



財華社  
FINET

## FINET GROUP LIMITED

### 財華社集團有限公司

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 08317)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

### 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” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading and there are no other matters the omission of which would make any statement in this announcement misleading.*

**RESULTS HIGHLIGHTS**

- The Group reported a turnover of approximately HK\$34.0 million for the year ended 31 March 2011, representing an increase of approximately 10.0% from approximately HK\$30.9 million of the last corresponding year.
- The audited consolidated loss attributable to owners of the Company for the year ended 31 March 2011 was approximately HK\$39.8 million.
- The board of Directors does not recommend the payment of dividend for the year ended 31 March 2011.

## ANNUAL RESULTS

The board of Directors (the “Board”) is pleased to present the audited consolidated financial statements of the Group for the year ended 31 March 2011, together with the comparative figures for the corresponding period in 2010 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>34,005</b>	30,935
Cost of sales		<b>(10,163)</b>	(9,323)
<b>Gross profit</b>		<b>23,842</b>	21,612
Other income and gains	5	<b>13,845</b>	2,016
Selling and marketing expenses		<b>(479)</b>	(364)
General and administrative expenses		<b>(43,256)</b>	(29,254)
Other operating expenses		<b>(21,675)</b>	(97)
Finance costs	6	<b>(227)</b>	(210)
<b>Loss before income tax</b>	7	<b>(27,950)</b>	(6,297)
Income tax expense	8	<b>(6,930)</b>	(103)
<b>Loss for the year from continuing operations</b>		<b>(34,880)</b>	(6,400)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		<b>(6,606)</b>	(41,842)
<b>Loss for the year</b>		<b>(41,486)</b>	(48,242)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(39,769)</b>	(35,575)
Non-controlling interests		<b>(1,717)</b>	(12,667)
		<b>(41,486)</b>	(48,242)

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Loss for the year</b>		<b>(41,486)</b>	(48,242)
<b>Other comprehensive income:</b>			
Fair value gain/(loss) on available-for-sale financial assets		<b>216</b>	(242)
Reserve realized upon disposal of available-for-sale financial assets		–	97
Release of translation reserve upon disposal of subsidiaries		<b>(1,822)</b>	–
Currency translation differences		<b>(492)</b>	91
<b>Other comprehensive income for the year</b>		<b>(2,098)</b>	(54)
<b>Total comprehensive income for the year</b>		<b>(43,584)</b>	(48,296)
<b>Attributable to:</b>			
Owners of the Company		<b>(41,916)</b>	(35,641)
Non-controlling interests		<b>(1,668)</b>	(12,655)
		<b>(43,584)</b>	(48,296)
<b>Loss per share for loss attributable to the owners of the Company during the year</b>	10		
From continuing operations			
– Basic and diluted (in HK cent)		<b>(43)</b>	(14)
From discontinued operation			
– Basic and diluted (in HK cent)		<b>(6)</b>	(65)
		<b>(49)</b>	(79)

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2011*

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,911</b>	7,841
Investment properties		<b>25,848</b>	14,000
Intangible assets		<b>950</b>	2,250
Statutory deposits and other assets		<b>405</b>	–
Available-for-sale financial assets		<b>484</b>	268
		<hr/> <b>31,598</b>	<hr/> 24,359
<b>Current assets</b>			
Accounts receivable	11	<b>6,680</b>	997
Prepayments, deposits and other receivables		<b>8,308</b>	37,725
Held for trading investments		<b>30,879</b>	–
Client trust bank balances		<b>9,145</b>	–
Cash and cash equivalents		<b>20,106</b>	33,681
		<hr/> <b>75,118</b>	<hr/> 72,403
<b>Total assets</b>		<hr/> <b>106,716</b>	<hr/> 96,762
<b>Current liabilities</b>			
Accounts payable	12	<b>14,664</b>	1,389
Accruals and other payables		<b>8,822</b>	4,549
Deferred income		<b>1,827</b>	3,103
Finance lease payables – due within one year		<b>345</b>	533
Borrowings – due within one year		<b>249</b>	240
		<hr/> <b>25,907</b>	<hr/> 9,814
<b>Net current assets</b>		<hr/> <b>49,211</b>	<hr/> 62,589
<b>Total assets less current liabilities</b>		<hr/> <b>80,809</b>	<hr/> 86,948

