



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 2010

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\$31,029,000 for the year ended 31 March 2010, representing a decrease of approximately 6% from HK\$33,088,000 of last corresponding year.
- The audited consolidated loss attributable to owners of the Company for the year ended 31 March 2010 was approximately HK\$35,575,000.
- The board of Directors does not recommend the payment of dividend for the year ended 31 March 2010.

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 2010, together with the comparative figures for the corresponding year in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	<i>Note</i>	2010 HK\$'000	2009 HK\$'000 (restated)
Revenue	3	31,029	33,088
Cost of sales		<u>(9,323)</u>	<u>(10,140)</u>
Gross profit		21,706	22,948
Other income and gains	5	2,037	37,443
Development costs		(4,664)	(6,375)
Selling and marketing expenses		(2,959)	(4,493)
General and administrative expenses		(36,933)	(45,118)
Other operating expenses		(27,116)	(66,722)
Finance costs	6	(210)	(332)
Share of loss of an associate		<u>—</u>	<u>(5)</u>
Loss before income tax	7	(48,139)	(62,654)
Income tax expense	8	(103)	(88)
Loss for the year		<u>(48,242)</u>	<u>(62,742)</u>
Loss attributable to:			
Owners of the Company		(35,575)	(62,309)
Minority interests		(12,667)	(433)
		<u>(48,242)</u>	<u>(62,742)</u>
Loss for the year		(48,242)	(62,742)
Other comprehensive income:			
Fair value loss on available-for-sale financial assets		(242)	(497)
Reserve realized upon disposal of available-for-sale financial assets		97	145
Currency translation differences		91	1,036
Other comprehensive income for the year		<u>(54)</u>	<u>684</u>
Total comprehensive income for the year		<u>(48,296)</u>	<u>(62,058)</u>

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (restated)
Attributable to:			
Owners of the Company		(35,641)	(61,865)
Minority interests		(12,655)	(193)
		<u>(48,296)</u>	<u>(62,058)</u>
Loss per share for loss attributable to owners of the Company during the year	<i>10</i>		
– Basic (<i>in HK cent</i>)		<u>(15.93)</u>	<u>(51.98)</u>
– Diluted (<i>in HK cent</i>)		<u>(15.93)</u>	<u>(51.98)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	<i>Note</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,841	12,168
Investment properties		14,000	14,000
Intangible assets		2,250	27,006
Available-for-sale financial assets		268	580
		<hr/> 24,359 <hr/>	<hr/> 53,754 <hr/>
Current assets			
Accounts receivable	<i>11</i>	997	1,661
Prepayments, deposits and other receivables		37,725	4,751
Cash and cash equivalents		33,681	7,444
		<hr/> 72,403 <hr/>	<hr/> 13,856 <hr/>
Total assets		<hr/> 96,762 <hr/>	<hr/> 67,610 <hr/>
Current liabilities			
Accounts payable	<i>12</i>	1,389	2,033
Accruals and other payables		4,549	3,540
Deferred income		3,103	4,471
Finance lease payables – due within one year		533	533
Borrowings – due within one year		240	234
		<hr/> 9,814 <hr/>	<hr/> 10,811 <hr/>
Net current assets		<hr/> 62,589 <hr/>	<hr/> 3,045 <hr/>
Total assets less current liabilities		<hr/> 86,948 <hr/>	<hr/> 56,799 <hr/>

	<i>Note</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Non-current liabilities			
Finance lease payables – due after one year		178	711
Borrowings – due after one year		2,762	2,998
		2,940	3,709
Net assets		84,008	53,090
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	13	18,373	5,993
Reserves		64,435	35,099
		82,808	41,092
Minority interests		1,200	11,998
Total equity		84,008	53,090

