



財華社
FINET

Finet Group Limited

(Continued in Bermuda with limited liability)
(Stock Code: 08317)



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 of approximately HK\$13,102,000 for the nine months ended 31 December 2016, representing an increase of approximately 37% from approximately HK\$9,542,000 for the same period in 2015.
- The Group's unaudited consolidated loss attributable to owners of the Company for the nine months ended 31 December 2016 was approximately HK\$28,702,000.
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2016.

The board of Directors (the “**Board**”) is pleased to present the unaudited results of the Group for the three months and nine months ended 31 December 2016, together with the comparative unaudited figures for the corresponding period in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2016

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	3	1,513	3,371	13,102	9,542
Cost of sales		(468)	(1,951)	(2,947)	(6,522)
Gross profit		1,045	1,420	10,155	3,020
Other income and gains	3	298	4,680	754	4,733
Selling and marketing expenses		(26)	(236)	(827)	(526)
General and administrative expenses		(11,469)	(13,816)	(34,204)	(34,795)
Finance costs		(2,869)	(160)	(7,051)	(370)
Loss before income tax expenses		(13,021)	(8,112)	(31,173)	(27,938)
Income tax expenses	5	(35)	(38)	(195)	(116)
Deferred tax income		312	10	837	10
Loss for the period		(12,744)	(8,140)	(30,531)	(28,044)

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss attributable to:					
Owners of the Company		(11,589)	(7,325)	(28,702)	(24,535)
Non-controlling interests		(1,155)	(814)	(1,829)	(3,509)
Loss for the period		(12,744)	(8,140)	(30,531)	(28,044)
Other comprehensive income/ (expense):					
Fair value loss on available-for-sale financial assets		(29)	(79)	(36)	(171)
Currency translation differences		218	(68)	(452)	(222)
Other comprehensive income/ (expense) for the period		189	(147)	(488)	(393)
Total comprehensive expense for the period		(12,555)	(8,287)	(31,019)	(28,437)
Attributable to:					
Owners of the Company		(11,401)	(7,473)	(29,190)	(24,928)
Non-controlling interests		(1,154)	(814)	(1,829)	(3,509)
		(12,555)	(8,237)	(31,019)	(28,437)
Loss per share for loss attributable to the owners of the Company during the period					
— Basic and diluted (in HK Cents)	7	(2.49)	(1.63)	(6.17)	(5.46)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Finet Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and Greater China; (ii) media business; (iii) the securities and futures business that specializes in the provision of online securities and futures trading; (iv) money lending business; and (v) property investments. The principal activity of the Company is investment holding.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. On 16 June 2011, the Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The Company’s registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company’s principal place of business is situated at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company’s parent is Maxx Capital International Limited, which is wholly owned by Pablos International Limited. The ultimate controlling party is Ms. LO Yuk Yee, the chairman and executive director of the Company, through her ownership in Pablos International Limited.

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.

The unaudited condensed 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 14 February 2017.

2. Basis of Preparation

The unaudited condensed consolidated financial statements 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 2016.

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

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2016.

3. Revenue and Other Income and Gains

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

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue				
Service income from provision of financial information services	296	707	916	3,862
Advertising, investor relationship and branding promotion and communication services income	518	1,785	5,875	3,065
Brokerage commission and service income	—	42	3,675	66
Loan interest income	341	89	1,555	312
Rental income from investment properties	358	748	1,081	2,237
	1,513	3,371	13,102	9,542
Other income and gains				
Fair value gain on held for trading investments	—	—	—	42
Interest income	2	1	4	4
Introduction fee income	—	4,678	—	4,678
Gain on disposal of subsidiaries	296	—	431	—
Sundry income	—	1	319	9
	298	4,680	754	4,733
Total income	1,811	8,051	13,856	14,275

4. Movement of Reserves

For the nine months ended 31 December 2016 (Unaudited)

	Attributable to owners of the Company													
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Convertible bonds equity reserve	Property revaluation reserve	Investment revaluation reserve	Warrants 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	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015	4,408	223,509	4,870	1,179	1,776	(108)	–	9,989	–	1,763	(133,483)	113,903	(423)	113,480
Loss for the period	–	–	–	–	–	–	–	–	–	–	(24,539)	(24,539)	(3,508)	(28,047)
Other comprehensive income														
Fair value (loss) on available-for-sale financial assets	–	–	–	–	–	–	–	–	(171)	–	–	(171)	–	(171)
Currency translation difference	–	–	–	–	–	(223)	–	–	–	–	–	(223)	–	(223)
Total other comprehensive income	–	–	–	–	–	(223)	–	–	(171)	–	–	(394)	–	(394)
Total comprehensive income	–	–	–	–	–	(223)	–	–	(171)	–	–	(24,929)	(3,508)	(28,427)
Share options lapsed during the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Employee share-based compensation	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Issue of convertible bond	–	–	–	–	–	–	3,491	–	–	–	–	3,491	–	3,491
Issue of share upon exercise of unlisted warrants	246	9,643	–	–	–	–	–	–	–	–	–	9,889	–	9,889
31 December 2015	4,654	233,152	4,870	1,179	1,776	(331)	3,491	9,989	(171)	1,763	(158,018)	102,354	(3,931)	98,423