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Finance lease payables – due after one year		<b>177</b>	178
Borrowings – due after one year		<b>2,514</b>	2,762
Deferred tax liabilities		<b>6,870</b>	–
		<hr/>	<hr/>
		<b>9,561</b>	2,940
		<hr/>	<hr/>
<b>Net assets</b>		<b>71,248</b>	84,008
		<hr/>	<hr/>
<b>Equity</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	13	<b>22,041</b>	18,373
Reserves		<b>49,207</b>	64,435
		<hr/>	<hr/>
		<b>71,248</b>	82,808
Non-controlling interests		–	1,200
		<hr/>	<hr/>
<b>Total equity</b>		<b>71,248</b>	84,008
		<hr/>	<hr/>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Reserves										Total equity HK\$'000
	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	Non-controlling interests HK\$'000	
<b>Balance at 1 April 2009</b>	5,993	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,090
<b>Comprehensive income</b>											
Loss for the year	-	-	-	-	-	-	-	(35,575)	(35,575)	(12,667)	(48,242)
<b>Other comprehensive income</b>											
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
<b>Total other comprehensive income</b>	-	-	-	-	79	-	(145)	-	(66)	12	(54)
<b>Total comprehensive income</b>	-	-	-	-	79	-	(145)	(35,575)	(35,641)	(12,655)	(48,296)
<b>Transactions with owners</b>											
Issue of shares upon exercise of share options	3	28	-	-	-	-	-	-	28	-	31
Issue of shares upon open offers	11,992	65,955	-	-	-	-	-	-	65,955	-	77,947
Issue of shares upon exercise of bonus warrants	385	3,086	-	-	-	-	-	-	3,086	-	3,471
Share 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	-	-	-
<b>Total contributions by and distributions to owners</b>	12,380	64,957	-	(3)	-	-	-	23	64,977	-	77,357
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	1,857	1,857
<b>Total transactions with owners</b>	12,380	64,957	-	(3)	-	-	-	23	64,977	1,857	79,214
<b>Balance at 31 March 2010 and 1 April 2010</b>	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
<b>Comprehensive income</b>											
Loss for the year	-	-	-	-	-	-	-	(39,769)	(39,769)	(1,717)	(41,486)
<b>Other comprehensive income</b>											
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	216	-	216	-	216
Release of translation reserve upon disposal of subsidiaries	-	-	-	-	(1,822)	-	-	-	(1,822)	-	(1,822)
Currency translation differences	-	-	-	-	(541)	-	-	-	(541)	49	(492)
<b>Total other comprehensive income</b>	-	-	-	-	(2,363)	-	216	-	(2,147)	49	(2,098)
<b>Total comprehensive income</b>	-	-	-	-	(2,363)	-	216	(39,769)	(41,916)	(1,668)	(43,584)
<b>Transactions with owners</b>											
Issue of shares upon exercise of share options	3	33	-	-	-	-	-	-	33	-	36
Issue of shares upon placement	3,650	27,010	-	-	-	-	-	-	27,010	-	30,660
Issue of shares upon exercise of bonus warrants	15	119	-	-	-	-	-	-	119	-	134
Share issue costs	-	(474)	-	-	-	-	-	-	(474)	-	(474)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	468	468
Vested share options lapsed/cancelled	-	-	-	(1,745)	-	-	-	1,745	-	-	-
<b>Total contributions by and distributions to owners</b>	3,668	26,688	-	(1,745)	-	-	-	1,745	26,688	468	30,824
<b>Balance at 31 March 2011</b>	22,041	226,081	4,870	-	110	9,989	(848)	(190,995)	49,207	-	71,248

## 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. Subsequent to the end of the reporting period, the Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business is situated at Room C, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

### 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 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, available-for-sale financial assets and held for trading investments, which are carried at fair value.

The Group has adopted the following new and amended HKFRSs as of 1 April 2010:

- HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.
- HKAS 27 (revised), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. HKAS 27 (revised) has had no impact on the current period, as there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.



