheme respectively. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 19,931,000 additional ordinary shares of the Company and additional share capital of approximately HK$199,000 and share premium of approximately HK$4,169,000 (before issue expenses).

32. 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.

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32. RESERVES (continued)

Company

	Share premium HK$'000	Employee compensation reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000
Balance at 1 April 2007	98,286	4,390	6,747	500	(65,375)	44,548
Fair value gains/(losses):						
– Buildings *(Note 17)*	–	–	3,242	–	–	3,242
– Available-for-sale financial assets *(Note 23)*	–	–	–	(1,067)	–	(1,067)
Net income and expense recognized directly in equity	–	–	3,242	(1,067)	–	2,175
Profit for the year	–	–	–	–	23,646	23,646
Total recognized income and expense for the year	–	–	3,242	(1,067)	23,646	25,821
Issue of shares upon exercise of share options *(Note 30)*	3,509	–	–	–	–	3,509
Issue of shares *(Note 30)*	30,874	–	–	–	–	30,874
Share issue costs	(359)	–	–	–	–	(359)
Employee share-based compensation	–	2,347	–	–	–	2,347
Exercise of share options	1,859	(1,859)	–	–	–	–
Vested share options lapsed	–	(203)	–	–	203	–
Balance at 31 March 2008 and 1 April 2008	134,169	4,675	9,989	(567)	(41,526)	106,740
Fair value losses:						
– Available-for-sale financial assets *(Note 23)*	–	–	–	(441)	–	(441)
Net expense recognized directly in equity	–	–	–	(441)	–	(441)
Transfer to profit or loss on disposal of available-for-sale financial assets	–	–	–	89	–	89
Loss for the year	–	–	–	–	(62,009)	(62,009)
Total recognized expense for the year	–	–	–	(352)	(62,009)	(62,361)
Issue of shares upon exercise of share options *(Note 30)*	213	–	–	–	–	213
Employee share-based compensation	–	1,366	–	–	–	1,366
Exercise of share options	54	(54)	–	–	–	–
Vested share options lapsed/cancelled	–	(4,239)	–	–	4,239	–
Balance at 31 March 2009	134,436	1,748	9,989	(919)	(99,296)	45,958

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

32. RESERVES (continued)

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.

33. OPERATING LEASE COMMITMENTS

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

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

Group

	2009 *HK$'000*	2008 *HK$'000*
No later than 1 year	5,416	4,024
Later than 1 year and no later than 5 years	4,282	7,478
	9,698	11,502

The Company had no significant operating lease commitment as at 31 March 2008 and 2009.

34. DISPOSAL OF INTEREST IN A SUBSIDIARY

Disposal of interest in 杭州天暢網絡科技有限公司 (transliterated as Hangzhou Tianchang Network Technology Company Limited)

During the year ended 31 March 2009, the Group disposed of its entire equity interests in 杭州天暢網絡科技有限公司 (transliterated as Hangzhou Tianchang Network Technology Company Limited) to independent third parties at an aggregate cash consideration of RMB20,000,000 (equivalent to approximately HK$22,800,000).

	2009 *HK$'000*
Attributable net liabilities disposed of	(11,412)
Gain on disposal of interest in a subsidiary	34,212
	22,800
Satisfied by:	
Cash consideration received	20,748
Cash consideration receivable included in "Prepayments, deposits and other receivables" on the consolidated balance sheet at 31 March 2009	2,052
	22,800

34. DISPOSAL OF INTEREST IN A SUBSIDIARY (continued)

Analysis of the net cash inflow in respect of the disposal of interest in a subsidiary:

	2009 *HK$'000*
Cash consideration received	20,748
Cash and cash equivalents disposed of	(3)
Net inflow of cash and cash equivalents in respect of the disposal of interest in a subsidiary	20,745

35. CONTINGENT LIABILITIES

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

36. EVENTS AFTER THE BALANCE SHEET DATE

On 5 May 2009, the Company announced that the Company's board of directors proposed to raise not less than approximately HK$15.0 million and not more than approximately HK$15.2 million before expenses, by way of an open offer on the basis of one offer share for every two existing shares held on the record date with bonus issue of warrants on the basis of three bonus warrants for every ten offer shares issued and allotted under the open offer. The Company's board of directors also proposed to increase the authorized share capital of the Company from HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each by the creation of additional 1,000,000,000 shares of HK$0.01 each. The proposed transactions have not been completed as of the date of approval of these financial statements.

Financial Summary

	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*
RESULTS					
Revenue	33,088	35,829	32,127	29,245	21,714
Operating (loss)/profits	(62,317)	4,255	(2,332)	(1,501)	171
Finance cost	(332)	(817)	(257)	(160)	–
(Loss)/Profit for the year	(62,654)	3,285	(2,589)	(1,661)	171
(Loss)/Earnings per share					
– Basic (in HK cents)	(10.40)	0.98	(0.50)	(0.34)	0.04
– Diluted (in HK cents)	(10.40)	0.91	(0.50)	(0.34)	0.04
ASSETS AND LIABILITIES					
Non-current assets	53,754	107,570	19,826	12,340	2,546
Current assets	13,856	21,500	43,577	26,064	25,711
Current liabilities	10,811	11,859	4,705	4,847	1,603
Non-current liabilities	3,709	3,278	3,461	3,635	–
Net assets	53,090	113,933	55,237	29,922	26,654