	Attributable to owners of the Company													
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Convertible bonds equity reserve	Property revaluation reserve	Investment revaluation reserve	Warrants 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	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	4,654	233,644	4,870	393	1,776	281	3,490	9,989	–	1,271	(168,651)	91,717	(5,198)	86,519
Loss for the period	–	–	–	–	–	–	–	–	–	–	(28,702)	(28,702)	(1,829)	(30,531)
Other comprehensive income														
Fair value (loss) on available-for-sale financial assets	–	–	–	–	–	–	–	–	(36)	–	–	(36)	–	(36)
Currency translation difference	–	–	–	–	–	(452)	–	–	–	–	–	(452)	–	(452)
Total other comprehensive income	–	–	–	–	–	(452)	–	–	(36)	–	–	(488)	–	(488)
Total comprehensive income	–	–	–	–	–	(452)	–	–	(36)	–	–	(28,702)	(1,829)	(31,019)
Issue of convertible bonds	–	–	–	–	–	–	9,817	–	–	–	–	9,817	–	9,817
31 December 2016	4,654	233,644	4,870	393	1,776	(171)	13,307	9,989	(36)	1,271	(197,353)	72,344	(7,027)	65,317

5. Income Tax Expenses

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, was 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 subsidiaries established in the British Virgin Islands were exempted from payment of the British Virgin Islands income tax.

No Hong Kong profits tax has been provided for the three months and nine months ended 31 December 2016 (2015: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The PRC income tax of approximately HK\$195,000 during the nine months ended 31 December 2016 (2015: HK\$116,000) was mainly attributable to the net rental income from the investment properties of the Company in the PRC.

6. Dividend

The Board does not recommend the payment of dividend for the nine months ended 31 December 2016 (2015: Nil).

7. Loss Per Share

(i) Basic

The calculation of basic (loss) per share is based on the (loss) attributable to owners of the Company for the three months and nine months ended 31 December 2016 of approximately HK\$(11,589,000) and HK\$(28,702,000) respectively (three months and nine months ended 31 December 2015: approximately HK\$(7,325,000) and HK\$(24,535,000) respectively) and on the weighted average number of 465,418,880 shares in issue during the three months and nine months ended 31 December 2016 (three months and nine months ended 31 December 2015: 448,952,698 ordinary shares).

(ii) Diluted

The computation of diluted loss per share for the three months and the nine months ended 31 December 2016 did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

For the three months and the nine months ended 31 December 2015, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and warrants during those periods since they are anti-dilutive as their exercise would result in a decrease in loss per share.

8. Significant Related Party Transactions

In addition to the transactions disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following significant related party transactions during the period:

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Management fee paid to Maxx Capital Finance Limited (note (i))	—	150	150	450
Referral fee in relation to the money lending business paid to Maxx Capital Finance Limited	—	—	120	—
Rental paid to Cyber Feel Limited (note (i))	922	819	2,765	2,457

Note:

- (i) Maxx Capital Finance Limited and Cyber Feel Limited are beneficially owned by Ms. LO, the chairman and executive director of the Company.

9a. Information of the convertible bond (First Batch)

Subscriber	Maxx Capital International Limited
Issuer	Finet Group Limited
Date of issue	23 December 2015
Date of Maturity	2 years from issue date
Subscribed Amount	HKD17,424,000
Coupon	3% per annum, payable on an annual basis
Conversion Price	HK\$0.396 with reset mechanism and adjustments
Optional Redemption	Subject to the consent by the bondholder, the Company may, on giving not less than 30 Days' notice to the bondholder, redeem all or part of the Convertible bond then outstanding at 100% of their principal amount any time before maturity.
Number of shares to be issued upon conversion for the Convertible Notes	44,000,000
Underlying stock price as of the valuation date	The initial Conversion Price of HK\$0.396 per Conversion Share was arrived at after arm's length negotiations among the parties to the Share Subscription Agreement after taking into account, among other things, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

9b. Information of the convertible bond (Second Batch)

