



財華

Finet Group Limited
財華社集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2004

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Finet Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Finet Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS HIGHLIGHT

- The Company's shares have been listed on the GEM of the Stock Exchange since 7 January 2005.
- The Group reported a turnover of approximately HK\$15,745,000 for the nine months ended 31 December 2004, representing an increase of 17.48% from approximately HK\$13,402,000 of last corresponding period in 2003.
- The Group's unaudited consolidated profit attributable to shareholders for the nine months ended 31 December 2004 was approximately HK\$1,121,000, representing an increase of 10.88% from approximately HK\$1,011,000 of last corresponding period in 2003.
- The board of directors does not recommend the payment of dividend for the nine months ended 31 December 2004.

THIRD QUARTERLY RESULTS FOR 2004

The board of directors of Finet Group Limited (the "Company") are pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2004 as follows:

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	3	5,420	5,102	15,745	13,402
Cost of sales		(1,597)	(1,321)	(4,287)	(3,371)
		3,823	3,781	11,458	10,031
Other revenue	3	-	-	1	1
Selling expenses		(102)	(150)	(445)	(450)
General and administrative expenses		(3,326)	(2,881)	(9,893)	(8,571)
Profit before taxation		395	750	1,121	1,011
Taxation	4	-	-	-	-
Profit attributable to shareholders		395	750	1,121	1,011
Dividend	5	-	-	-	-
Earnings per share – Basic	6	HK0.15 cents	HK0.29 cents	HK0.43 cents	HK0.39 cents

NOTES TO THE ACCOUNTS

1. Company information

The Company was incorporated in the Cayman Islands with limited liability on 24 June 2002. Its shares have been listed on the GEM of the Stock Exchange since 7 January 2005.

2. Basis of preparation of the accounts

The unaudited financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The unaudited financial statements have been reviewed by the audit committee in accordance with rule 5.30 of the GEM Listing Rules.

3. Turnover and revenue

Turnover comprises (i) service income from on-line content information provision, related technical services, and Internet solutions services, (ii) income from advertisement on website, and (iii) the net invoice value of merchandise sold after allowances for returns and discounts.

Analysis of turnover and revenue is as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Service income	5,262	4,857	15,270	12,804
Advertising income	154	132	389	475
Sales of merchandise and others	4	113	86	123
	<u>5,420</u>	<u>5,102</u>	<u>15,745</u>	<u>13,402</u>
Total turnover				
Interest income	—	—	1	1
	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>
Total revenue	<u>5,420</u>	<u>5,102</u>	<u>15,746</u>	<u>13,403</u>

4. Taxation

The Company was incorporated in Cayman Islands as an exempted company and, accordingly, is exempted from payment of Cayman Islands income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax.

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits after offsetting the accumulated tax losses for the nine months ended 31 December 2004 (nine months ended 31 December 2003: Nil).

No provision for Mainland China income tax has been made for the Company's subsidiary established in Mainland China as there is no estimated assessable profits for the nine months ended 31 December 2004 (nine months ended 31 December 2003: Nil).

5. Dividend

The board of directors does not recommend the payment of dividend for the nine months ended 31 December 2004 (2003: Nil).

6. Earnings per share

The calculation of the basic earnings per share is based on the Group's unaudited profit attributable to shareholders of approximately HK\$395,000 for the three months ended 31 December 2004 (2003: HK\$750,000) and unaudited profit attributable to shareholders of approximately HK\$1,121,000 for the nine months ended 31 December 2004 (2003: HK\$1,011,000) and on the weighted average number of 260,650,000 shares (2003: 260,650,000 shares) in issue during the relevant periods respectively.

