



Finet Group Limited

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 08317)



Third Quarterly Report
2011/2012

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 higher 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 report, for which the directors (the “**Directors**”) of Finet Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.*

RESULTS HIGHLIGHTS

- The Group reported a turnover attributable to continuing operations of approximately HK\$18,468,000 for the nine months ended 31 December 2011, representing a decrease of 31% from approximately HK\$26,800,000 for the same period in 2010.
- The Group's unaudited consolidated loss attributable to owners of the Company for the nine months ended 31 December 2011 was approximately HK\$17,461,000.
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2011.

The board of Directors (the “**Board**”) is pleased to present the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and nine months ended 31 December 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2011 HK\$'000	2010 HK\$'000 (restated)	2011 HK\$'000	2010 HK\$'000 (restated)
Continuing operations					
Revenue	2	5,722	10,637	18,468	26,800
Cost of sales		(2,288)	(3,275)	(6,865)	(8,113)
Gross profit		3,434	7,362	11,603	18,687
Other income/(loss)	2	3,092	(3,615)	4,471	(1,625)
Selling and marketing expenses		(109)	(91)	(714)	(275)
General and administrative expenses		(13,150)	(11,409)	(32,603)	(32,653)
Finance costs		(138)	(49)	(211)	(152)
Loss before income tax expenses		(6,871)	(7,802)	(17,454)	(16,018)
Income tax expenses	3	23	(15)	(7)	(45)
Loss for the period from continuing operations		(6,848)	(7,817)	(17,461)	(16,063)
Discontinued operation					
Loss for the period from discontinued operation		-	(3,599)	-	(11,931)
Loss for the period		(6,848)	(11,416)	(17,461)	(27,994)
Attributable to:					
Owners of the Company		(6,848)	(11,374)	(17,461)	(26,761)
Non-controlling interests		-	(42)	-	(1,233)
		(6,848)	(11,416)	(17,461)	(27,994)

	For the three months ended 31 December		For the nine months ended 31 December	
	2011	2010	2011	2010
Notes	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Loss for the period	(6,848)	(11,416)	(17,461)	(27,994)
Other comprehensive income:				
Fair value (loss)/gain on				
available-for-sale financial assets	(89)	(36)	(398)	297
Currency translation differences	(340)	52	(355)	219
Other comprehensive income for the period	(429)	16	(753)	516
Total comprehensive income for the period	(7,277)	(11,400)	(18,214)	(27,478)
Attributable to:				
Owners of the Company	(7,277)	(11,286)	(18,214)	(26,278)
Non-controlling interests	-	(114)	-	(1,200)
	(7,277)	(11,400)	(18,214)	(27,478)
Loss per share for loss attributable to owners of the Company during the period				
From continuing operations				
– Basic and diluted (<i>in HK cent</i>) 5(a)	(1.55)	(3.27)	(3.47)	(7.25)
From discontinued operation				
– Basic and diluted (<i>in HK cent</i>) 5(b)	N/A	(1.51)	N/A	(5.38)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 March 2011.

The unaudited consolidated results of the Group for the nine months ended 31 December 2011 have been reviewed by the audit committee of the Company.

2. REVENUE AND OTHER INCOME/(LOSS)

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue and other income/(loss) recognised during the period is as follows:

For the three months ended 31 December 2011

	Continuing operations		Unaudited Discontinued operation		Total	
	For the three months ended 31 December		For the three months ended 31 December		For the three months ended 31 December	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue						
Service income from provision of financial information services	5,254	8,286	-	-	5,254	8,286
Advertising income	230	309	-	-	230	309
Online games income	-	-	-	-	-	-
Brokerage commission and service income	238	2,042	-	-	238	2,042
	5,722	10,637	-	-	5,722	10,637
Other income/(loss)						
Fair value gain/(loss) on securities held for trading investments	882	(3,981)	-	-	882	(3,981)
Gross rental income from investment properties	633	287	-	-	633	287
Gain on bargain purchase	1,185	-	-	-	1,185	-
Interest income	1	1	-	5	1	6
Dividend income	-	-	-	-	-	-
Others	391	78	-	-	391	78
	3,092	(3,615)	-	5	3,092	(3,610)
Total incomes	8,814	7,022	-	5	8,814	7,027

