



財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8317)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30TH JUNE, 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$8,176,000 for the three months ended 30th June, 2007, representing an increase of approximately 9% from approximately HK\$7,496,000 for the same period in 2006.
- The Group's unaudited consolidated profit after accounting the exceptional item attributable to equity holders of the Company for the three months ended 30th June, 2007 was approximately HK\$9,172,000.
- The board of Directors does not recommend the payment of dividend for the three months ended 30th June, 2007.

The board of Directors (the “Board”) of Finet Group Limited (the “Company”) is pleased to present the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 30th June, 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30th June, 2007

		For the three months ended 30th June,	
		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	8,176	7,496
Cost of sales		(2,740)	(2,699)
Gross profit		5,436	4,797
Other operating incomes	2	382	278
Selling expenses		(106)	(100)
General and administrative expenses		(8,398)	(5,419)
Other operating expenses		(240)	–
Operating loss		(2,926)	(444)
Finance costs		(62)	(67)
Loss before tax expenses		(2,988)	(511)
Income tax expense	3	–	–
Loss after tax expenses		(2,988)	(511)
Gain on disposal of interest in a subsidiary		12,019	–
Profit/(Loss) for the period		<u>9,031</u>	<u>(511)</u>
Attributable to:			
Equity holders of the Company		9,172	(511)
Minority Interest		(141)	–
		<u>9,031</u>	<u>(511)</u>
Profit/(Loss) per share attributable to the equity holders of the Company			
– Basic (<i>in HK cent</i>)	5(a)	1.732	(0.102)
– Diluted (<i>in HK cent</i>)	5(b)	<u>1.618</u>	<u>N/A</u>

NOTES TO THE ACCOUNTS

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 accounts for the year ended 31st March, 2007.

The unaudited consolidated results for the three months ended 30th June, 2007 have been reviewed by the audit committee.

2. Revenue and other operating incomes

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

	For the three months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Revenue		
Service income from provision of financial information services	7,926	7,311
Advertising income	223	185
Others	27	–
	8,176	7,496
Other operating incomes		
Fair value gain on financial assets/liabilities at fair value through profit or loss	159	124
Dividend income	–	13
Commission income	3	27
Interest income	220	114
	382	278
Total incomes	8,558	7,774

3. Income tax expense

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, were exempted from payment of Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax. The Company's subsidiary established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

No Hong Kong profits tax has been provided for the three months ended 30th June, 2007 (2006: Nil) as the Group had no assessable profit for the period.

No income tax was provided for the three months ended 30th June, 2007 (2006: Nil) for the subsidiaries of the Company established in the People's Republic of China as the subsidiaries had no assessable profit for the three months ended 30th June, 2007.

4. Dividend

The Board does not recommend the payment of dividend for the three months ended 30th June, 2007 (2006: Nil).

5. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company for the three months ended 30th June, 2007 of approximately HK\$9,172,000 (2006: loss attributable to equity holders of the Company of approximately HK\$511,000) on the weighted average number of 529,512,143 ordinary shares in issue during the three months ended 30th June, 2007 (2006: 498,595,000).

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the three months ended 30th June, 2007 is based on 529,512,143 ordinary shares in issue plus the 37,400,764 ordinary shares deemed to be issued during the three months ended 30th June, 2007 if all the outstanding potential ordinary shares were exercised.

Diluted loss per share for the three months ended 30th June, 2006 has not been disclosed as the share options outstanding have an anti-dilutive effect on the basic loss per share.