- HKAS 1 (amendment), “Presentation of financial statements”. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment has no material impact on the Group’s or the Company’s financial statements.
- HKAS 38 (amendment), “Intangible assets” – effective from 1 April 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- HKFRS 5 (amendment), “Non-current assets held for sale and discontinued operations”. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

### 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:

	Continuing operations		Discontinued operation		Total	
	2011	2010	2011	2010	2011	2010
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Service income from provision of financial information services	26,799	29,658	–	–	26,799	29,658
Advertising income	1,532	1,277	–	–	1,532	1,277
Online game income	–	–	1	94	1	94
Brokerage commission and service income from securities and futures business	5,674	–	–	–	5,674	–
	<b>34,005</b>	<b>30,935</b>	<b>1</b>	<b>94</b>	<b>34,006</b>	<b>31,029</b>

#### 4. Segment Information

At 31 March 2011, the Group is organized into two main operating segments:

- (i) Financial information services business – the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and Greater China; and
- (ii) Securities and futures business that specializes in the provision of online securities and futures trading.

The segment results for the year ended 31 March 2011 are as follows:

	Continuing operations			Discontinued operation	
	Securities and futures business	Financial information services business	Sub total	Online game business	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>	5,674	28,331	34,005	1	34,006
Segment results	(9,433)	(18,290)	(27,723)	(6,606)	(34,329)
Finance costs					(227)
<b>Loss before income tax</b>					(34,556)
Income tax expense					(6,930)
<b>Loss for the year</b>					<b>(41,486)</b>
Other segment items included in the consolidated statement of comprehensive income are as follows:					
Goodwill impairment charge	1,509	–	1,509	–	1,509
Amortization of intangible assets	–	–	–	34	34
Depreciation of property, plant and equipment	223	2,348	2,571	1,172	3,743

The segment results for the year ended 31 March 2010 are as follows:

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

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	<u>2,389</u>	<u>1,214</u>	<u>3,603</u>

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, available-for-sale financial assets, held for trading investments, accounts receivable, prepayments, deposits and other receivables, client trust bank balances 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, intangible assets and statutory deposits and other assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 March 2011 and capital expenditure for the year then ended are as follows:

	<b>Financial information services business HK\$'000</b>	<b>Securities and futures business HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Group HK\$'000</b>
Assets	<u>46,034</u>	<u>60,682</u>	<u>–</u>	<u>106,716</u>
Liabilities	<u>12,111</u>	<u>13,202</u>	<u>10,155</u>	<u>35,468</u>
Capital expenditure	<u><u>1,222</u></u>	<u><u>3,584</u></u>	<u><u>–</u></u>	<u><u>4,806</u></u>

The segment assets and liabilities at 31 March 2010 and capital expenditure for the year then ended are as follows:

	<b>Financial information services business HK\$'000</b>	<b>Online game business HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Group HK\$'000</b>
Assets	<u>83,691</u>	<u>13,071</u>	<u>–</u>	<u>96,762</u>
Liabilities	<u>7,580</u>	<u>1,461</u>	<u>3,713</u>	<u>12,754</u>
Capital expenditure	<u><u>20</u></u>	<u><u>2,548</u></u>	<u><u>–</u></u>	<u><u>2,568</u></u>

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

	<b>2011 HK\$'000</b>	<b>2010 HK\$'000</b>
<b>Revenue</b>		
Hong Kong	<b>25,613</b>	25,306
PRC	<b>8,393</b>	5,723
	<u><b>34,006</b></u>	<u>31,029</u>

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

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Total assets</b>		
Hong Kong	<b>99,913</b>	67,162
PRC	<b>5,040</b>	29,332
Other countries	<b>1,763</b>	268
	<u><b>106,716</b></u>	<u>96,762</u>

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

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Capital expenditure</b>		
Hong Kong	<b>3,623</b>	15
PRC	<b>1,183</b>	2,553
	<u><b>4,806</b></u>	<u>2,568</u>

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

## 5. Other Income and Gains

	<b>Continuing operations</b>		<b>Discontinued operation</b>		<b>Total</b>	
	<b>2011</b>	2010	<b>2011</b>	2010	<b>2011</b>	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of subsidiaries	–	–	<b>5,406</b>	–	<b>5,406</b>	–
Gross rental income from investment properties	<b>1,138</b>	1,018	–	–	<b>1,138</b>	1,018
Dividend income from available-for-sale financial assets	<b>40</b>	–	–	–	<b>40</b>	–
Interest income from bank deposits	<b>4</b>	4	–	–	<b>4</b>	4
Net foreign exchange gains	<b>144</b>	–	<b>30</b>	21	<b>174</b>	21
Fair value gain on investment properties	<b>11,848</b>	–	–	–	<b>11,848</b>	–
Sundry income	<b>671</b>	994	–	–	<b>671</b>	994
	<u><b>13,845</b></u>	<u>2,016</u>	<u><b>5,436</b></u>	<u>21</u>	<u><b>19,281</b></u>	<u>2,037</u>