For the nine months ended 31 December 2011

	Continuing operations		Unaudited Discontinued operation		Total	
	For the nine months ended 31 December		For the nine months ended 31 December		For the nine months ended 31 December	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue						
Service income from provision of financial information services	16,372	21,290	-	-	16,372	21,290
Advertising income	945	986	-	-	945	986
Online games income	-	-	-	1	-	1
Brokerage commission and service income	1,151	4,524	-	-	1,151	4,524
	18,468	26,800	-	1	18,468	26,801
Other income/(loss)						
Fair value gain/(loss) on securities held for trading investments	927	(3,191)	-	-	927	(3,191)
Gross rental income from investment properties	1,207	851	-	-	1,207	851
Gain on bargain purchase	1,185	-	-	-	1,185	-
Interest income	2	479	-	30	2	509
Dividend income	200	40	-	-	200	40
Others	950	196	-	-	950	196
	4,471	(1,625)	-	30	4,471	(1,595)
Total incomes	22,939	25,175	-	31	22,939	25,206

3. INCOME TAX EXPENSES

The Company and one of its former subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, are exempted from payment of Cayman Islands income tax. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 16 June 2011. Accordingly, the Company is now exempted from payment of Bermuda income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax. A former subsidiary of the Company established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

Hong Kong profits tax of approximately HK\$38,000 has been refunded for the three months and nine months ended 31 December 2011 (2010: Nil) that had been charged against previous period.

The PRC income tax of approximately HK\$45,000 was paid during the nine months ended 31 December 2011 (2010: HK\$45,000) for the net rental income from the investment properties of the Company in the PRC.

4. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 December 2011 (2010: Nil).

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share from continuing operations is based on the loss attributable to owners of the Company from continuing operations for the three months and nine months ended 31 December 2011 approximately of HK\$6,848,000 and HK\$17,461,000 respectively (three months and nine months ended 31 December 2010: approximately HK\$7,817,000 and HK\$16,063,000 respectively) and on the weighted average number of 440,818,880 shares and 502,657,727 shares respectively in issue during the three months and nine months ended 31 December 2011 (three months and nine months ended 31 December 2010: 238,724,643 and 221,579,891 ordinary shares respectively (restated)).

The calculation of basic loss per share from discontinued operation is based on the loss attributable to owners of the Company from discontinued operation for the three months and nine months ended 31 December 2011 approximately of HK\$Nil and HK\$Nil respectively (three months and nine months ended 31 December 2010: approximately HK\$3,599,000 and HK\$11,931,000 respectively) and on the weighted average number of shares in issue during the three months and nine months ended 31 December 2010: 238,724,643 and 221,579,891 ordinary shares respectively (restated)).

The weighted average numbers of ordinary shares in 2010 have been retrospectively adjusted for the five-to-one share consolidation which took place in May 2011 and for the open offer completed in June 2011

(b) Diluted loss per share

Diluted loss per share for the three months and nine months ended 31 December 2011 and 2010 have not been disclosed as the warrants and options have an anti-dilutive effect on the basic loss per share.

6. MOVEMENT OF RESERVES

	Share capital	Share premium	Merger reserve	Share option reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Non- controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
Fair value gain:											
– Available-for-sales financial assets	-	-	-	-	-	-	297	-	297	-	297
Issue of shares upon exercise of bonus warrants	15	119	-	-	-	-	-	-	119	-	134
Issue of shares upon exercise of share options	3	33	-	-	-	-	-	-	33	-	36
Issue of shares upon placement	3,650	26,536	-	-	-	-	-	-	26,536	-	30,186
Currency translation differences	-	-	-	-	186	-	-	-	186	33	219
Vested share options lapsed/cancelled	-	-	-	(1,745)	-	-	-	1,745	-	-	-
Loss for the period	-	-	-	-	-	-	-	(26,761)	(26,761)	(1,233)	(27,994)
At 31 December 2010	22,041	226,081	4,870	-	2,659	9,989	(767)	(177,987)	64,845	-	86,886
At 1 April 2011	22,041	226,081	4,870	-	110	9,989	(848)	(190,995)	49,207	-	71,248
Fair value gain:											
– Available-for-sales financial assets	-	-	-	-	-	-	(398)	-	(398)	-	(398)
Issue of shares upon exercise of bonus warrants	-	2	-	-	-	-	-	-	2	-	2
Issue of shares upon open offer	88,164	(2,574)	-	-	-	-	-	-	(2,574)	-	85,590
Capital reduction	(105,797)	-	-	-	-	-	-	105,797	105,797	-	-
Currency translation differences	-	-	-	-	(355)	-	-	-	(355)	-	(355)
Equity settled share option arrangement	-	-	-	751	-	-	-	-	751	-	751
Loss for the period	-	-	-	-	-	-	-	(17,461)	(17,461)	-	(17,461)
At 31 December 2011	4,408	223,509	4,870	751	(245)	9,989	(1,246)	(102,659)	134,969	-	139,377

