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: 08317)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

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

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 for the purpose of giving information with regard to Finet Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) 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$35,829,000 for the year ended 31st March, 2008, representing an increase of approximately 12% from HK$32,127,000 of last corresponding year.

- The audited consolidated profit attributable to equity holders of the Company for the year ended 31st March, 2008 was approximately HK$5,519,000.

- The board of Directors does not recommend the payment of dividend for the year ended 31st March, 2008.

ANNUAL RESULTS

The board of Directors (the "Board") of Finet Group Limited (the "Company") is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2008, together with the comparative figures for the corresponding year in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	3	**35,829**	32,127
Cost of sales		**(10,031)**	(11,669)
Gross profit		**25,798**	20,458
Other income and gains	4	**33,284**	2,859
Development costs		**(5,058)**	–
Selling and marketing expenses		**(6,143)**	(380)
General and administrative expenses		**(38,882)**	(24,939)
Other operating expenses		**(4,744)**	(330)
Finance costs	6	**(817)**	(257)
Share of loss of associates		**(153)**	–
Profit/(Loss) before income tax	7	**3,285**	(2,589)
Income tax expense	8	**–**	–
Profit/(Loss) for the year		**3,285**	(2,589)
Attributable to:			
Equity holders of the Company		**5,519**	(2,589)
Minority interests		**(2,234)**	–
		3,285	(2,589)
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	10		
– Basic (in HK cent)		**0.98**	(0.50)
– Diluted (in HK cent)		**0.91**	(0.50)

CONSOLIDATED BALANCE SHEET
As at 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Leasehold land and land use rights		**–**	2,444
Property, plant and equipment		**10,374**	15,217
Investment properties		**17,155**	–
Property under development		**8,524**	–
Intangible assets		**70,339**	–
Investments in associates		**80**	–
Available-for-sale financial assets		**1,098**	2,165
		107,570	19,826
Current assets			
Financial assets at fair value through profit or loss		**3,056**	22
Accounts receivable	11	**3,888**	2,313
Prepayments, deposits and other receivables		**7,000**	4,206
Cash and cash equivalents		**7,556**	37,036
		21,500	43,577
Total assets		**129,070**	63,403
Current liabilities			
Accounts payable	12	**1,955**	1,987
Accruals and other payables		**5,196**	1,473
Deferred income		**4,534**	1,055
Financial liabilities at fair value through profit or loss		**–**	18
Borrowings		**174**	172
		11,859	4,705
Net current assets		**9,641**	38,872
Total assets less current liabilities		**117,211**	58,698
Non-current liabilities			
Borrowings		**3,278**	3,461
Net assets		**113,933**	55,237
Capital and reserves			
Share capital	13	**5,978**	5,279
Reserves		**95,630**	49,863
Equity attributable to equity holders of the Company		**101,608**	55,142
Minority interests		**12,325**	95
Total equity		**113,933**	55,237

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2008

		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 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	–	(62,576)	24,942	–	29,922
Fair value gains:											
– Buildings	–	–	–	–	–	4,363	–	–	4,363	–	4,363
– Available-for-sale financial assets	–	–	–	–	–	–	500	–	500	–	500
Currency translation differences	–	–	–	–	131	–	–	–	131	–	131
Net income recognized directly in equity	–	–	–	–	131	4,363	500	–	4,994	–	4,994
Loss for the year	–	–	–	–	–	–	–	(2,589)	(2,589)	–	(2,589)
Total recognized income and expense for the year	–	–	–	–	131	4,363	500	(2,589)	2,405	–	2,405
Issue of shares upon exercise of share options	57	1,020	–	–	–	–	–	–	1,020	–	1,077
Issue of shares	242	20,328	–	–	–	–	–	–	20,328	–	20,570
Share issue costs	–	(666)	–	–	–	–	–	–	(666)	–	(666)
Employee share-based compensation	–	–	–	1,834	–	–	–	–	1,834	–	1,834
Exercise of share options	–	308	–	(308)	–	–	–	–	–	–	–
Vested share options lapsed	–	–	–	(94)	–	–	–	94	–	–	–
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	95	95
Balance at 31st March, 2007 and 1st 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	–	–	–	–	–	3,242	–	–	3,242	–	3,242
– Available-for-sale financial assets	–	–	–	–	–	–	(1,067)	–	(1,067)	–	(1,067)
Currency translation differences	–	–	–	–	1,702	–	–	–	1,702	135	1,837
Net income and expenses 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	238	3,509	–	–	–	–	–	–	3,509	–	3,747
Issue of shares	461	30,874	–	–	–	–	–	–	30,874	–	31,335
Share issue costs	–	(359)	–	–	–	–	–	–	(359)	–	(359)
Employee share-based compensation	–	–	–	2,347	–	–	–	–	2,347	–	2,347
Exercise of share options	–	1,859	–	(1,859)	–	–	–	–	–	–	–
Vested share options lapsed	–	–	–	(203)	–	–	–	203	–	–	–
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	–	14,329	14,329
Balance at 31st March, 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933