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	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 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	(62,309)	(62,309)	(433)	(62,742)
Other comprehensive income											
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(497)	-	(497)	-	(497)
Reserve realized upon disposal of available-for-sale financial assets	-	-	-	-	-	-	145	-	145	-	145
Currency translation differences	-	-	-	-	796	-	-	-	796	240	1,036
Total other comprehensive income	-	-	-	-	796	-	(352)	-	444	240	684
Total comprehensive income	-	-	-	-	796	-	(352)	(62,309)	(61,865)	(193)	(62,058)
Transactions with owners											
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)
Total transactions with owners	15	267	-	(2,927)	(245)	-	-	4,239	1,334	(134)	1,215
Balance at 31 March 2009 and 1 April 2009	5,993	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,090
Comprehensive income											
Loss for the year	-	-	-	-	-	-	-	(35,575)	(35,575)	(12,667)	(48,242)
Other comprehensive income											
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(242)	-	(242)	-	(242)
Reserve realized upon disposal of available-for-sale financial assets	-	-	-	-	-	-	97	-	97	-	97
Currency translation differences	-	-	-	-	79	-	-	-	79	12	91
Total other comprehensive income	-	-	-	-	79	-	(145)	-	(66)	12	(54)
Total comprehensive income	-	-	-	-	79	-	(145)	(35,575)	(35,641)	(12,655)	(48,296)
Transactions with owners											
Issue of shares upon exercise of share options	3	28	-	-	-	-	-	-	28	-	31
Issue of shares on open offers	11,992	65,955	-	-	-	-	-	-	65,955	-	77,947
Issue of shares on exercise of bonus warrants	385	3,086	-	-	-	-	-	-	3,086	-	3,471
Shares issue costs	-	(4,114)	-	-	-	-	-	-	(4,114)	-	(4,114)
Employee share-based compensation	-	-	-	22	-	-	-	-	22	-	22
Exercise of share options	-	2	-	(2)	-	-	-	-	-	-	-
Vested share options lapsed/cancelled	-	-	-	(23)	-	-	-	23	-	-	-
Total contributions by and distributions to owners	12,380	64,957	-	(3)	-	-	-	23	64,977	-	77,357
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	1,857	1,857
Total transactions with owners	12,380	64,957	-	(3)	-	-	-	23	64,977	1,857	79,214
Balance at 31 March 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008

NOTES TO THE CONSOLIDATED 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 investment properties and available-for-sale financial assets, which are carried at fair value.

The Group has adopted the following new and amended HKFRSs as of 1 April 2009:

- HKFRS 7 Financial instruments – Disclosures (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.
- HKAS 1 (revised) Presentation of financial statements – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 2 (amendment) Share-based payment (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 April 2009. The amendment does not have a material impact on the Group's or Company's financial statements.
- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognized all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.
- HKFRS 8 Operating segments (effective 1 January 2009). HKFRS 8 replaces HKAS 14 Segment reporting. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Service income from provision of financial information services	29,658	29,952
Advertising income	1,277	1,306
Online games income	94	1,830
	<u>31,029</u>	<u>33,088</u>

4. Segment Information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

At 31 March 2010, 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 2010 are as follows:

	Financial information services business HK\$'000	Online game business HK\$'000	Group HK\$'000
Revenue	30,935	94	31,029
Segment results	(6,087)	(41,842)	(47,929)
Finance costs			(210)
Loss before income tax			(48,139)
Income tax expense			(103)
Loss for the year			(48,242)

Other segment items included in the consolidated statement of comprehensive income are as follows:

Goodwill impairment charge	–	27,000	27,000
Recycling of loss from equity on disposal of available-for-sale financial assets	97	–	97
Amortization of intangible assets	–	67	67
Depreciation of property, plant and equipment	2,389	1,214	3,603

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

	Financial information services business <i>HK\$'000</i>	Online game business <i>HK\$'000</i>	Group <i>HK\$'000</i>
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 statement of comprehensive income 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

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, available-for-sale financial assets, 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 and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 March 2010 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	83,691	13,071	–	96,762
Liabilities	7,580	1,461	3,713	12,754
Capital expenditure	20	2,548	–	2,568

