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 31 MARCH 2009

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

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

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

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This announcement, for which the directors (the "Directors") of Finet Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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$33,088,000 for the year ended 31 March 2009, representing a decrease of approximately 8% from HK$35,829,000 of last corresponding year.

- The audited consolidated loss attributable to equity holders of the Company for the year ended 31 March 2009 was approximately HK$62,309,000.

- The board of Directors does not recommend the payment of dividend for the year ended 31 March 2009.

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 31 March 2009, together with the comparative figures for the corresponding year in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	3	**33,088**	35,829
Cost of sales		**(10,140)**	(10,031)
Gross profit		**22,948**	25,798
Other income and gains	5	**37,443**	33,284
Development costs		**(6,375)**	(5,058)
Selling and marketing expenses		**(4,493)**	(6,143)
General and administrative expenses		**(45,118)**	(38,395)
Other operating expenses		**(66,722)**	(5,231)
Finance costs	6	**(332)**	(817)
Share of loss of associates		**(5)**	(153)
(Loss)/Profit before income tax	7	**(62,654)**	3,285
Income tax expense	8	**(88)**	–
(Loss)/Profit for the year		**(62,742)**	3,285
Attributable to:			
Equity holders of the Company		**(62,309)**	5,519
Minority interests		**(433)**	(2,234)
		(62,742)	3,285
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	10		
– Basic (in HK cent)		**(10.40)**	0.98
– Diluted (in HK cent)		**(10.40)**	0.91

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**12,168**	10,374
Investment properties		**14,000**	17,155
Property under development		**–**	8,524
Intangible assets		**27,006**	70,339
Investments in associates		**–**	80
Available-for-sale financial assets		**580**	1,098
		53,754	107,570
Current assets			
Financial assets at fair value through profit or loss		**–**	3,056
Accounts receivable	*11*	**1,661**	3,888
Prepayments, deposits and other receivables		**4,751**	7,000
Cash and cash equivalents		**7,444**	7,556
		13,856	21,500
Total assets		**67,610**	129,070
Current liabilities			
Accounts payable	*12*	**2,033**	1,955
Accruals and other payables		**3,540**	5,196
Deferred income		**4,471**	4,534
Finance lease payables – due within one year		**533**	–
Bank borrowings – due within one year		**234**	174
		10,811	11,859
Net current assets		**3,045**	9,641
Total assets less current liabilities		**56,799**	117,211

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current liabilities			
Finance lease payables – due after one year		**711**	–
Bank borrowings – due after one year		**2,998**	3,278
		3,709	3,278
Net assets		**53,090**	113,933
Capital and reserves			
Share capital	*13*	**5,993**	5,978
Reserves		**35,099**	95,630
Equity attributable to equity holders of the Company		**41,092**	101,608
Minority interests		**11,998**	12,325
Total equity		**53,090**	113,933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

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

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 7 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 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 and by the Hong Kong Companies Ordinance.

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

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:

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

4. Segment Information

(a) Primary reporting format – business segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) *Secondary reporting format – geographical segments*

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

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

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

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

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

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

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

5. Other Income and Gains

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

6. Finance Costs

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

7. (Loss)/Profit Before Income Tax

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

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

8. Income Tax

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

9. Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2009 (2008: Nil).

10. (Loss)/Earnings Per Share

(a) Basic

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

(b) Diluted

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

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

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

11. Accounts Receivable

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

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

12. Accounts Payable

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

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

13. Share Capital

	2009		2008	
Ordinary shares of HK$0.01 each	***Number of shares***	***Amount (HK$'000)***	*Number of shares*	*Amount (HK$'000)*
Authorized:				
At beginning and end of the year	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
At beginning of the year	**597,850,000**	**5,978**	527,955,000	5,279
Issue of shares upon exercise of share options *(Note (a))*	**1,520,000**	**15**	23,815,000	238
Issue of shares *(Note (b))*	**–**	**–**	46,080,000	461
At end of the year	**599,370,000**	**5,993**	597,850,000	5,978

Notes:

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

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

14. Contingent Liabilities

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

15. Events After The Balance Sheet Date

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

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

Financial Information Business

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

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

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

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

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

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

Online Game Business

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

Strategic Reorganization

The Group made its strategic entry into the booming online game market through the acquisition of Hangzhou Tianchang Network Technology Limited ("Tianchang"). To execute the next step of its online game business strategy, the Group had transferred Tianchang's online game-related assets into China Game and transformed Tianchang's original office into the Hangzhou research and development center under China Game. In the second half of the fiscal year, China Game added another research and development center in Shanghai with new recruits from both domestic and overseas markets. The management decided that, with the availability of talent pools and costs in both places, China Game made the best of its resources to develop a new organizational structure that sees the operational headquarters in Shanghai and research and development centers in both Shanghai and Hangzhou, with the former developing new MMORPG and the latter continuing Tianchang's MMORPG and exploring web games.

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

Game Operations

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

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

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

Game Development

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

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

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

PROSPECT

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

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

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

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

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

GEARING RATIO

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

SIGNIFICANT INVESTMENTS HELD

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

ACQUISITION AND DISPOSAL OF SUBSIDIARY

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

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

CHARGES OF ASSETS

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

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

STAFF

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

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

AUDIT COMMITTEE

The audited financial statements for the year ended 31 March 2009 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 31 March 2009.

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 31 March 2009, 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.4.2 stipulates that all Director appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after thier appointment.

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

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 30 June 2009

As at the date of this announcement, the executive directors of the Company are Dr. Yu Gang, George and Mr. Lin Peng, Ben; and the independent non-executive directors 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.