## 6. Finance Costs

	Continuing operations		Discontinued operation		Total	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest expense on bank borrowings:						
– not wholly repayable within five years	116	125	–	–	116	125
Interest on finance leases	111	85	–	–	111	85
	<u>227</u>	<u>210</u>	<u>–</u>	<u>–</u>	<u>227</u>	<u>210</u>

## 7. Loss before Income Tax

	Continuing operations		Discontinued operation		Total	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Development costs	–	–	3,758	4,664	3,758	4,664
Operating lease payments in respect of rented premises	4,605	4,225	1,040	1,080	5,645	5,305
Depreciation of property, plant and equipment	2,571	2,389	1,172	1,214	3,743	3,603
Loss on disposal of property, plant and equipment	229	201	–	–	229	201
Auditors' remuneration						
– current year provision	500	263	11	37	511	300
– under-provision in prior year	150	–	–	–	150	–
Net foreign exchange losses	–	2	–	2	–	4
Amortization of intangible assets	–	–	34	67	34	67
	<u>–</u>	<u>–</u>	<u>34</u>	<u>67</u>	<u>34</u>	<u>67</u>

## 8. Income Tax Expense

Hong Kong profits tax is calculated at the rate of 16.5% (2010: 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 (2010: 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.

	2011 HK\$'000	2010 HK\$'000
Current tax:		
– Hong Kong profits tax	–	–
– Overseas taxation – PRC	60	54
Adjustments in respect of prior years	–	49
	<hr/>	<hr/>
	60	103
Deferred tax	6,870	–
	<hr/>	<hr/>
Income tax expense	6,930	103
	<hr/> <hr/>	<hr/> <hr/>

## 9. Dividend

The Board does not recommend the payment of dividend for the year ended 31 March 2011 (2010: Nil).

## 10. Loss Per Share

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company from continuing operations for the year ended 31 March 2011 of approximately HK\$34,880,000 (2010: HK\$6,400,000) by the weighted average number of approximately 80,273,480 (2010 (restated): 44,654,030) ordinary shares in issue during the year.

Basic loss per share is calculated by dividing the loss attributable to owners of the Company from discontinued operation for the year ended 31 March 2011 of approximately HK\$4,889,000 (2010: HK\$29,175,000) by the weighted average number of approximately 80,273,480 (2010 (restated): 44,654,030) ordinary shares in issue during the year.

The weighted average numbers of ordinary shares in 2011 and 2010 have been retrospectively adjusted for the five-to-one share consolidation which took place subsequent to the end of the reporting period in May 2011.

### (b) Diluted

The computation of diluted loss per share for the years ended 31 March 2011 and 2010 did not assume the exercise of the Company's share options and warrants outstanding during the years ended 31 March 2011 and 2010 since their exercise would result in a decrease in loss per share.

# 11. Accounts Receivable

	2011 HK\$'000	2010 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in futures contracts and options – Brokers	5,359	–
Other trade receivables	1,321	997
Accounts receivable	6,680	997

Accounts receivable from brokers are current. These represent margin deposits arising from the business of dealing in futures contracts. The amount is unsecured, interest-free, and repayable on demand.

The credit terms granted by the Group to its customers range from 10 days to 90 days. At 31 March 2011, the ageing analysis of the other trade receivables was as follows:

	2011 HK\$'000	2010 HK\$'000
0 – 30 days	933	771
31 – 60 days	197	127
61 – 90 days	2	30
Over 90 days	189	69
	1,321	997

As of 31 March 2011, other trade receivables of approximately HK\$189,000 (2010: HK\$69,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these other trade receivable is as follows:

	2011 HK\$'000	2010 HK\$'000
Over 90 days	189	69



## 12. Accounts Payable

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Accounts payable arising from securities broking		
– Clients	4,339	–
– Securities brokers	149	–
Accounts payable arising from futures broking		
– Clients	8,287	–
Other trade payables	1,889	1,389
	<hr/>	<hr/>
Accounts payable	<b>14,664</b>	<b>1,389</b>
	<hr/> <hr/>	<hr/> <hr/>

The settlement terms of accounts payable arising from securities broking are one or two trade days after the trade execution date.