7. Movement of Reserves

	Share capital	Share premium	Share issuance costs	Merger reserve	Accumulated deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2004	2,607	61,513	(3,845)	4,870	(61,086)	4,059
Share issuance cost	–	–	(2,017)	–	–	(2,017)
Net profit for the period	–	–	–	–	1,121	1,121
As at 31 December 2004	<u>2,607</u>	<u>61,513</u>	<u>(5,862)</u>	<u>4,870</u>	<u>(59,965)</u>	<u>3,163</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group has been a technology-based financial information provider engaging in the development, production and provision of financial information services and technology solutions to corporate clients and retail investors. Developed based on Internet technologies, the Group's products and services have been used by financial institutions including major banks and brokers in Hong Kong for real-time financial data transmission, financial content management and financial information solutions to help online securities trading and investment decision making. The Group's products and services can be categorized into three types: FITS for corporate customers, Finet PowerStation for institutional investors and Finet Web Products for retail investors.

Following the commitment by the PRC government to further develop and utilise capital markets to privatise state-owned enterprises, and with the anticipated deregulation of the financial markets and the financial information provision in the PRC subsequent to the accession of the PRC into the WTO, the Group has identified Mainland China as the market for the next phase of its business expansion, while at the same time focusing on improving the operations results outside Mainland China.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$15,745,000 for the nine months ended 31 December 2004, representing an increase of 17.48% from approximately HK\$13,402,000 of last corresponding period in 2003. The unaudited consolidated profit attributable to shareholders for the nine months ended 31 December 2004 was approximately HK\$1,121,000, representing an increase of 10.88% from approximately HK\$1,011,000 of last corresponding period in 2003.

During the nine months ended 31 December 2004, the Group recorded cost of sales amounted to approximately HK\$4,287,000, representing an increase of 27.17% from the same period in 2003, was in line with the increase in the turnover for the same period.

During the nine months ended 31 December 2004, the Group recorded general and administrative expenses amounted to approximately HK\$9,893,000, representing an increase of 15.42% from the same period in 2003, which was mainly resulted from the increase in the headcount of the Group. The directors consider that the increase in the headcount of the Group would be necessary for the Group to continue to maintain its services and commit its future expansion plan and business development.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 31 December 2004, the interests and short positions of the directors and the chief executives 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") which are required a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Aggregate long positions in the shares of the Company or any of its associated corporations

Name of directors	Name of company	Capacity	Nature of interests	Notes	Number of shares interested	Approximate percentage of shares interested
Dr. Yu Gang, George	Company	Interest of controlled corporation	Corporate	(1)	260,650,000	100%
Dr. Yu Gang, George	Finet International Holdings Limited ("FIHL")	Interest of controlled corporation	Corporate	(2)	3,900,000 Series A common shares	59.85%
Dr. Yu Gang, George	Opulent Oriental International Limited ("Opulent")	Beneficial owner	Corporate	(1) and (2)	75	75%
Mr. Au Siu Lun, Allen	Finet International Holdings Limited ("FIHL")	Beneficial owner	Corporate	(3)	268,125 Series A common shares	4.11%

Notes:

1. Dr. Yu Gang, George holds 75 shares in Opulent. Opulent is interested in 59.85% in FIHL, which in turn was formerly interested in 100% in the then issued share capital of the Company before listing. By virtue of the SFO, Dr Yu Gang, George is deemed to be interested in 260,650,000 shares through his shareholding in Opulent.
2. Opulent is interested in 59.85% in FIHL, which in turn was formerly interested in 100% in the issued then share capital of the Company before listing. By virtue of the SFO, each of FIHL and Opulent is deemed to be an associated corporation of the Company. Dr. Yu Gang, George is therefore deemed to be interested in 3,900,000 Series A common shares in FIHL through his shareholding in Opulent.
3. Mr. Au Siu Lun, Allen is interested in 4.11% in FIHL, which in turn was formerly interested in 100% in the then issued share capital of the Company before listing. By virtue of the SFO, Mr. Au Siu Lun is deemed to be interested in 260,650,000 shares through his shareholding in FIHL.