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

To better execute the Group's internet, mobile and media ("IMM") sectors growth strategy in the PRC and, at the same time, to strengthen the Group's business fundamentals in the existing business lines of financial information services and securities and futures business, the Group has enlarged its financial resources base. The completion of the open offer of new shares in June 2011 has raised approximately HK\$88.2 million (before expenses) as to enable the Group to both invest in its existing business lines and to seize strategic business opportunities (if such opportunities arise in the future) through mergers and acquisitions.

Financial Information Business

During the period under review, changes in the market and appetite of clients have supported the business model of the Group by providing one-stop shop solution to investors that includes transaction services in addition to pure data, news and analytical information. The Board believed that the growing sophistication in today's information technology with powerful hedge funds, algo-trading technologies and cross-market arbitrage opportunities, the market would demand technologically advanced one-stop solution providers.

The Group has been carefully examining the ways to improve its competitive advantages and operational efficiency amid the deteriorating business environment. The Group is determined to improve and make changes in its information provision business. On one hand, the Group has continued to promote the brand name of Finet as a leading news provider and to expand its financial news distribution channels and introduced value-added services in press release, media monitoring and investor relations to its clients which so far have been appreciated by the market. On the other hand, the Group has been expanding its mobile distribution channels for financial content. The Group has been chosen as the exclusive daily financial e-magazine provider in 139-Mailbox operated by China Mobile in the Guangdong Province, the PRC, through a tender process. The services will be extended to other areas in the PRC. By leveraging China Mobile's massive user base, this will help the Group to tap into the PRC's lucrative business-to-consumer market that has been growing at astonishing speed.

The Group has been providing mobile solution to existing clients with encouraging results and has identified several mobile platform providers to distribute financial information in both the PRC and Hong Kong.

Securities and Futures Business

The completion of acquisition of Finet Securities Limited was a significant step forward to achieve the business model of the Group to provide one-stop shop solutions that seamlessly embed transaction services with information services. The Group has been consolidating the securities and futures business segment and is taking steps to tap into margin financing and asset management business to fit into the one-stop shop solutions model.

FINANCIAL REVIEW

The Group reported a turnover attributable to continuing operations of approximately HK\$18,468,000 for the nine months ended 31 December 2011, representing a decrease of approximately 31% from approximately HK\$26,800,000 for the same period in 2010.

During the nine months ended 31 December 2011, the Group recorded cost of sales amounting to approximately HK\$6,865,000, representing a decrease of 15% to the same period in 2010.

General and administrative expenses of the Group for the nine months ended 31 December 2011 was slightly decreased to approximately HK\$32,603,000 (2010: HK\$32,653,000).

The Group's unaudited consolidated loss attributable to the owners of the Company for the nine months ended 31 December 2011 was approximately HK\$17,461,000 (2010: loss of HK\$26,761,000).

CHANGE OF DOMICILE

As disclosed in the announcement of the Company dated 28 June 2011, the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda with effect from 16 June 2011.

PENDING LITIGATION

References were made to the announcements of the Company dated 16 May 2011, 20 May 2011 and 28 June 2011. The Company has received various letters in April and May 2011 from two minority shareholders of China Game & Digital Entertainment Limited (a former subsidiary of the Company, "**China Game**"), namely The Pride of Treasure Fund and The Pride Venture Capital Fund (collectively, the "**Claimants**"). The Claimants claimed that the Company has, through its then chairman and Director, Dr. Yu Gang, George, made certain misrepresentations and has breached certain terms of the agreements between the Company and each of the Claimants in connection with their investments in China Game totaling USD5,000,000 in 2007 and the Claimants indicated that they may seek damages against the Company for no less than USD5,000,000 plus interest and costs. Dr. Yu Gang, George ceased to be a Director from 30 September 2010.

On 20 May 2011, the Company received a writ of summons (High Court Action number 849 of 2011) from the Claimants, claiming against the Company for damages for breach of the alleged share subscription agreement in 2007 made between the Company and The Pride of Treasure Fund, the alleged share subscription agreement in 2007 made between the Company and The Pride Venture Capital Fund, an alleged shareholders' agreement made orally between the Claimants and the Company and misrepresentation on the value of the East Treasure Limited business made through Dr. Yu Gang, George, plus interest and costs.