Accounts payable to clients arising from futures broking are margin deposits received from clients for their trading of futures contracts. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

At 31 March 2011, the ageing analysis of the other trade payables was as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 – 30 days	962	798
31 – 60 days	584	486
61 – 90 days	328	26
Over 90 days	15	79
	<hr/>	<hr/>
	<b>1,889</b>	<b>1,389</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13. Share Capital

Ordinary shares of HK\$0.05 (2010: HK\$0.05) each	2011		2010	
	<i>Number of shares</i>	<i>Amount (HK\$'000)</i>	<i>Number of shares</i>	<i>Amount (HK\$'000)</i>
Authorized:				
<b>At beginning of the year</b>	<b>1,000,000,000</b>	<b>50,000</b>	1,000,000,000	10,000
Increase during the year (Note (a)(i))	—	—	1,000,000,000	10,000
	<b>1,000,000,000</b>	<b>50,000</b>	2,000,000,000	20,000
Share consolidation (Note (a)(ii))	—	—	(1,600,000,000)	—
	<b>1,000,000,000</b>	<b>50,000</b>	400,000,000	20,000
Increase during the year (Note (a)(iii))	—	—	600,000,000	30,000
<b>At end of the year</b>	<b>1,000,000,000</b>	<b>50,000</b>	1,000,000,000	50,000
Issued and fully paid:				
<b>At beginning of the year</b>	<b>367,457,870</b>	<b>18,373</b>	599,370,000	5,993
Issue of shares under open offers (Note (c))	—	—	1,199,150,189	11,992
Issue of shares upon exercise of bonus warrants (Note (d))	—	—	410,189	4
	<b>367,457,870</b>	<b>18,373</b>	1,798,930,378	17,989
Share consolidation (Note (e))	—	—	(1,439,144,303)	—
	<b>367,457,870</b>	<b>18,373</b>	359,786,075	17,989
Issue of shares upon exercise of share options (Note (b))	<b>59,226</b>	<b>3</b>	50,588	3
Issue of shares upon exercise of bonus warrants (Note (d))	<b>295,957</b>	<b>15</b>	7,621,207	381
Issue of shares upon placement (Note (f))	<b>73,000,000</b>	<b>3,650</b>	—	—
<b>At end of the year</b>	<b>440,813,053</b>	<b>22,041</b>	367,457,870	18,373

*Notes:*

- (a)
  - (i) Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 3 July 2009, the authorized share capital of the Company was 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 at the extraordinary general meeting of the Company held on 11 February 2010, the authorized share capital of the Company was 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 2011 to subscribe for a total of 59,226 (2010: 50,588) shares in the Company by payment of subscription monies of approximately HK\$36,000 (2010: HK\$31,000), of which approximately HK\$3,000 (2010: HK\$3,000) was credited to share capital and the balance of approximately HK\$33,000 (2010: HK\$28,000) was credited to the share premium account.

- (c) Pursuant to the resolution passed at 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 at 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 1st Offer Shares issued and allotted by the Company under the 1st Open Offer, resulting in 89,905,500 bonus warrants having been issued.

During the year ended 31 March 2010, approximately 410,189 and 7,621,207 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.

During the year ended 31 March 2011, approximately 295,957 bonus warrants were exercised at a subscription price of HK\$0.45 per share, resulting in the issue of 295,957 ordinary shares of HK\$0.05 each. As at 31 March 2011, the Company had 9,961,969 bonus warrants outstanding. The exercise in full of such warrants would, under the capital structure of the Company at 31 March 2011, result in the issue of 9,961,969 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 were consolidated into one share of HK\$0.05 each in the share capital of the Company. 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.

(f) On 15 October 2010, the Company placed, through the placing agents, 73,000,000 ordinary shares of HK\$0.05 each in the share capital of the Company to not less than six placees at the placing price of HK\$0.42 per share.