Subscriber	Maxx Capital International Limited
Issuer	Finet Group Limited
Date of issue	6 May 2016
Date of Maturity	2 years from issue date
Subscribed Amount	HKD17,424,000
Coupon	3% per annum, payable on an annual basis
Conversion Price	HK\$0.396 with reset mechanism and adjustments
Optional Redemption	Subject to the consent by the bondholder, the Company may, on giving not less than 30 Days' notice to the bondholder, redeem all or part of the Convertible bond then outstanding at 100% of their principal amount any time before maturity.
Number of shares to be issued upon conversion for the Convertible Notes	44,000,000
Underlying stock price as of the valuation date	The initial Conversion Price of HK\$0.396 per Conversion Share was arrived at after arm's length negotiations among the parties to the Share Subscription Agreement after taking into account, among other things, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

9c. Information of the convertible bond (Third Batch)

Subscriber	Maxx Capital International Limited
Issuer	Finet Group Limited
Date of issue	6 May 2016
Date of Maturity	2 years from issue date
Subscribed Amount	HKD17,424,000
Coupon	3% per annum, payable on an annual basis
Conversion Price	HK\$0.396 with reset mechanism and adjustments
Optional Redemption	Subject to the consent by the bondholder, the Company may, on giving not less than 30 Days' notice to the bondholder, redeem all or part of the Convertible bond then outstanding at 100% of their principal amount any time before maturity.
Number of shares to be issued upon conversion for the Convertible Notes	44,000,000
Underlying stock price as of the valuation date	The initial Conversion Price of HK\$0.396 per Conversion Share was arrived at after arm's length negotiations among the parties to the Share Subscription Agreement after taking into account, among other things, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

9d. Information of the convertible bond (Fourth Batch)

Subscriber	Maxx Capital International Limited
Issuer	Finet Group Limited
Date of issue	12 May 2016
Date of Maturity	2 years from issue date
Subscribed Amount	HKD17,424,000
Coupon	3% per annum, payable on an annual basis
Conversion Price	HK\$0.396 with reset mechanism and adjustments
Optional Redemption	Subject to the consent by the bondholder, the Company may, on giving not less than 30 Days' notice to the bondholder, redeem all or part of the Convertible bond then outstanding at 100% of their principal amount any time before maturity.
Number of shares to be issued upon conversion for the Convertible Notes	44,000,000
Underlying stock price as of the valuation date	The initial Conversion Price of HK\$0.396 per Conversion Share was arrived at after arm's length negotiations amount the parties to the Share Subscription Agreement after taking into account, among other things, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.



MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued its Internet, Mobile and Media growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. The broadness and depth of programmes offered by FinTV continued to grow during the period. A studio was launched in Admiralty in June 2012 and further enhancement of the studio in terms of capacity and capability is in progress. The Group believes that the FinTV will be one of the major driver for future growth in business.

Media Business

The Group mainly conducted its media business through the establishment of Xin Dai TV Limited together with a number of subsidiaries (“Xian Dai”). In addition to the production and distribution of programmes through the branding “FinTV”, Xian Dai also engaged in financial public relationship and creative advertising.

Property Investment Business

The investment property in Hong Kong and in the PRC continued to provide stable income and positive contribution to the financial results of the Group.

Money Lending Business

The Group’s money lending business continued to provide positive contribution to the financial result of the Group.

Financial Information Service Business

Taking into consideration of the adverse market situation, the Group has decided to gradually scale down the provision of financial information services and technology platform to our customers. The major reason of the scale down was the decreasing in profit margin within this business segment in recent years. As a result of our downsizing exercise, our data center cost and information supplier cost will have significantly decrease in this financial year.

Securities and Futures Business

The Group has been focusing in securities business this year. The revenue generated from securities and futures business increased and continued to provide positive contribution to the financial results of the group.

Financial Review

The Group reported a turnover of approximately HK\$13,102,000 for the nine months ended 31 December 2016, representing an increase of approximately 37% from approximately HK\$9,542,000 for the same period in 2015.

During the nine months ended 31 December 2016, the Group recorded cost of sales amounting to approximately HK\$2,947,000, representing a decrease of 55% from approximately HK\$6,522,000 for the same period in 2015.

Other income and gains for the nine months ended 31 December 2016 included a gain on disposal of subsidiaries of approximately HK\$431,000, interest income of approximately HK\$4,000.

General and administrative expenses of the Group for the nine months ended 31 December 2016 was approximately HK\$34,204,000 (2015: HK\$34,795,000), which represented a decrease of approximately 1.7% when compared to that of last year.

Finance costs for the nine months ended 31 December 2016 was approximately HK\$7,051,000, which included effective interest expenses on convertible bonds of approximately HK\$6,487,000, and interest expenses on bank borrowings of approximately HK\$461,000 (For Period Ended December 2015: effective interest expenses on convertible bond is HK\$62,000 and interest expenses on bank borrowings was approximately HK\$308,000).

The Group's unaudited condensed consolidated loss attributable to the owners of the Company for the nine months ended 31 December 2016 was approximately HK\$28,702,000 (2015: loss of HK\$24,535,000).

