



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2013

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 higher 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 report 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 in this announcement misleading.

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$6,898,000 for the three months ended 30 June 2013, representing a decrease of approximately 2% from approximately HK\$7,066,000 (as restated) for the same period in 2012.
- The Group's unaudited consolidated profit attributable to the owners of the Company for the three months ended 30 June 2013 was approximately HK\$73,000.
- The Board does not recommend the payment of dividend for the three months ended 30 June 2013.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months ended 30 June 2013, together with the comparative unaudited figures for the corresponding period in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2013

		For the three months ended 30 June	
	Notes	2013 HK\$'000	2012 HK\$'000 (restated)
Revenue	2	6,898	7,066
Cost of sales		<u>(1,833)</u>	<u>(2,390)</u>
Gross profit		5,065	4,676
Other income and gains	2	6,032	966
Selling and marketing expenses		(117)	(90)
General and administrative expenses		(11,219)	(10,548)
Finance costs		<u>(164)</u>	<u>(184)</u>
Loss before income tax		(403)	(5,180)
Income tax expense	3	<u>(37)</u>	<u>(76)</u>
Loss for the period		<u>(440)</u>	<u>(5,256)</u>
Profit/(Loss) attributable to:			
Owners of the Company		73	(5,256)
Non-controlling interests		<u>(513)</u>	<u>—</u>
		<u>(440)</u>	<u>(5,256)</u>
Other comprehensive income:			
Fair value gain/(loss) on available-for-sale financial assets		93	(22)
Currency translation differences		<u>(8)</u>	<u>19</u>
Other comprehensive income for the period		<u>85</u>	<u>(3)</u>
Total comprehensive income for the period		<u>(355)</u>	<u>(5,259)</u>
Total comprehensive income attributable to:			
Owners of the Company		158	(5,259)
Non-controlling interests		<u>(513)</u>	<u>—</u>
		<u>(355)</u>	<u>(5,259)</u>
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
— Basic and diluted (<i>in HK cent</i>)	5	<u>0.02</u>	<u>(1.2)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 March 2013.

2. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue and other income and gains recognised during the period are as follows:

	For the three months ended 30 June	
	2013 HK\$'000	2012 HK\$'000 (restated)
Revenue		
Service income from provision of financial information services	4,937	5,069
Advertising income	265	670
Brokerage commission and service income	2	129
Loan interest income	965	480
Rental income from investment properties	729	718
	<hr/>	<hr/>
	6,898	7,066
Other income and gains		
Dividend income	89	433
Fair value gain on held for trading investments	5,942	—
Exchange gains	—	26
Management fee income	—	453
Interest income	1	8
Others	—	46
	<hr/>	<hr/>
	6,032	966
Total	<hr/> 12,930 <hr/>	<hr/> 8,032 <hr/>

3. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, was exempted from payment of Cayman Islands income tax. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 16 June 2011. Accordingly, the Company is now exempted from payment of Bermuda income tax. The Company's subsidiaries established in the British Virgin Islands are exempted from payment of the British Virgin Islands income tax.

No Hong Kong profits tax has been provided for the three months ended 30 June 2013 (2012: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The People's Republic of China ("PRC") income tax of approximately HK\$37,000 was paid during the three months ended 30 June 2013 (2012: HK\$76,000) for the net rental income from the investment properties of the Company in the PRC.

4. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2013 (2012: Nil).

5. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company for the three months ended 30 June 2013 of approximately HK\$73,000 (2012: HK\$5,256,000 loss) by the number of 440,818,880 (2012: 440,818,880) ordinary shares in issue during the period.

(b) Diluted

The computation of diluted earnings/(loss) per share for the three months ended 30 June 2013 and 2012 did not assume the exercise of the Company's share options and warrants outstanding during the period ended 30 June 2013 and 2012 since they are anti-dilutive.