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

	2010 HK\$'000	2009 HK\$'000
Revenue		
Hong Kong	25,306	24,076
PRC	5,723	9,012
	31,029	33,088

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total assets		
Hong Kong	67,162	12,431
PRC	29,332	54,599
Other countries	268	580
	<u>96,762</u>	<u>67,610</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Capital expenditure		
Hong Kong	15	2,243
PRC	2,553	6,459
	<u>2,568</u>	<u>8,702</u>

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

5. Other Income and Gains

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on disposal of interest in subsidiaries	–	34,212
Gain on disposal of property, plant and equipment	–	158
Gross rental income from investment properties	1,018	1,063
Net fair value gains on financial assets at fair value through profit or loss	–	161
Interest income from bank deposits	11	24
Sundry income	1,008	1,825
	<u>2,037</u>	<u>37,443</u>

6. Finance Costs

	2010 HK\$'000	2009 HK\$'000
Interest expense on bank borrowings:		
– not wholly repayable within five years	125	139
Interest expense on other borrowings:		
– wholly repayable within five years	–	136
Interest on a finance lease	85	57
	<u>210</u>	<u>332</u>

7. Loss before Income Tax

Loss before income tax is arrived at after charging:

	2010 HK\$'000	2009 HK\$'000
Operating lease payments in respect of rented premises	5,305	5,760
Amortization of intangible assets (included in general and administrative expenses)	67	22
Depreciation of property, plant and equipment	3,603	3,890
Development costs	4,664	6,375
Loss on disposal of property, plant and equipment	201	–
Auditors' remuneration – current year provision	300	320
– under-provision in prior year	–	160
Net foreign exchange losses	4	244

8. Income Tax

Hong Kong profits tax is calculated at the rate of 16.5% (2009: 16.5%) 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 (2009: 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.

	2010 HK\$'000	2009 HK\$'000
Current tax:		
– Hong Kong profits tax	–	–
– Overseas taxation – PRC	54	62
Adjustments in respect of prior years	49	26
	<u>103</u>	<u>88</u>

9. Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2010 (2009: Nil).

10. Loss Per Share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 March 2010 of HK\$35,575,000 (2009: HK\$62,309,000) by the weighted average number of 223,270,153 (2009 (restated): 119,869,463) ordinary shares in issue during the year.

(b) Diluted

The computation of diluted loss per share for the years ended 31 March 2010 and 2009 did not assume the exercise of the Company's share options and warrants outstanding during the years ended 31 March 2010 and 2009 since their exercise would result in a decrease in loss per share.

Both the weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years ended 31 March 2010 and 2009 have been adjusted to reflect the impact of the share consolidation and open offers effected during the year.

11. Accounts Receivable

The credit terms granted by the Group to its customers range from 10 days to 90 days. At 31 March 2010, the ageing analysis of the accounts receivable was as follows:

	2010 HK\$'000	2009 HK\$'000
0 – 30 days	771	1,186
31 – 60 days	127	194
61 – 90 days	30	109
Over 90 days	69	172
	<u>997</u>	<u>1,661</u>

12. Accounts Payable

At 31 March 2010, the ageing analysis of the accounts payable was as follows:

	2010 HK\$'000	2009 HK\$'000
0 – 30 days	798	1,110
31 – 60 days	486	562
61 – 90 days	26	101
Over 90 days	79	260
	<u>1,389</u>	<u>2,033</u>