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 GEM of the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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 7th January, 2005.

2. Basis of Preparation of the Financial Statements

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. 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 buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and investment properties, which are carried at fair value.

3. Revenue

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

	2008 ***HK$'000***	2007 *HK$'000*
Service income from provision of financial information services	**33,503**	30,965
Advertising income	**1,483**	1,162
Online game income	**843**	–
	35,829	32,127

4. Other Income and Gains

	2008	2007
	HK$'000	*HK$'000*
Fair value gain on investment properties	**1,943**	–
Fair value gain on financial liabilities at fair value through profit or loss	**–**	648
Gain on disposal of interests in subsidiaries	**26,970**	105
Dividend income from listed investments in financial assets at fair value through profit or loss	**–**	16
Gross rental income from investment properties	**91**	–
Commission income	**1**	31
Interest income from bank deposits	**635**	784
Sundry income	**3,644**	1,275
	33,284	2,859

5. Segment Information

(a) Primary reporting format – business segments

The Group is principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate clients and retail investors; and (ii) the development and operations of online games. No separate business segment information is presented as over 90% of the Group's revenue was derived from the business segment of development, production and provision of financial information services and technology solutions to corporate clients and retail investors.

(b) Secondary reporting format – geographical segments

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**31,530**	31,109
PRC	**4,299**	1,018
	35,829	32,127

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

	2008	2007
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**19,642**	41,262
PRC	**109,428**	22,141
	129,070	63,403

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

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**1,934**	2,472
PRC	**88,333**	256
	90,267	2,728

Capital expenditure comprises additions to property, plant and equipment, property under development and intangible assets, including additions resulting from acquisitions through business combinations.

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

6. Finance Costs

	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank borrowings:		
– wholly repayable within five years	**591**	–
– not wholly repayable within five years	**226**	257
	817	257

7. Profit/(Loss) Before Income Tax

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

	2008	2007
	HK$'000	*HK$'000*
Operating lease payments in respect of rented premises	**2,141**	1,089
Amortization of leasehold land and land use rights	**55**	55
Amortization of intangible assets (included in general and administrative expenses)	**33**	–
Goodwill impairment charge (included in other operating expenses)	**3,600**	–
Depreciation of property, plant and equipment	**2,829**	1,715
Development costs	**5,058**	–
Loss on disposal of property, plant and equipment	**255**	–
Net fair value loss on financial assets at fair value through profit or loss	**487**	330
Auditors' remuneration	**320**	268
Net foreign exchange (gains)/losses	**(418)**	184

8. Income Tax

The Company was incorporated in the Cayman Islands as an exempted company and is exempted from payment of Cayman Islands income tax.

The Company's subsidiary established in the British Virgin Islands is exempted from payment of the British Virgin Islands income tax.

The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

Hong Kong profits tax is calculated at the rate of 17.5% (2007:17.5%) 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 generated in Hong Kong for the year (2007: Nil).

No provision for PRC income tax has been made in the financial statements as the Group's PRC subsidiaries had no taxable profit for the year (2007: Nil).

9. Dividend

The Board does not recommend the payment of dividend for the year ended 31st March, 2008 (2007: Nil).

10. Earnings/(Loss) Per Share

(a) Basic

The basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company for the year ended 31st March, 2008 of approximately HK$5,519,000 (2007: Loss of HK$2,589,000) by the weighted average number of 562,948,142 (2007: 517,428,849) ordinary shares in issue during the year.

(b) Diluted

Diluted 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.