6. Movement of Reserves

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Employee Merger reserve <i>HK\$'000</i>	compensation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	-	(62,576)	24,942	-	29,922
Issue of shares under the share option scheme	6	83	-	-	-	-	-	-	83	-	89
Employee share-based compensation	-	-	-	280	-	-	-	-	280	-	280
Exercise of share options	-	19	-	(19)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(511)	(511)	-	(511)
At 30th June, 2006	<u>4,986</u>	<u>77,398</u>	<u>4,870</u>	<u>3,219</u>	<u>10</u>	<u>2,384</u>	<u>-</u>	<u>(63,087)</u>	<u>24,794</u>	<u>-</u>	<u>29,780</u>
At 1st April, 2007	5,279	98,286	4,870	4,390	141	6,747	500	(65,071)	49,863	95	55,237
Fair value loss: - Available-for-sale financial assets	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Currency translation differences	-	-	-	-	355	-	-	-	355	-	355
Issue of shares under the share option scheme	40	636	-	-	-	-	-	-	636	-	676
Employee share-based compensation	-	-	-	721	-	-	-	-	721	-	721
Exercise of share options	-	251	-	(251)	-	-	-	-	-	-	-
Vested share options lapsed	-	-	-	(146)	-	-	-	146	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,187)	(1,187)
Profit for the period	-	-	-	-	-	-	-	9,172	9,172	-	9,172
At 30th June, 2007	<u>5,319</u>	<u>99,173</u>	<u>4,870</u>	<u>4,714</u>	<u>496</u>	<u>6,747</u>	<u>-</u>	<u>(55,753)</u>	<u>60,247</u>	<u>(1,092)</u>	<u>64,474</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The Group has established itself as one of the leading providers of integrated financial information solutions in Greater China in empowering financial institutions for their online securities trading, risk management and financial database management needs, and in providing advanced information platforms for individual investors in real-time market data, news, analytics and value-added services. The Group continued to focus on its core business for the three months ended 30th June, 2007.

The Group's business continued to grow both inside and outside Mainland China, particularly following the overall bullish market sentiments across global financial markets. The Group's market share in China continued to grow owing to multiple factors, namely, the anticipation of the expanded QDII program to be launched in July 2007, the strong A-share market performance, and the Group's enhanced service efforts to customers in China.

The Group announced on 8th May, 2007 to enter China's fast-growing online game market by acquiring the 100% interest in East Treasure Limited for a total consideration of RMB150,000,000 (approximately HK\$156,250,000). East Treasure Limited is a limited liability company incorporated in the Republic of Seychelles. It holds 100% of the equity interest in Hangzhou Xiaobao Digital Technology Company Limited (杭州笑傲數碼科技有限公司), a WFOE incorporated in the PRC. Xiaobao has entered into the Operative Agreements with Hangzhou Tianchang Network Technology Company Limited (杭州天暢網路科技有限公司), in connection with the ownership, development and operations of online games in the PRC. This is a major milestone for the Group's expansion in China's vast consumer Internet market through Merger and Acquisition, and makes the best use of the Group's expertise in online content publishing and software servicing. The transaction was completed on 18th June, 2007. The Group anticipates online game business will be the Group's growth driver in the next few years and help create shareholder value.

The Group also anticipates further acquisitions in China's online media and online game sectors, in line with our announced China IMM strategy.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$8,176,000 for the three months ended 30th June, 2007, representing an increase of approximately 9% from approximately HK\$7,496,000 for the same period in 2006.

During the three months ended 30th June, 2007, the Group recorded cost of sales amounting to approximately HK\$2,740,000, representing an increase of 1.5% to the same period in 2006, which was in line with the increase in the turnover for the same period.

General and administrative expenses of the Group for the three months ended 30th June, 2007 was approximately HK\$8,398,000 (2006: HK\$5,419,000). A substantial factor in the increase in general and administrative expenses was due to transaction expenses and ongoing operating expenses arising from the successful acquisition of the entire equity interest of the East Treasure Group in June 2007.

The Group's unaudited consolidated profit attributable to equity holders of the Company for the three months ended 30th June, 2007 was approximately HK\$9,172,000 (2006: loss of HK\$511,000). The profit for the period was mainly derived from the gain on disposal of interest in the East Treasure Group during the period.

The Board was satisfied with the growth in the turnover during the three months ended 30th June, 2007 and believed that the growth trend shall maintain for the rest of the fiscal year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 30th June, 2007, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

(i) AGGREGATE LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of director	Number of underlying shares				Notes	Total	% of shares in issue
	Number of shares		(share options)				
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
Executive Director:							
Yu Gang, George	–	164,217,456	32,726,000	–	1	196,943,456	37.03%
Non-executive Directors:							
Kwan Pun Fong, Vincent	300,000	–	1,700,000	–	–	2,000,000	0.38%
Brendan McMahon	–	–	1,000,000	–	2	1,000,000	0.19%
Independent Non-executive Directors:							
Lam Lee G.	–	–	2,000,000	–	–	2,000,000	0.38%
Wu Tak Lung	–	–	2,000,000	–	–	2,000,000	0.38%
William Hay	–	–	1,000,000	–	–	1,000,000	0.19%

(ii) AGGREGATE LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATION

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

Notes:

1. Dr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 196,943,456 shares in the Company. These shares were held in the following capacity:
 - (a) 164,217,456 shares were held by Opulent Oriental International Limited (“Opulent”) which is wholly-owned by Dr. Yu Gang, George; and
 - (b) Dr. Yu Gang, George is directly interested in options carrying 32,726,000 underlying shares.
2. Mr. Brendan McMahon retired as a non-executive director at the Annual General Meeting of the Company held on 27th July, 2007.