13. Share Capital

<i>Ordinary shares of HK\$0.05 (2009: HK\$0.01) each</i>	2010		2009	
	<i>Number of shares</i>	<i>Amount (HK\$'000)</i>	<i>Number of shares</i>	<i>Amount (HK\$'000)</i>
<i>Authorized:</i>				
At beginning of the year	1,000,000,000	10,000	1,000,000,000	10,000
Increase during the year <i>(Note (a)(i))</i>	1,000,000,000	10,000	–	–
	2,000,000,000	20,000	1,000,000,000	10,000
Share consolidation <i>(Note (a)(ii))</i>	(1,600,000,000)	–	–	–
	400,000,000	20,000	1,000,000,000	10,000
Increase during the year <i>(Note (a)(iii))</i>	600,000,000	30,000	–	–
At end of the year	1,000,000,000	50,000	1,000,000,000	10,000
<i>Issued and fully paid:</i>				
At beginning of the year	599,370,000	5,993	597,850,000	5,978
Issue of shares under open offers <i>(Note (c))</i>	1,199,150,189	11,992	–	–
Issue of shares on exercise of bonus warrants <i>(Note (d))</i>	410,189	4	–	–
	1,798,930,378	17,989	597,850,000	5,978
Share consolidation <i>(Note (e))</i>	(1,439,144,303)	–	–	–
	359,786,075	17,989	597,850,000	5,978
Issue of shares upon exercise of share options <i>(Note (b))</i>	50,588	3	1,520,000	15
Issue of shares on exercise of bonus warrants <i>(Note (d))</i>	7,621,207	381	–	–
At end of the year	367,457,870	18,373	599,370,000	5,993

Notes:

- (a) (i) Pursuant to the resolution passed in the extraordinary general meeting of the Company on 3 July 2009, the authorized share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.01 each of the Company.

- (ii) Upon the share consolidation (note (e)) becoming effective on 30 November 2009, the authorized share capital of the Company became HK\$20,000,000 divided into 400,000,000 shares of HK\$0.05 each.
 - (iii) Pursuant to the resolution passed in the extraordinary general meeting of the Company on 11 February 2010, the authorized share capital of the Company increased to HK\$50,000,000 by the creation of an additional 600,000,000 shares of HK\$0.05 each of the Company.
- (b) Share options were exercised by option-holders during the year ended 31 March 2010 to subscribe for the total of 50,588 (2009: 1,520,000) shares in the Company by payment of subscription monies of approximately HK\$31,000 (2009: HK\$228,000), of which approximately HK\$3,000 (2009: HK\$15,000) was credited to share capital and the balance of approximately HK\$28,000 (2009: HK\$213,000) was credited to the share premium account.
- (c) Pursuant to the resolution passed in the extraordinary general meeting of the Company held on 3 July 2009, the Company issued 299,685,000 new ordinary shares (“1st Offer Shares”) at a subscription price of HK\$0.05 per 1st Offer Share under the open offer on the basis of one 1st Offer Share for every two existing shares held on 3 July 2009 (“1st Open Offer”).

Pursuant to the resolution passed in the extraordinary general meeting of the Company held on 30 October 2009, the Company issued 899,465,189 new ordinary shares (“2nd Offer Shares”) at a subscription price of HK\$0.07 per 2nd Offer Share under the open offer on the basis of one 2nd Offer Share for every existing share held on 30 October 2009.

- (d) In conjunction with the 1st Open Offer, each of the registered holders of fully-paid 1st Offer Shares was issued three bonus warrants for every ten Offer Shares issued and allotted by the Company under the 1st Open Offer, resulting in HK\$8,990,550 bonus warrants having been issued.

Up to 31 March 2010, approximately HK\$41,019 and HK\$3,429,543 bonus warrants were exercised at a subscription price of HK\$0.10 and HK\$0.45 per share, resulting in the issue of 410,189 ordinary shares of HK\$0.01 each and 7,621,207 ordinary shares of HK\$0.05 each, respectively. As at 31 March 2010, the Company had HK\$4,625,035 bonus warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 10,277,855 additional shares of HK\$0.05 each.

- (e) Share Consolidation

On 30 November 2009, the Company completed the share consolidation on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was consolidated into one share of HK\$0.05 each in the share capital of the Company, as set out in the announcement of the Company dated 30 September 2009.

Upon the share consolidation becoming effective on 30 November 2009, the issued share capital of the Company became HK\$17,989,000 divided into 359,786,075 shares of HK\$0.05 each.