#### **14. Contingent Liabilities**

- (a) During the year ended 31 March 2008, three libel actions were brought by a company and an individual (collectively the “Plaintiffs”) against the Group in respect of the publication of words alleged to be defamatory and concerning articles published on the Group’s website in 2007. The Plaintiffs sought, among other things, injunctive relief and unliquidated damages. The Directors are of the opinion that the Group has a meritorious defense against such claims and therefore filed defense on 13 November 2007 and 9 April 2008 against all three liberal actions consecutively. No further steps have been taken by the Plaintiffs since the filing of the defense. Accordingly, the Directors are of the opinion that these claims would not have any material adverse effect on the Group, and no provisions have been made in the financial statements in respect thereof.
- (b) Subsequent to the end of the reporting period, in June 2011, the Company received an amended writ of summons (“Amended Writ”) and a statement of claim (“Statement of Claim”) from two minority shareholders of a former subsidiary of the Company (the “Claimants”). Pursuant to the Amended Writ, it was claimed against the Company for, inter alia, damages for breach of the alleged share subscription agreements in 2007 between the Company and the Claimants and the alleged misrepresentation made through the Company’s former chairman and director, Dr. Yu Gang, George, plus interest and costs. The Claimants further alleged in the Statement of Claim, inter alia, that certain representations given by the Company in the above share subscription agreements were false and untrue or recklessly not caring whether they were true or false and there was breach of implied terms of the above share subscription agreements, and claimed against the Company for (i) damages to be assessed; (ii) interest; (iii) costs; and (iv) further or other relief. The Company is seeking advice on the Amended Writ and the Statement of Claim. Based on the preliminary advice of the legal adviser of the Company, the Directors are of the opinion that the Company has reasonable grounds to defend the claims by the Claimants. Therefore, no provisions have been made in the financial statements as of 31 March 2011.

## **15. Events after the Reporting Period**

### *(a) Share consolidation and open offer*

Pursuant to the ordinary resolution passed by the Company's shareholders at the extraordinary general meeting held on 19 May 2011, the Company's authorized share capital was increased from HK\$50,000,000 (divided into 1,000,000,000 shares of HK\$0.05 each), to HK\$150,000,000 (divided into 3,000,000,000 shares of HK\$0.05 each) by the creation of an additional 2,000,000,000 shares of HK\$0.05 each. On 20 May 2011, the Company implemented the share consolidation of every five issued and unissued share of HK\$0.05 each in the share capital of the Company into one consolidated share of HK\$0.25 each. On 8 June 2011, the Company completed the open offer on the basis of four offer shares for every one consolidated share, resulting in the issue of 352,655,104 shares of HK\$0.25 each at the subscription price of HK\$0.25 per offer share.

### *(b) Change of domicile*

Subsequent to the end of the reporting period, the Company redomiciled and continued in Bermuda as an exempted company with limited liability.

## **16. Extract from Independent Auditors' Report**

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### *Emphasis of matter*

We draw attention to Note 38 to the financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Company by two minority shareholders of a former subsidiary of the Company. Our opinion is not qualified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATIONS REVIEW**

To better execute the Group's internet, mobile and media sector ("IMM") growth strategy in the PRC and, at the same time, to strengthen the Group's business fundamentals in the existing business lines of financial information services and securities and futures business, the Group has enlarged its financial resources through the placing of new shares raising approximately HK\$30.7 million (before expenses) in October 2010 and the open offer of new shares in June 2011 raising approximately HK\$88.2 million (before expenses) so as to enable the Group to both invest in its existing business lines and to seize strategic business opportunities in the future through mergers and acquisitions.

The increasing competition, soaring operating and marketing costs have forced a number of consolidations and lay-offs in the online game industry in the PRC. The Group believed it is appropriate to re-deploy its financial resources to areas which may yield more promising returns and the Group sold all of its interests in the on-line game business to an independent third party in February 2011.

### **Financial Information Business**

During the fiscal year under review, changes in market and appetite of clients have supported the business model of the Group by providing one-stop shop solution to investors that includes transaction services in addition to pure data, news and analytics. The Group believed that the growing sophistication in today's information technology with powerful hedge funds, algo-trading technologies and cross-market arbitrage opportunities, the market would demand technologically advanced one-stop solution providers.