	2008	2007
	HK$'000	*HK$'000*
Profit/(Loss) attributable to equity holders of the Company	**5,519**	(2,589)
Weighted average number of ordinary shares in issue (thousands)	**562,948**	517,429
Adjustments for share options (thousands)	**40,708**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**603,656**	517,429
Diluted earnings/(loss) per share (HK cent per share)	**0.91**	(0.50)

The computation of diluted loss per share did not assume the exercise of the Company's share options outstanding during the year ended 31st March, 2007 since their exercise would result in a decrease in loss per share.

11. Accounts Receivable

The credit terms granted by the Group to its customers range from 10 days to 90 days. At 31st March, 2008, the ageing analysis of the accounts receivable was as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**1,921**	1,502
31 – 60 days	**648**	306
61 – 90 days	**873**	125
Over 90 days	**446**	380
	3,888	2,313

12. Accounts Payable

At 31st March, 2008, the ageing analysis of the accounts payable was as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**671**	823
31 – 60 days	**131**	497
61 – 90 days	**–**	150
Over 90 days	**1,153**	517
	1,955	1,987

13. Share Capital

	2008		2007	
	Number of shares	***Amount (HK$'000)***	*Number of shares*	*Amount (HK$'000)*
Ordinary shares of HK$0.01 each				
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	**527,955,000**	**5,279**	498,000,000	4,980
Issue of shares upon exercise of share options *(Note (a))*	**23,815,000**	**238**	5,755,000	57
Issue of shares *(Note (b))*	**46,080,000**	**461**	24,200,000	242
At end of the year	**597,850,000**	**5,978**	527,955,000	5,279

Notes:

(a) Share options were exercised by option-holders during the year ended 31st March, 2008 to subscribe for a total of 23,815,000 (2007: 5,755,000) shares in the Company by payment of subscription monies of approximately HK$3,747,000 (2007: HK$1,077,000), of which approximately HK$238,000 (2007: HK$57,000) was credited to share capital and the balance of approximately HK$3,509,000 (2007: HK$1,020,000) was credited to the share premium account.

(b) Pursuant to the subscription agreement dated 20th 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 8th 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 27th July, 2007.

14. Contingent Liabilities

During the year ended 31st 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continues to enjoy a leadership position in providing integrated financial information solutions to institutional and individual investors across the Greater China. The bullish sentiment in Greater China's financial markets (including Mainland China) during the first half of the financial year had positively impacted the Group's financial information business, while the market volatility caused by the U.S. subprime fallout had negatively impacted the Group's financial information business. Overall, the Group enjoyed healthy and continued growth in this segment of business line.

In 2006, the Group identified the Internet, Media and Mobile (IMM) strategy to tap into the explosive growth opportunities in China as our new mission for the future. The IMM strategy helps the Group to broaden the scope of business and take the Group to the next phase of growth, in addition to our existing financial information services.

Following formulating the IMM strategy, in November 2006, the Group signed a MOU to acquire a 50% interest in China PRNews Limited. The acquisition didn't materialize due to disagreement of certain agreement terms at the final negotiation stage.

Financial Information Business

The Group's financial information continues to experience the global megatrends of online financial content business. Outside Mainland China, the competition for online financial data, news and other content is becoming more fierce, leading to thinner margin. Nevertheless, the Group has consolidated this business line through focusing on corporate and institutional clients. This strategy has helped the Group to secure a number of key clients in Greater China, such as Bank of China (Hong Kong), Public Bank in Hong Kong, UBS, Macquarie Bank, ABN AMRO, Systex and Sinopac Securities in Taiwan.

The Group has been executing its China growth strategy over the past two years. By the end of this fiscal year, we had tripled our workforce in Shenzhen, Beijing and Shanghai. The Group's China headquarters in Shenzhen now processes most of the essential data, news content and analysis in real time, and added almost all prestigious Chinese financial institutions, insurance companies and state-level banking and finance regulators and investment arms to our client list.

During the fiscal year, we also formulated our Internet strategy for our information business in China. We acted on two initiatives: to launch a new Internet-based financial terminal, *Finet PowerStation 2008*, and to launch a flagship website, *www.caihuanet.com*, for Mainland China-based investors. Both initiatives offer tremendous potentials for our financial information business, namely, *Finet PowerStation 2008* will aim at penetrating institutional investors who require organized information solutions in real-time, and the new website will target retail investors who prefer massive information, tips and social networking within a specific investment community. *Finet PowerStation*

2008 has been officially launched in first quarter of 2008 and received strong positive feedback. The new website is undergoing final beta testing and is planned for debut in the second quarter of 2008.