14. Contingent Liabilities

In the year ended 31 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. At the end of the reporting period, 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 reporting period

On 19 May 2010, the Group acquired the entire issued share capital of Fukoku Investment (Asia) Limited ("Fukoku") for a cash consideration of approximately HK\$10,245,000. Fukoku is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Faced with tidal waves of changes in market conditions during the past fiscal year ended 31 March 2010, the Group had intensified fund-raising and M&A activities in order to execute the Group's China IMM (Internet, Mobile and Media) growth strategy. Following the successful execution of fund-raisings and the acquisition of an online securities broker in Hong Kong, we had strengthened the Group's market position and future profitability in both financial information business and online game business.

Financial Information Business

During the fiscal year, we had witnessed landmark changes in Hong Kong's financial information service market: the introduction of online "Free Real-Time Quote" scheme by the HKEx in the last quarter of 2009, which Finet didn't participate owing to cost concerns and our preference for a better scheme. Although our business has not been materially impacted, such scheme had altered our view towards financial information business in two ways. For one, the traditional financial information business in Hong Kong will no longer be a viable business to create shareholder value. For another, we believe the viable business model will be through providing one-stop shop solution to investors that includes transaction services in addition to pure data, news and analytics. In today's electronic world with powerful hedge funds, sophisticated algo-trading technologies and cross-market arbitrage opportunities, the level playing field has forever been switched to technologically-advanced one-stop solution providers.

In reacting to market changes, the Group has been carefully examining the ways to improve our competitive advantages and operational efficiency amid the deteriorating business environment. We are determined to improve and make changes in our information business. For one thing, we continue to promote the brand name of Finet news and to expand our financial news distribution channels. At the same time, we had introduced our value-added services in press release, media monitoring and investor relations to our clients and so far have been appreciated by the market. For another, we have been expanding our mobile distribution channels for financial content. Finet was chosen as the exclusive daily financial e-magazine provider in 139-Mailbox, operated by China Mobile Guangdong Province, through a tender process. By leveraging China Mobile's massive user base, this will help Finet to tap into China's lucrative B2C market that has been growing at astonishing speed. We expect to expand our mobile distribution channels through other similar opportunities in the next few quarters.

To fully catch up with the latest development in the area of mobile internet, the Group started providing mobile solution to existing clients. In addition, the Group has identified several mobile platform providers to distribute financial information in both China and Hong Kong. Through providing customized, punctual and quality mobile content, Finet will be able to cater to the increasing needs of mobile users in financial information services in China.

Our belief that future successful business model must include trading execution capabilities has led us to acquire an online broker in Hong Kong, Fukoku Investment (Asia) Limited, and aim to turn it into a leading securities trading platform that is empowered with Finet's rich financial content such as news, data, market analysis, and with advanced algo-trading technologies to access multiple markets in the next few years. We believe this will help the Group to capitalize on Finet's brand-name in the past and to monetize exponential growth of Mainland Chinese investors who are increasingly investing overseas (particularly in Hong Kong and the US financial markets). We are confident that we have executed the right strategy to continue to grow the Group's success over the past decade.

Online Game Business

The past fiscal year proved another promising year for China's online game market, as the "White Paper on China's online game market 2009" released by Ministry of Culture indicated that the market reached RMB25.8 billion, or a 39.5% growth, for the year of 2009. Yet the industry's competitive landscape underwent some major shift, with the most prominent instance as Netease taking over The9 as the operator of Blizzard's "World of Warcraft" (WoW) in China, leading to a significant slash of The9's revenue and the loss of its top 3 market position. The Group is unlikely subject to similar challenge as it has been placing a strategic focus on owning its intellectual properties and has rigorously achieved so through possessing its self-development capabilities and proper protection of its game IPs.

As one of the repercussions from the change of operator of WoW in China, the government authorities, including General Administration of Press and Publication and Ministry of Culture stepped up their regulation, guidance and monitoring to China's online game practitioners. The Group has maintained smooth communications with the related government authorities and has been compliant with all the regulations throughout its operations.