The Group has been carefully examining the ways to improve its competitive advantages and operational efficiency amid the deteriorating business environment. The Group is determined to improve and make changes in its information business. On one hand, the Group has continued to promote the brand name of Finet as a leading news provider and to expand its financial news distribution channels and introduced value-added services in press release, media monitoring and investor relations to its clients which so far have been appreciated by the market. On the other hand, the Group has been expanding its mobile distribution channels for financial content. The Group has been chosen as the exclusive daily financial e-magazine provider in 139-Mailbox operated by China Mobile in the Guangdong Province, the PRC, through a tender process. The services will be extended to other areas in the PRC. By leveraging China Mobile's massive user base, this will help the Group to tap into the PRC's lucrative business-to-consumer market that has been growing at astonishing speed.

The Group has been providing mobile solution to existing clients with encouraging results and has identified several mobile platform providers to distribute financial information in both the PRC and Hong Kong.

## **Securities and Futures Business**

The completion of acquisition of Finet Securities Limited was a significant step forward to achieve the business model of the Group to provide one-stop shop solutions that seamlessly embed transaction services with information services. The Group has been consolidating the securities and futures business segment and is taking steps to tap into margin financing and asset management business to fit into the one-stop shop solutions model.

## **FINANCIAL REVIEW**

Turnover from continuing operations of the Group for the year ended 31 March 2011 was approximately HK\$34,005,000 (2010: HK\$30,935,000), which represented an increase of approximately 9.9% as compared to the previous financial year. The net increase was primarily attributable to: (i) contribution from the securities and futures business of approximately HK\$5,674,000; and (ii) a decrease in financial services and advertising services of approximately HK\$2,604,000.

Other income and gains from continuing operations of the Group for the year ended 31 March 2011 was approximately HK\$13,845,000 (2010: HK\$2,016,000), the increase was mainly due to the fair value gain on investment properties approximately HK\$11,848,000.

Cost of sales from continuing operations of the Group for the year ended 31 March 2011 was approximately HK\$10,163,000 (2010: HK\$9,323,000), representing an increase of approximately 9.0% as compared to the previous financial year. The increase in the cost of sales was largely in line with the increase in turnover.

Selling and marketing expenses from continuing operations of the Group for the year ended 31 March 2011 was increased to approximately HK\$479,000 compared with approximately HK\$364,000 in 2010. The increase was mainly attributable to the increase in marketing and promotion efforts of financial information services business.

General and administrative expenses from continuing operations of the Group for the year ended 31 March 2011 was increased by approximately HK\$14,002,000 to approximately HK\$43,256,000 (2010: HK\$29,254,000). The net increase was primarily attributable to: (i) inclusion of expenses from the securities and futures business; and (ii) increase in legal and professional fees.

Other operating expenses from continuing operations of the Group for the year ended 31 March 2011 were approximately HK\$21,675,000 (2010: HK\$97,000), which mainly represented the goodwill impairment charge of approximately HK\$1,509,000 on the securities and futures business; impairment loss on amount due from a former Director of approximately HK\$4,661,000; impairment loss on amounts due from former subsidiaries of approximately HK\$8,995,000; and fair value loss on held for trading investments of approximately HK\$6,510,000.

Finance costs from continuing operations of the Group for the year ended 31 March 2011 were approximately HK\$227,000 (2010: HK\$210,000), which represented the interest charges on bank loans for the investment properties in the PRC and on the finance leases 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 under review (2010: Nil). Hong Kong profits tax of approximately HK\$49,000 was paid during the year ended 31 March 2010, for adjustment in respect of prior year. PRC income tax of approximately HK\$60,000 was paid during the year ended 31 March 2011 (2010: HK\$54,000) for the rental income from the investment properties of the Company in the PRC. The deferred tax of approximately HK\$6,870,000 was attributable to PRC deferred tax liabilities attributable to revaluation of investment properties in the PRC.

Loss shared by non-controlling interests, representing non-controlling interests' share of loss in the Group's online game business of the Group up to the effective date of disposal in February 2011, for the year ended 31 March 2011 was approximately HK\$1,717,000 (2010: HK\$12,667,000).

The audited consolidated loss attributable to owners of the Company for the year ended 31 March 2011 was approximately HK\$39,769,000 (2010: HK\$35,575,000).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 March 2011, the total assets of the Group increased by approximately HK\$9,954,000 to approximately HK\$106,716,000 as compared to approximately HK\$96,762,000 as at the end of the previous financial year, representing an increase of approximately 10%.