In highlight, we have achieved the following during the fiscal year by executing our China growth strategy:

– Secured a significant list of prestigious institutional investors as our clients;

– Launched Finet PowerStation 2008 as the new Internet-based terminal targeting Mainland Chinese investors;

– Planning to launch a new financial website, *www.caihuanet.com*, in the 2nd quarter of 2008;

– Finished to build one of the most comprehensive Hong Kong listed company database, and U.S.-listed Chinese company database;

– Quadrupled China-based sales revenues, including deferred income.

Online Game Business

At the same time of growing the Group's financial information and media business in China, the execution of the IMM strategy has been focused on developing the online games business line through strategic acquisition of Hangzhou Tianchang Network Technology Co. Ltd., a leading online game company in China. Through the acquisition, the Group immediately gained a solid foothold in China's fast growing online game market.

The public listing of four China-based online game companies in the US and Hong Kong markets in 2007, raising over HKD10.8 billion from their IPOs, was a clear indicator that the business models and growth prospects of online game companies in China are well recognized and highly valued by the international investment community. In particular, all of such companies possess self-development capabilities to produce their own online games, demonstrating that game developers, as opposed to those relying on the licensing of third-party games, are given more credits by investors.

Reasons for self-development companies to gain prominence abound. 1) In-house development requests less upfront costs and commands higher margin. According to Morgan Stanley Research, licensing a game costs an average of US$2-5 million upfront payment whereas self-development costs only US$1-3 million to deliver a game. Game licensees are subject to ongoing revenue sharing of about 20-30% to the licensor, thus hurting their margin. Not entitled to such revenue sharing, game developers enjoy high margin, with some enjoying a net margin rate of 80-90%. 2) Game developers are more responsive to local market needs, not only because their game themes are tailor-made to the Chinese players, but also because they can churn out more content updates by its in-house development team. 3) The Chinese government has many favorable policies to support locally developed games, including almost no restrictions for culturally rich local games to publish in China, government imposes various protection measures against foreign games. Not surprisingly, homegrown games accounted for 65% of China's online game sales in 2006, up from 60% in 2005 (Source: IDC).

We chose Tianchang as the springboard to China's booming online game market since we reckoned that its remarkable development capabilities and strong game pipeline can set us apart from other players and generate significant revenues. Tianchang prides itself as one of the champions in the development of three-dimensional ("3D") massive multiplayer online role-playing games ("MMORPG"s). Its in-house development team comprised some veteran developers whose career started at the beginning of China's online game history. With three years of dedicated development, Tianchang's proprietary 3D game engine underlines the company's core asset. The powerful engine enables Tianchang to develop games with the following advantages: 1) 6 to 8 months development cycle, compared to 1 to 3 years by its peers; 2) low development costs for each game, at around Rmb 4-6 million; 3) fast game upgrades in an average of two weeks; 4) regular content updates, allowing each game to launch a major content extension pack in every month to every quarter.

Since our acquisition, the Group had expended key resources in enhancing Tianchang's game development and focused on restructuring the operations in order to prepare for the commercialization of the three MMORPGs in the pipeline.

Game Development

Since our takeover of Tianchang in June 2007, we had expanded the development team from 32% of the total staff to 60% by March 2008. We partly sourced experienced programmers, designers and artists from our competitors and partly hired from the market. We also recruited outstanding graduates from reputable universities and provided systemic training to the new hires. Our development team has been highly stable, with a healthy annual turnover rate of only 7%.

Based on large-scale market research and thorough internal discussions, we revised and rescheduled our games in the pipeline for 2008, in order to better differentiate our multiple products and cater to the demands of varying player groups. *Warage* is a 3D MMORPG that is based on the historical background of the Three Kingdoms period. As a 2.5D MMORPG, *Tang Dynasty II* aims to extend the popularity of *Tang Dynasty* and *Legend of Tang Dynasty*, while capturing a broader user community in the second and third tier cities. The 3D *Swordsman-Plus*, featuring a diverse set of highly personalized virtual items, is set against a backdrop of the restless swordsman world at the end of the Yuan Dynasty and the beginning of the Ming Dynasty. The three self-developed games, to be launched in the second, third and fourth quarter of 2008, respectively, will all adopt the item-billing model. Moreover, we planned to introduce a major content update for each game on a quarterly basis.