6. RESERVES

	Reserves												Total equity
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total reserves	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	4,408	223,509	4,870	536	—	(319)	9,989	(1,220)	1,763	(105,751)	133,377	—	137,785
Loss for the period	—	—	—	—	—	—	—	—	—	(5,256)	(5,256)	—	(5,256)
Other comprehensive income													
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	—	(22)	—	—	(22)	—	(22)
Currency translation difference	—	—	—	—	—	19	—	—	—	—	19	—	19
Total other comprehensive income	—	—	—	—	—	19	—	(22)	—	—	(3)	—	(3)
Total comprehensive income	—	—	—	—	—	19	—	(22)	—	(5,256)	(5,259)	—	(5,259)
At 30 June 2012	<u>4,408</u>	<u>223,509</u>	<u>4,870</u>	<u>536</u>	<u>—</u>	<u>(300)</u>	<u>9,989</u>	<u>(1,242)</u>	<u>1,763</u>	<u>(111,007)</u>	<u>128,118</u>	<u>—</u>	<u>132,526</u>
At 1 April 2013	4,408	223,509	4,870	752	1,776	7	9,989	(1,299)	1,763	(78,570)	162,797	772	167,977
Profit/(Loss) for the period	—	—	—	—	—	—	—	—	—	73	73	(513)	(440)
Other comprehensive income													
Fair value gain on available-for-sale financial assets	—	—	—	—	—	—	—	93	—	—	93	—	93
Currency translation difference	—	—	—	—	—	(8)	—	—	—	—	(8)	—	(8)
Total other comprehensive income	—	—	—	—	—	(8)	—	93	—	—	85	—	85
Total comprehensive income	—	—	—	—	—	(8)	—	93	—	73	158	(513)	(355)
Employee share-based compensation	—	—	—	29	—	—	—	—	—	—	29	—	29
At 30 June 2013	<u>4,408</u>	<u>223,509</u>	<u>4,870</u>	<u>781</u>	<u>1,776</u>	<u>(1)</u>	<u>9,989</u>	<u>(1,206)</u>	<u>1,763</u>	<u>(78,497)</u>	<u>162,984</u>	<u>259</u>	<u>167,651</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued its Internet, Mobile and Media growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. The broadness and depth of programmes offered by FinTV continued to grow during the period. A studio was launched in Admiralty in June 2012 and further enhancement of the studio in terms of capacity and capability is being planned. The Group believes that the FinTV will be one of the major driver for future growth in business. To broaden its revenue bases and to better utilize its resources, the Group taps on the property investment and money lending business with satisfactory results.

Media Business

The Group mainly conducted its media business through the establishment of Xin Dai TV Limited together with a number of subsidiaries (“Xian Dai”). In addition to the production and distribution of programmes through the branding “FinTV”, Xian Dai also engaged in financial public relationship and creative advertising.

Property Investment Business

The investment properties in Hong Kong and in the PRC continued to provide stable income and positive contribution to the financial results of the Group.

Money Lending Business

In order to diversify the Group’s business, the Group commenced money lending business in May 2012 through a wholly-owned subsidiary, Finet Finance Limited.

Financial Information Service Business

With the rapidly changing business environments in Hong Kong and the PRC together with the high requirement of the investors, the Group has continued to provide investors with one-stop shop solution that includes transaction services in addition to pure data, news and analytics.

The Group has been carefully examining the ways to improve its competitive advantages and operational efficiency amid the deteriorating business environment. The Group has continued to promote the brand name of Finet as a leading financial news provider, expand its financial news distribution channels and introduce value-added services in press release, media monitoring and investor relations to its clients, which so far have been appreciated by the market. Besides, the Group has been expanding its mobile distribution channels for financial content.

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

With the volatile situation of stock markets and keen competition, the revenue generated from securities and futures business continued to decrease and in order to re-focus its financial resources and management effort to more promising business the Group entered into a conditional sale and purchase agreement on 3 June 2013 to dispose the entire equity interest in Finet Securities Limited, the major operating arm of the Group in securities and futures business.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$6,898,000 for the three months ended 30 June 2013, representing a decrease of approximately 2% from approximately HK\$7,066,000 (as restated) for the same period in 2012.

During the three months ended 30 June 2013, the Group recorded cost of sales amounting to approximately HK\$1,833,000, representing an decrease of 23% to the same period in 2012, as a result of cost savings effort.

General and administrative expenses of the Group for the three months ended 30 June 2013 was increased by approximately 6% to approximately HK\$11,219,000 (2012: HK\$10,548,000 as restated), in line with inclusion of new business.

The Group's unaudited consolidated profit attributable to the owners of the Company for the three months ended 30 June 2013 was approximately HK\$73,000 (2012: loss of HK\$5,256,000). The Group recorded a fair value gain of HK\$5,942,000 on held for trading investments for the three months ended 30 June 2013 (2012: HK\$324,000 loss).