Save as disclosed above, as at 30th June, 2007, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

RETIREMENT OF DIRECTOR

Mr. Brendan McMahon, due to his personal reasons, had not offered himself for re-election of director at the 2007 annual general meeting of the Company held on 27th July, 2007 and therefore had retired from his office as a non-executive director of the Company with effect from 27th July, 2007 at the conclusion of 2007 annual general meeting of the Company.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 30th June, 2007, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of company	Number of shares		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation			
Substantial shareholders:					
Opulent Oriental International Limited	164,217,456	–		164,217,456	30.87%
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	10.29%
Chang Wen Shiann	–	54,739,152	1	54,739,152	10.29%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	10.29%
Other persons:					
T & C Holdings, Inc.	41,320,000	–		41,320,000	7.77%
Stellar Group Co. Ltd.	30,350,000	9,180,000	2	39,530,000	7.43%
Nebulamart Limited	38,738,477	–	3	38,738,477	7.28%
United Business Media Plc	–	38,738,477	3	38,738,477	7.28%

Notes:

- 54,739,152 shares were held by Union Stars Group Ltd. (“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.
- Stellar Group Co. Ltd. (formerly known as Apollo Investment Co., Ltd.) (“Stellar”) was deemed (by virtue of the SFO) to be interested in 39,530,000 shares in the Company. These shares were held in the following capacity:-
 - 30,350,000 shares were held by Stellar as beneficial owners; and
 - 9,180,000 shares were held by OA System Plaza Co., Ltd. of which Stellar controlled 41.64% of the total voting rights.
- 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 30th June, 2007, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DETAILS OF OUTSTANDING OPTIONS GRANTED

As at 30th June, 2007, options to subscribe for an aggregate of 42,616,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23rd July, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 30th June, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2007	Number of share options			Balance as at 30th June, 2007
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Director:							
Yu Gang, George	21st September, 2004	HK\$0.15	27,726,000	–	–	–	27,726,000
Employees:							
Employees	21st September, 2004	HK\$0.15	20,745,000	–	(3,495,000)	(2,360,000)	14,890,000
			48,471,000	–	(3,495,000)	(2,360,000)	42,616,000

As at 30th June, 2007, options to subscribe for an aggregate of 26,550,000 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16th December, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 30th June, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2007	Number of share options			Balance as at 30th June, 2007
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Executive Director:							
Yu Gang, George	6th December, 2006	HK\$0.668	5,000,000	–	–	–	5,000,000
Non-executive Directors:							
Kwan Pun Fong,	29th September, 2005	HK\$0.365	1,000,000	–	(300,000)	–	700,000
Vincent	6th December, 2006	HK\$0.668	1,000,000	–	–	–	1,000,000
Brendan McMahon	6th December, 2006	HK\$0.668	1,000,000	–	–	–	1,000,000
Independent Non-executive Directors:							
Lam Lee G.	29th September, 2005	HK\$0.365	1,000,000	–	–	–	1,000,000
	6th December, 2006	HK\$0.668	1,000,000	–	–	–	1,000,000
Wu Tak Lung	29th September, 2005	HK\$0.365	1,000,000	–	–	–	1,000,000
	6th December, 2006	HK\$0.668	1,000,000	–	–	–	1,000,000
William Hay	6th December, 2006	HK\$0.668	1,000,000	–	–	–	1,000,000
Employees:							
Employee	5th September, 2005	HK\$0.28	3,000,000	–	(150,000)	–	2,850,000
Employee	6th December, 2006	HK\$0.668	11,000,000	–	–	–	11,000,000
			27,000,000	–	(450,000)	–	26,550,000

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 three months ended 30th June, 2007.

AUDIT COMMITTEE

The Company 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 whom are independent non-executives 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 Group.

The unaudited consolidated results of the Group for the three months ended 30th June, 2007 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30th June, 2007.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 13th August, 2007

As at the date of this announcement, the executive director of the Company is Dr. Yu Gang, George, the non-executive director of the Company is Dr. Kwan Pun Fong, Vincent and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. William Hay.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the day of its posting and on the website of the Company at www.finet.hk