Collaboration became a key trend in the last fiscal year, as reflected in Shanda and Kingsoft entering into joint venture and Tencent and Giant Interactive announcing joint operations. Likewise, the Group has been active in searching for ideal partners among the best class of online game developers and operators from worldwide to achieve co-development and joint operation campaigns. The Group holds the belief that it will benefit from the technical knowhow and market coverage of its partners as long as the Group continues to own its intellectual properties and to excel in its own core competencies, which include our unique grasp of the gamers' expectations in China and our unparalleled expertise in online game development.

In light of the emerging market trends as analyzed from above, the Group continued to pursue its technological excellence through investing intensively in its in-house development teams while it concurrently adopted a "co-development" strategy that combined the market insights into game design from our experienced team and the development technologies from our select partners.

As a result, the Group concluded the fiscal year 2009/2010 with major product development progress and a stronger game pipeline. In particular, China Game signed up a co-development agreement with Xiamen-based Onwind Digital Co., Ltd. (“Onwind”) to jointly develop an MMORPG that aims to reach a level of 100,000 concurrent users. Onwind, with Shanda as one of its shareholders, had released the popular Zu Online that had exceeded over 50,000 concurrent users. The co-development project commenced in September 2009 and had since completed a few milestones, proving impressive game development efficiency with the combined technologies and design from the two companies. Given the track record from Onwind’s previous games, the Group is confident that this game will deliver exciting operating results as it commercializes in the next fiscal year.

In the meantime, the Group achieved major breakthrough in its in-house development capabilities. The Group pioneered next-generation engine technologies in China that would be conducive to delivering the best class graphic effects in our self-developed project (tentatively named as “Project Ming”). Project Ming is the Group’s flagship product that is targeted to achieve over 200,000 concurrent users. In addition to its outstanding graphic effects, it also incorporated the most creative and market-oriented game designs to enhance the entertainment features while nurturing gamers’ spending habits. Given the expected scale and sophisticated technology of this game, it will require longer development cycle than the co-developed project with Onwind.

Looking ahead, the Group will reap the harvests from the investment in the game titles under development as the co-developed project will enter into commercialization in the next fiscal year. The Group will continue to strengthen its games in the pipeline especially from co-developing with world-class game developers.

PROSPECT

The Group’s years of efforts to build its business fundamentals and acquire appropriate companies in the burgeoning Internet, Mobile and Media sectors allow the Group to capitalize on the ferocious growth of the mainstream Chinese consumer markets in the coming years.

Looking ahead, the Group will benefit significantly from the many exciting business opportunities arising from the latest positive market trends: the penetration of 3G services in China, the growing prevalence of mobile Internet combined with China’s massive mobile user base and the success of App Store business model; the latest green-light given to China’s Three Network Convergence Plan; the tremendous growth of China’s online game market; and not to mention the increasing integration between Hong Kong’s and China’s financial markets and the internationalization of the RMB.

The Group and its team have one but single objective, to exceed shareholder expectations and to deliver strong earnings in the next few quarters.

FINANCIAL REVIEW

Turnover of the Group for the year ended 31 March 2010 was approximately HK\$31,029,000 (2009: HK\$33,088,000), which represented a decrease of approximately 6% as compared to the previous financial year. The net decrease was primarily attributable to (1) a decrease in online game business of HK\$1,736,000; and (2) a decrease in financial services and advertising services of total HK\$323,000.

Other operating income of the Group for the year ended 31 March 2010 was approximately HK\$2,037,000 (2009: HK\$37,443,000), the decreased is mainly due to the gain on disposal of interest in subsidiaries during the year 2009.