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties in Renminbi 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. The risk of currency exposure is considered to be insignificant by the Directors and specific hedges may be taken out if necessary in the future.

Employee Information

At 31 December 2016, the Group had 117 (At 31 March 2016: 117) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors' remuneration) for the nine months ended 31 December 2016 was approximately HK\$20,480,000 (2015: HK\$21,521,000). Other benefits provided by the Group to the employees include contribution to the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance and medical coverage.

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

As at 31 December 2016, 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/associated corporations	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		
Executive Director:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	20,944,858 (L)	239,439,784 (L)	—	—	—	55.95 (L)
		—	26,184,539 (S)	—	—	—	5.63 (S)
Ms. LO	Maxx Capital International Limited ("Maxx Capital") <i>(Note 1)</i>	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") <i>(Note 1)</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 (L)	—	500,000 (L)	0.11%

(L) denotes long positions

(S) denotes short positions

Notes:

1. 172,677,644 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited (“Maxx Capital”) which was wholly-owned by Pablos International Limited (“Pablos”), and Pablos was wholly owned by Ms. LO Yuk Yee, (“Ms. LO”). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 260,384,642 ordinary shares of HK\$0.01 each.
2. As at 31 December 2016, the Company had 465,418,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 31 December 2016, 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 2016, 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:

(i) Long Positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Substantial shareholders					
Lo Yuk Yee (Note 1)	Beneficial Owner	20,944,858 (L)	—	260,384,642 (L)	55.95%
	Interest of Controlled Corporation	239,439,784 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	206,439,784 (L)	—	206,439,784 (L)	44.36%
Maxx Capital (Note 1)	Beneficial Owner	172,677,644 (L)	—	172,677,644 (L)	37.10%
Central Huijin Investment Ltd.	Interest of Controlled Corporation	130,351,206 (L)	—	130,351,206 (L)	28.01%
China Construction Bank Corporation	Interest of Controlled Corporation	130,351,206 (L)	—	130,351,206 (L)	28.01%
Wang Yuan	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	8.38%

(L) denotes long positions

(ii) Short Positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding <i>(Note 2)</i>
Substantial shareholders					
Lo Yuk Yee <i>(Note 1)</i>	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	5.63%
Pablos <i>(Note 1)</i>	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	5.63%
Maxx Capital <i>(Note 1)</i>	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	5.63%

(S) denotes short positions

Notes:

- 172,677,644 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, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 31 December 2016, the Company had 465,418,880 ordinary Shares held HK\$0.01 each in issue.

PUBLIC FLOAT

The Directors will not repurchase the Shares on GEM if the repurchase would result in the number of the listed securities which are in the hands of the public falling below 25%, being the relevant minimum prescribed percentage for the Company as required by the GEM Listing Rules.

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) (the “Old Share Option Scheme”) for the period ended 31 December 2016 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			Balance as at 30 December 2016
			Balance as at 1 April 2016	Granted during the period	Lapsed during the period	
Executive Directors:						
Mr. CHOW	3 January 2014 (Note 1)	HK\$0.50	500,000	—	—	500,000
Employee	3 January 2014 (Note 1)	HK\$0.50	1,000,000	—	—	1,000,000
Total			1,500,000	—	—	1,500,000

Note:

- For share options granted on 3 January 2014.

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

	As at 31 December 2016	As at 31 March 2016
Vesting period: 6 months after 3 January 2014:	50%	50%
12 months after 3 January 2014:	50%	50%

OUTSTANDING UNLISTED WARRANTS

As at 31 December 2016, the Company has outstanding warrants conferring the right to subscribe up to HK\$25,551,924 in aggregate for the shares of the Company. The issue price of each such warrant was HK\$0.02 and each of such warrants entitle the holder thereof to subscribe in cash for one ordinary share of HK\$0.01 each in the capital of the Company at an initial subscription price of HK\$0.402 per ordinary share of the Company, 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 exercise in full of the subscription rights attaching to the outstanding warrants as at 31 December 2016 will result in the issue of 63,562,000 ordinary shares of the Company.



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 2016, 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.

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 nine months ended 31 December 2016.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee of the Company comprises 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 condensed consolidated financial statements of the Group for the nine months ended 31 December 2016 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 8 to the unaudited condensed consolidated financial statements, 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 2016 or at any time during such period (2015: 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 2016. 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 2016.

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 2016.

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 2016, 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 2016, as the post of chief executive officer was vacant, the duties of chief executive officer have been undertaken by other executive members of the Board. The Board is in the process of identifying a suitable candidate to be appointed as the chief executive officer and will make further commitment upon the appointment.

By Order of the Board

LO Yuk Yee

Chairman and Executive Director

Hong Kong, 14 February 2017

As at the date of this report, the executive Directors are Ms. Lo Yuk Yee, Mr. Li Hong, Mr. Chow Wing Chau 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.