While the online game industry is often compared to the "hit-or-miss" nature of the movie industry, we regard our multi-product strategy can effectively hedge the risks and also, with our quarterly major content updates for each product, our online games are counter-cyclical, just like many domestic games with a long history of popularity.

Game Operations

Tianchang continued to market, sell and maintain its two existing games, *Tang Dynasty*, a time-based 3D MMORPG, and *Legend of Tang Dynasty*, a free-to-play 3D MMORPG by its operations team based in Hangzhou. The games contributed stable income to the Group.

In preparation for the commercialization of the three new games in 2008, the Group decided to set up an operations center in Shanghai, the hub of leading online game companies with the best supply of game operations talents and marketing resources in China. By the end of March 2008, we had completed the grand opening of the Shanghai office and successfully assembled a seasoned operations team from other leading game companies, led by an industry veteran to oversee the Group's daily game operations.

Moreover, the Group rebranded the entire online game business under "China Game", which would give a new corporate image to pave the way for the aggressive marketing campaigns of the three new games in 2008.

PROSPECT

China offers tremendous potentials for Internet business opportunities because of the size of its Internet population, 210 million at the end of 2007, the largest in the world. Therefore, the Group will commit to invest in China's Internet market and to strive to become a major market player in the next 3-5 years. We have identified online financial media 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 is ready to tap into the massive investor base in China, and to ride on the future development of China's capital markets, such as the Hong Kong Stock Through-Train Program (港股直通車) under planning and cross-market listing of Chinese companies. We aim to offer more integrated financial information solutions, for example, through enhancing the content and functionalities of *Finet PowerStation 2008*, to Chinese financial institutions for their increasing demands to help their cross-border investment activities. We are confident over time we will capture a significant market share in such a growing and highly profitable marketplace.

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 100 million at the end of 2007 and growing. We will grow this business line through enhancing the popularity of the new website through creative marketing activities in 2008, 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.

We expect online games to become the Group's main growth driver in the next 2 years, due to the explosive nature of its business model. We aim to substantially grow this business line and make China Game a leading online game company in China in the next few years.

We will execute the following strategies to achieve our online game business plan:

– *Operations*: focus on achieving excellent operational results after commercialization of the three upcoming new MMORPGs, and introduce content updates of each game in order to extend its life cycle; enhance our interactive entertainment platform to increase its user community;

– *Product Pipeline*: devise future product plans to ensure strong game pipeline in the next five years, and continue to strengthen our development capabilities through expanding the research centre and the development teams; expend resources to secure outstanding domestic or foreign games;

– *Sales & Marketing*: explore overseas markets, and enhance branding, including participation in industry events such as ChinaJoy;

– *Corporate Development*, acquire or establish more game development centers across China, and plan to spin-off China Game for a public listing when conditions allow doing so.

Finet is a company with vision and execution capability, and now embroiled with a golden opportunity to succeed in China's Internet market with fantastic growth potential. We have a talented and professional team to execute what we are after. Certainly, we will face market challenges, but we are prepared to treat them more as opportunities. We are dedicated to seize the opportunity to unfold a story of success and maximize shareholder's value.

FINANCIAL REVIEW

Turnover of the Group for the year ended 31st March, 2008 was approximately HK$35,829,000 (2007: HK$32,127,000), which represented an increase of approximately 12% as compared to the previous financial year. The net increase was primarily attributable to (1) an increase in online game business of HK$843,000; and (2) an increase in financial services and advertising services of total HK$2,859,000. Turnover of the Group continued to experience steady growth during the year under review.

Other operating income of the Group for the year ended 31st March, 2008 was approximately HK$33,284,000 (2007: HK$2,859,000), which mainly comprised the gain on disposal of interests in subsidiaries and fair value gain on investment properties during the year.

Cost of sales of the Group for the year ended 31st March, 2008 was approximately HK$10,031,000 (2007: HK$11,669,000), representing a decrease of approximately 14% as compared to the previous financial year. The decrease in the cost of sales was mainly resulted in the decreased 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 31st March, 2008 was increased to approximately HK$6,143,000 compared with approximately HK$380,000 in 2007. The increase was mainly attributable to the increased in marketing and promotion expenses incurred for online game business amounting to approximately HK$5,747,000.