LEGAL ACTION AGAINST A FORMER CHAIRMAN AND DIRECTOR OF THE COMPANY

On 3 December 2012 and further to the statement of claim against Yu Gang, George ("YU"), a former chairman and director of the Company, issued on 14 June 2012, the Group issued an amended statement of claim against YU for breaches of the fiduciary duties during his directorship: (i) without any or any proper authorization, YU embezzled a total sum of RMB3,238,015.30 from the Company in relation to the unauthorized and unlawful remittances made to YU's personal bank account, purportedly for settlement of expenses for certain PRC subsidiaries of the Group; and (ii) unlawfully caused the transfer from the PRC subsidiary to his own bank account, a total sum of RMB721,000, which was meant to be paid to that subsidiary by a client of that subsidiary. The Company claims for: (i) repayment of RMB3,238,015.30 and RMB721,000; (ii) account to the Company for all profits made or benefits received; (iii) damages; (iv) interest; (v) costs; and (vi) further or other relief.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company and its associated corporations

Name of Director	Name of Group member/ associated corporations	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue (Note 2)
		Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Director:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	—	278,439,784 (Note 1)	—	—	278,439,784	63.16%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") (Note 1)	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") (Note 1)	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%
Mr. Chow Wing Chau ("Mr. CHOW")	The Company	—	—	500,000	—	500,000	0.11%
Mr. Yiu Wing Hei ("Mr. YIU")	The Company	—	—	500,000	—	500,000	0.11%

Notes:

- 278,439,784 ordinary shares of HK\$0.01 each were held by Maxx Capital which was wholly-owned by Pablos, and Pablos was wholly owned by Ms. LO. Accordingly, Pablos and Ms. LO were deemed by virtue of the SFO to be interested in 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital.
- As at 30 June 2013, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES OF THE COMPANY

As at 30 June 2013, so far as the Directors are aware, persons other than Directors or chief executives of the Company who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of substantial shareholder	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue (Note 2)
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Substantial shareholders:						
Maxx Capital (Note 1)	278,439,784	—	—	—	278,439,784	63.16%
Pablos (Note 1)	—	278,439,784	—	—	278,439,784	63.16%

Notes:

- 278,439,784 ordinary shares of HK\$0.01 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly-owned by Ms. LO. Accordingly, Pablos and Ms. LO were deemed by virtue of the SFO to be interested in 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 30 June 2013, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 16 December 2004 (with its mandate limit refreshed at the annual general meeting of the Company held on 18 August 2011) for the period ended 30 June 2013 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			
			Balance as at 1 April 2013	Granted during the period	Lapsed during the period	Balance as at 30 June 2013
Executive Directors:						
Mr. CHOW	30 September 2011	HK\$0.49	500,000	—	—	500,000
Mr. YIU	30 September 2011	HK\$0.49	500,000	—	—	500,000
Employees	30 September 2011	HK\$0.49	2,000,000	—	—	2,000,000
Total			<u>3,000,000</u>	<u>—</u>	<u>—</u>	<u>3,000,000</u>

Validity period: The share options are exercisable for a period of two years commencing from the end of the respective vesting period in the manner as stated below.

Vesting period:

6 months after 30 September 2011:	750,000
12 months after 30 September 2011:	750,000
18 months after 30 September 2011:	750,000
24 months after 30 September 2011:	750,000

OUTSTANDING UNLISTED WARRANTS

As at 30 June 2013, the Company has outstanding warrants conferring the right to subscribe up to HK\$35,441,124 in aggregate for the shares of the Company. The issue price of each such warrant was HK\$0.02 and each of such warrants entitle the holder thereof to subscribe in cash for one ordinary share of HK\$0.01 each in the capital of the Company at an initial subscription price of HK\$0.402 per ordinary share of the Company, subject to adjustment at any time for the period commencing on 30 January 2012 to 4:00 p.m. (Hong Kong time) on 29 January 2017 (or if it is not a business day, the business day immediately preceding such day). The exercise in full of the subscription rights attaching to the outstanding warrants as at 30 June 2013 will result in the issue of 88,162,000 ordinary shares of the Company.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 30 June 2013, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 30 June 2013.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee of the Company comprises three members who are independent non-executive directors, namely, Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung with Mr. WONG Wai Kin as the chairman thereof.

The principal duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the three months ended 30 June 2013 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30 June 2013.

By Order of the Board
LO Yuk Yee
Chairman

Hong Kong, 9 August 2013

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 of the Company 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 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 or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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