As at 31 March 2011, the total liabilities of the Group increased by approximately HK\$22,714,000 to approximately HK\$35,468,000 as compared to approximately HK\$12,754,000 as at the end of the previous financial year, representing an increase of approximately 178%.

As at 31 March 2011, the total equity of the Group decreased by approximately HK\$12,760,000 to approximately HK\$71,248,000 as compared to approximately HK\$84,008,000 as at the end of the previous financial year, representing a decrease of approximately 15%.

## **GEARING RATIO**

As at 31 March 2011, the Group's gearing ratio was approximately 4% (2010: 4%), based on total borrowings of approximately HK\$3,285,000 (2010: HK\$3,713,000) and total equity of the Group of approximately HK\$71,248,000 (2010: HK\$84,008,000).



## **SIGNIFICANT INVESTMENTS HELD**

As at 31 March 2011, the Group held available-for-sale financial assets of approximately HK\$484,000 (2010: HK\$268,000) and held for trading investments of approximately HK\$30,879,000 (2010: nil).

## **ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Details of acquisition and disposal of subsidiaries during the year ended 31 March 2011 are set out in the financial statements in the annual report to be despatched to the shareholder of the Company.

## **CHARGES OF ASSETS**

As at 31 March 2011, the investment properties and the property, plant and equipment with an aggregate carrying value of approximately HK\$25,848,000 and approximately HK\$1,159,000 respectively (2010: HK\$14,000,000 and HK\$1,040,000 respectively) were pledged as security for the borrowing facilities of the Group.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES**

The Group holds buildings in Renminbi (“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 113 (2010: 186) full-time employees in Hong Kong and the PRC as at 31 March 2011.

During the year, the Group incurred total staff costs from continuing operations (including Directors’ emoluments) of approximately HK\$17,422,000 (2010: HK\$14,706,000).

Employees’ remuneration are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, discretionary bonus or other incentives are offered to employees to reward their performance and contributions.

The emoluments of the Directors are decided by their individual performance, their responsibilities and the current market rate.

The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe the shares of the Company.

## **AUDIT COMMITTEE**

The audit committee of the Board (“Audit Committee”) comprises the three independent non-executive Directors, namely Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung. The Audit Committee has reviewed and discussed with the Company’s management the annual results of the Group for the year ended 31 March 2011.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares during the year ended 31 March 2011.

## **CORPORATE GOVERNANCE PRACTICE**

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 to the GEM Listing Rules during the year ended 31 March 2011, except for the following deviations:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be the same individual.

During the year ended 31 March 2011, the roles of chairman and chief executive officer were performed by the same individual, Dr. Yu Gang, George, up to 30 September 2010 when Dr. Yu Gang, George retired as a Director. Dr. Lam Lee G., a former independent non-executive Director, was appointed as the chairman of the Company on 30 September 2010 and resigned on 25 January 2011. Ms. Lo Yuk Yee was appointed as the chairman of the Company on 25 January 2011. Mr. Lum Chor Wah, Richard was appointed as an executive Director and chief executive officer of the Company on 30 September 2010 until 28 June 2011.

As such, the Company did not comply with Code provision A.2.1 of the CG Code for the period from 1 April 2010 to 30 September 2010 during the year ended 31 March 2011.

The current Board is not in the position to advise the considered reason for such deviation mentioned above.

## PROSPECT

It is believed that the Group's years of efforts to build its business fundamentals and acquire appropriate companies in the burgeoning IMM sectors have allowed the Group to capitalize on the ferocious growth of the mainstream PRC 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 including (i) the penetration of 3G services in the PRC; (ii) the growing prevalence of mobile internet combined with massive mobile user base in the PRC; (iii) the success of online application business model; (iv) the plan of converging IMM sectors in the PRC and the increasing integration between Hong Kong's and the PRC's financial markets and the internationalization of the RMB.

By order of the Board  
**Finet Group Limited**  
**Lo Yuk Yee**  
*Chairman*

Hong Kong, 28 June 2011

*As at the date of this announcement, the executive Directors are Ms. Lo Yuk Yee, Mr. Chow Wing Chau and Mr. Yiu Wing Hei, and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading or deceptive.*

*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](http://www.finet.hk).*