(ii) Aggregate long positions in the underlying shares of the Company or any of its associated corporations

Name of directors	Name of company	Capacity	Nature of interests	Notes	Number of shares interested	Approximate percentage of shares interested
Dr. Yu Gang, George	Company	Beneficial owner	Personal	(4)	27,726,000	10.64%
Mr. Au Siu Lun, Allen	Company	Beneficial owner	Personal	(4)	3,800,000	1.46%

Notes:

4. Dr. Yu Gang, George and Au Siu Lun, Allen have been granted options to subscribe for 27,726,000 shares and 3,800,000 shares respectively under the Pre-IPO Share Option Scheme. Such options were granted on 21 September 2004 and will vest (i) 12 months after the listing date in respect of 30% of the options granted; (ii) 24 months after the listing date in respect of the next 30% of the options granted; and (iii) 36 months after the listing date in respect of the remaining 40% of the options granted. The options so granted may be exercised up to 20th September, 2014 at the exercise price of HK\$0.15 per share.

Save as disclosed above, as at 31 December 2004, none of the directors or chief executive of the Company will have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, so far as the directors are aware, the persons (other than directors or chief executive of the Company) will have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, be recorded in the register of the Company or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group will be as follows:

Name	Capacity	<i>Notes</i>	Number of shares interested	Approximate percentage of shares interested
FIHL	Beneficial owner	(1)	260,650,000	100%
Opulent	Interest of controlled corporation	(2)	260,650,000	100%

Notes:

- 260,650,000 shares are held by FIHL, a subsidiary of Opulent. Its interests are therefore duplicated in the interests of Opulent in the Company described in Note 2 below.
- Opulent is deemed to be interested in 260,650,000 shares referred to in Note 1 above by virtue of its 59.85% interest in FIHL.

Save as disclosed above, the directors are not aware of any person (other than directors or chief executive of the Company) who, as at 31 December 2004, has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be recorded in the register required to be kept under Section 336 of the SFO, or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DETAILS OF OUTSTANDING OPTIONS GRANTED

As at 31 December 2004, options to subscribe for an aggregate of 74,076,000 underlying shares granted by the Company under the Pre-IPO Share Option Scheme adopted on 21 September 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 31 December 2004 are as follows:

Categories of grantees	Total no. of grantees	No. of underlying shares to be issued upon exercise of the Pre-IPO Share Options	Exercise price per share	Pre-IPO Share Option duration
Directors of the Company	2	31,526,000	HK\$0.15	21 September 2004 to 20 September 2014
Employees	41	42,550,000	HK\$0.15	21 September 2004 to 20 September 2014
	43	74,076,000		

As at 31 December 2004, there was no outstanding option granted by the Company under the Share Option Scheme adopted on 16 December 2004.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significant in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the nine months ended 31 December 2004 or at any time during such period.

SPONSOR'S INTERESTS

As at 31 December 2004, the Company's sponsor, Hantec Capital Limited ("Hantec"), its directors, employees or associates did not have any interest in the shares of the Company, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company.

Pursuant to the sponsor's agreement dated 30 December 2004 entered into between the Company and Hantec, Hantec will receive a fee for acting as the Company's retained sponsor for the period from 7 January 2005 to 31 March 2007.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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 competes with the business of the Group or has any other conflict of interests with the Group during the nine months ended 31 December 2004.

AUDIT COMMITTEE

The Company's audit committee was formed on 21 September 2004 and is currently comprised of the independent non-executive directors of the Company, Mr. Wu Tak Lung, Dr. Lam Lee G., and Mr. Ng Ching Wo, with Mr. Wu Tak Lung being appointed as the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the Group's internal control system.

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 nine months ended 31 December 2004.

DIRECTORS OF THE COMPANY

As at the date of this report, executive directors of the Company are Dr. Yu Gang, George and Mr. Au Siu Lun, Allen and the non-executive director is Dr. Kwan Pun Fong, Vincent, and the independent non-executive directors are Dr. Lam Lee G., Mr. Ng Ching Wo and Mr. Wu Tak Lung.

By order of the Board
YU GANG GEORGE
Chairman

Hong Kong, 14 February 2005