Cost of sales of the Group for the year ended 31 March 2010 was approximately HK\$9,323,000 (2009: HK\$10,140,000), representing a decrease of approximately 8% 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 31 March 2010 was decreased to approximately HK\$2,959,000 compared with approximately HK\$4,493,000 in 2009. 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 2010 was approximately HK\$4,664,000 (2009: HK\$6,375,000), which mainly comprised depreciation of property, plant and equipment of approximately HK\$261,000 (2009: HK\$181,000) and employee benefit expenses of approximately HK\$3,328,000 (2009: HK\$5,504,000) for online game business.

General and administrative expenses of the Group for the year ended 31 March 2010 was decreased by approximately HK\$8,185,000 to approximately HK\$36,933,000 (2009: HK\$45,118,000), which mainly comprised the staff costs (including directors' emoluments) of approximately HK\$18,166,000 (2009: HK\$23,750,000).

Other operating expenses of the Group for the year ended 31 March 2010 were approximately HK\$27,116,000 (2009: HK\$66,722,000), which mainly represented the goodwill impairment charge of HK\$27,000,000 (2009: HK\$43,203,000). The impairment charges related to the goodwill impairment and capitalized online games development costs respectively in the Group's online games segment.

Finance cost of the Group for the year ended 31 March 2010 was approximately HK\$210,000 (2009: HK\$332,000), which represented the interest charges on bank loans for the investment properties in the PRC and on the finance lease for the computer equipments.

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 (2009: Nil). The Hong Kong profits tax of approximately HK\$49,000 was paid during the year ended 31 March 2010 (2009: HK\$26,000), for adjustment in respect of prior years. The PRC income tax of approximately HK\$54,000 was paid during the year ended 31 March 2010 (2009: HK\$62,000) 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 2010 was approximately HK\$12,667,000 (2009: HK\$433,000). 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 owners of the Company for the year ended 31 March 2010 was approximately HK\$35,575,000 (2009: HK\$62,309,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the total assets of the Group increased by approximately HK\$29,152,000 to approximately HK\$96,762,000 as compared to approximately HK\$67,610,000 as at the end of the previous financial year, representing an increase of approximately 43%.

As at 31 March 2010, the total liabilities of the Group decreased by approximately HK\$1,766,000 to approximately HK\$12,754,000 as compared to approximately HK\$14,520,000 as at the end of the previous financial year, representing a decrease of approximately 12%.

As at 31 March 2010, the total equity of the Group significantly increased by approximately HK\$30,918,000 to approximately HK\$84,008,000 as compared to approximately HK\$53,090,000 as at the end of the previous financial year, representing an increase of approximately 58%.

GEARING RATIO

As at 31 March 2010, the Group's gearing ratio was approximately 4% (2009: 8%), based on total borrowings of approximately HK\$3,713,000 (2009: HK\$4,476,000) and total equity of the Group of approximately HK\$84,008,000 (2009: HK\$53,090,000).

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2010, the Group held available-for-sale financial assets of approximately HK\$268,000 (2009: HK\$580,000).

ACQUISITION AND DISPOSAL OF SUBSIDIARY

The Group had no acquisition and disposal of subsidiary during the year ended 31 March 2010.

CHARGES OF ASSETS

As at 31 March 2010, the investment properties and the property, plant and equipment with an aggregate carrying value of HK\$14,000,000 and approximately HK\$1,040,000 respectively (2009: HK\$14,000,000 and HK\$1,360,000) were pledged as securities for the borrowing facilities of the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group holds 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 186 (2009: 242) full-time employees in Hong Kong and the PRC as of 31 March 2010.

During the year, the Group incurred total staff costs (including directors' emoluments) of approximately HK\$21,494,000 (2009: HK\$29,254,000), which approximately HK\$18,166,000 (2009: HK\$23,750,000) was included under the general and administrative expenses and approximately HK\$3,328,000 (2009: HK\$5,504,000) was included under the development costs.

AUDIT COMMITTEE

The audited financial statements for the year ended 31 March 2010 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 2010.

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 2010, except for the following deviations:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 29 June 2010

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. Lam Ka Wai, Graham.

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.