Development costs of the Group for the year ended 31st March, 2008 was approximately HK$5,058,000 (2007: Nil), which mainly depreciation of property, plant and equipment of approximately HK$122,000 (2007: Nil) and employee benefit expenses of approximately HK$4,318,000 (2007: Nil).

General and administrative expenses of the Group for the year ended 31st March, 2008 was increased by approximately HK$13,943,000 to approximately HK$38,882,000 (2007: HK$24,939,000), which mainly comprised the staff costs (including directors' emoluments) of approximately HK$21,683,000 (2007: HK$13,473,000) that represented approximately 56% (2007: 54%) of the general and administrative expenses. The increase in staff costs resulted from significant workforce expansion in the PRC for the financial information services and online game business.

Finance costs of the Group for the year ended 31st March, 2008 was approximately HK$817,000 (2007: HK$257,000), which represented the interest charges on bank loans for acquisition of the properties and the leasehold land and land use rights in the PRC.

No Hong Kong profits tax was paid for the year ended 31st March, 2008 (2007: Nil) as the Group had no assessable profit for the year. No PRC income tax was paid for the year ended 31st March, 2008 (2007: Nil) for subsidiaries of the Company incorporated in the PRC as it had no assessable profit for the year ended 31st March, 2008.

Loss shared by minority interests of the Group for the year ended 31st March, 2008 was approximately HK$2,234,000 (2007: Nil). Loss shared by minority interests in this year represented minority interests' share of loss in the Group's online game business.

The audited consolidated profit attributable to equity holders of the Company for the year ended 31st March, 2008 was approximately HK$5,519,000 (loss attributable to equity holders for 2007: HK$2,589,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2008, the total assets of the Group increased by approximately HK$65,667,000 to approximately HK$129,070,000 as compared to approximately HK$63,403,000 as at the end of the previous financial year, representing an increase of approximately 104%.

As at 31st March, 2008, the total liabilities of the Group increased by approximately HK$6,971,000 to approximately HK$15,137,000 as compared to approximately HK$8,166,000 as at the end of the previous financial year, representing an increase of approximately 85%.

As at 31st March, 2008, the total equity of the Group significantly increased by approximately HK$58,696,000 to approximately HK$113,933,000 as compared to approximately HK$55,237,000 as at the end of the previous financial year, representing an increase of approximately 106%.

GEARING RATIO

As at 31st March, 2008, the Group's gearing ratio was approximately 3% (2007: 7%), based on total borrowings of approximately HK$3,452,000 (2007: HK$3,633,000) and total equity of the Group of approximately HK$113,933,000 (2007: HK$55,237,000).

SIGNIFICANT INVESTMENTS HELD

As at 31st March, 2008, the Group held financial assets at fair value through profit or loss of approximately HK$3,056,000 (2007: HK$22,000) and available-for-sale financial assets of approximately HK$1,098,000 (2007: HK$2,165,000).

CHARGES OF ASSETS

As at 31st March, 2008, the investment properties, property, plant and equipment and leasehold land and land use rights with an aggregate carrying value of HK$17,155,000, Nil and Nil, respectively (2007: Nil, HK$9,792,000 and HK$2,444,000) were pledged as securities for the borrowing facilities of the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

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

STAFF

The Group had 268 (2007: 75) full-time employees in Hong Kong and the PRC as of 31st March, 2008.

During the year, the Group incurred total staff costs (including directors' emoluments) of approximately HK$26,001,000 (2007: HK$13,473,000), which approximately HK$21,683,000 (2007: HK$13,473,000) was included under the general and administrative expenses and approximately HK$4,318,000 (2007: Nil) was included under the development costs.

CORPORATE GOVERNANCE REPORT

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code"), contained in Appendix 15 of the GEM Listing Rules during the year ended 31st March, 2008, except for the following deviations:

(1) Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual.

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.

(2) Code provision A.4.1 stipulated that non-executive directors should be appointed for a specific term and subject to re-election.

None of the non-executive Directors and the independent non-executive Directors of the Company is appointed for specific terms but are subject to the retirement by rotation provisions under the Articles.

AUDIT COMMITTEE

The audited financial statements for the year ended 31st March, 2008 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31st March, 2008.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 30th June, 2008

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

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.