On 27 June 2011, the Company received an amended writ of summons ("**Amended Writ**") (High Court Action number 849 of 2011) and a statement of claim ("**Statement of Claim**") from the Claimants (i.e. The Pride of Treasure Fund ("**First Plaintiff**") and The Pride Venture Capital Fund ("**Second Plaintiff**"). Pursuant to the Amended Writ, it was claimed against the Company for, inter alia, damages for breach of (i) the alleged share subscription agreement in 2007 made between the Company and the First Plaintiff; (ii) the alleged share subscription agreement in 2007 made between the Company and the Second Plaintiff; and (iii) the alleged misrepresentation made through Dr. Yu Gang, George, plus interest and costs.

The Claimants further alleged, in the Statement of Claim, inter alia, that certain representations given by the Company in the above share subscription agreements were false and untrue or recklessly not caring whether they were true or false and there was breach of implied terms of the above share subscription agreements, and claimed against the Company for (i) damages to be assessed; (ii) interest; (iii) costs; and (iv) further or other relief.

Based on advice of the legal adviser to the Company, the Company has reasonable grounds to defend such claims. The Company filed a defence against such claims on 22 August 2011 and the Claimants filed a reply on 10 October 2011.

MAJOR AND CONNECTED TRANSACTION

On 29 August 2011, the Company announced the proposed acquisition (the "**Acquisition**") of entire outstanding issued share capital of and shareholder's loan to Pink Angel Investments Limited ("**Pink Angel**") from Ms. Lo Yuk Yee, an executive Director. The principal asset of Pink Angel is its ownership of 100% interest in Unit 901 & 920 on 9th Floor, China Merchants Tower, Shun Tak Centre. The Acquisition constituted major and connected transaction under the GEM Listing Rules and was approved by the independent shareholders by means of an ordinary resolution at a special general meeting on 10 October 2011. The Acquisition was completed on 12 October 2011.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the year ended 31 March 2011, the Group disposed of its entire 85.71% equity interest in China Game and its subsidiaries.

Saved as disclosed in the “Major and Connected Transaction” section above, the Group had no material acquisitions or disposals of subsidiaries during the nine months ended 31 December 2011.

OUTLOOK

Looking forward, it is believed that the Group’s years of efforts to build up its business fundamentals, including continuous upgrade of its powerstations and products, and acquire appropriate companies and expanding carriers of its products in the burgeoning IMM sectors would allow the Group to capitalize on the tremendous growth of the mainstream PRC consumer markets in the coming years. Coupled with the continuous growth of its securities and futures business, the Group would be able to achieve its business model to provide one-stop shop solutions that seamlessly embed transaction services with information services.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company and its associated corporations

Name of Director	Name of Group member	Name of associated corporations	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the underlying shares were held		Total number of shares	% of shares in issue <i>(note 2)</i>
			Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Director:								
Ms. Lo Yuk Yee ("Ms. Lo")	The Company	-	-	268,552,984 <i>(Note 1)</i>	-	-	268,552,984	60.92%
Ms. Lo	-	Maxx Capital International Limited ("Maxx Capital") <i>(Note 3)</i>	-	2 shares of US\$1 each	-	-	2 shares of US\$1 each	100%
Ms. Lo	-	Pablos International Limited ("Pablos") <i>(Note 3)</i>	1,000 shares of US\$1 each	-	-	-	1,000 shares of US\$1 each	100%
Mr. Chow Wing Chau ("Mr. Chow")	The Company	-	-	-	500,000	-	500,000	0.11%
Mr. Yiu Wing Hei ("Mr. Yiu")	The Company	-	-	-	500,000	-	500,000	0.11%

Notes:

- 268,552,984 ordinary shares of HK\$0.01 each were held by Maxx Capital which was wholly-owned by Pablos, and Pablos was wholly owned by Ms. Lo. Accordingly, Pablos and Ms. Lo were deemed by virtue of the SFO to be interested in 268,552,984 ordinary shares of HK\$0.01 each held by Maxx Capital.
- As at 31 December 2011, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.
- Each of Maxx Capital and Pablos is a holding company of the Company and is thus an associated corporation (within the meaning of part XV of the SFO) of the Company.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES OF THE COMPANY

As at 31 December 2011, so far as the Directors are aware, persons other than Directors or chief executives of the Company who 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, were as follows:

Name of substantial shareholder	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue <i>(note 2)</i>
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Substantial shareholders:						
Maxx Capital <i>(Note 1)</i>	268,552,984	-	-	-	268,552,984	60.92%
Pablos <i>(Note 1)</i>	-	268,552,984	-	-	268,552,984	60.92%

Notes:

- 268,552,984 ordinary shares of HK\$0.01 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly owned by Ms. Lo. Accordingly, Pablos and Ms. Lo were deemed by virtue of the SFO to be interested in 268,552,984 ordinary shares of HK\$0.01 each held by Maxx Capital. Ms. Lo is a director of each of Maxx Capital and Pablos.
- As at 31 December 2011, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 31 December 2011, 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.

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 16 December 2004 (with its mandate limit refreshed at the annual general meeting of the Company held on 18 August 2011) for the nine months ended 31 December 2011 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			
			Balance as at 1 April 2011	Granted during the period	Lapsed during the period	Balance as at 31 December 2011
Executive Directors:						
Mr. Chow	30 September 2011	HK\$0.49	–	500,000	–	500,000
Mr. Yiu	30 September 2011	HK\$0.49	–	500,000	–	500,000
Employees	30 September 2011	HK\$0.49	–	4,000,000	–	4,000,000
Distributors	30 September 2011	HK\$0.49	–	8,000,000	(4,000,000)	4,000,000
Total			–	13,000,000	(4,000,000)	9,000,000

Validity period: The share options are exercisable for a period of two years commencing from the end of the respective vesting period in the manner as stated below.

Vesting period:	No vesting period:	2,000,000 share options (as to 1,000,000 options have lapsed during the period)
	6 months after 30 September 2011:	3,250,000 share options (as to 1,000,000 options have lapsed during the period)
	12 months after 30 September 2011:	3,250,000 share options (as to 1,000,000 options have lapsed during the period)
	18 months after 30 September 2011:	3,250,000 share options (as to 1,000,000 options have lapsed during the period)
	24 months after 30 September 2011:	1,250,000 share options

PLACING OF UNLISTED WARRANTS ON 30 JANUARY 2012

As set out in the company's announcement dated 30 January 2012, on 30 January 2012, the Company has issued a total of 88,162,000 warrants conferring the right to subscribe for up to HK\$35,441,124 in aggregate for ordinary shares of HK\$0.01 each in the capital of the Company (i.e. up to 88,162,000 shares), to not less than six placees at the issue price of HK\$0.02 per warrant. Each of such warrants entitle the holder thereof to subscribe in cash for one ordinary share of HK\$0.01 in the capital of the Company at an initial subscription price of HK\$0.402, subject to adjustment, at any time for the period commencing on 30 January 2012 to 4:00 p.m. (Hong Kong time) on 29 January 2017 (or if it is not a business day, the business day immediately preceding such day).

The new shares to be allotted and issued upon the exercise of the subscription rights attaching to the warrants in full represent about 20% of the issued capital of the Company as at 30 January 2012 (i.e. 440,818,880 shares) and about 16.67% of the issued capital (i.e. 440,818,880 shares) as enlarged by the allotment and issue of such shares (assuming that there is no other change to the share capital of the company after 30 January 2012).

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the nine months ended 31 December 2011 or at any time during such period (2010: Nil).

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 nine months ended 31 December 2011. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the nine months ended 31 December 2011.

COMPETING INTERESTS

None of the Directors 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 nine months ended 31 December 2011.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. As at the date of this report, the audit committee of the Company comprised three members who are independent non-executive Directors, namely, Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung with Mr. Wong Wai Kin as the chairman thereof.

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

The unaudited consolidated results of the Group for the nine months ended 31 December 2011 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY OR ANY OF ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the nine months ended 31 December 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2011, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. During the nine months ended 31 December 2011, following the resignation of Mr. Lum Chor Wah, Richard as an executive Director and chief executive officer of the Company on 28 June 2011, the duties and responsibilities of the chief executive officer has been shared among the members of the Board. As at the date of this report, the Board was still identifying a suitable candidate to be appointed as the chief executive officer of the Company.

By Order of the Board

LO Yuk Yee

Chairman and executive Director

Hong Kong, 13 February 2012

As at the date of this report, the executive Directors are Ms. Lo Yuk Yee, Mr. Chow Wing Chau, Mr. Ip Tze Fai, Alvin and Mr. Yiu Wing Hei and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.