



財華社
FINET

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08317)

Third Quarterly Report 2008/2009



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

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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 (“Directors”) 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 HIGHLIGHTS

- The Group reported a turnover of approximately HK\$27,152,000 for the nine months ended 31st December, 2008, representing a decrease of 8% from approximately HK\$29,636,000 for the same period in 2007.
- The Group's unaudited consolidated profit attributable to equity holders of the Company for the nine months ended 31st December, 2008 was approximately HK\$3,403,000.
- The board of Directors does not recommend the payment of a dividend for the nine months ended 31st December, 2008.

The board of Directors (the "Board") of Finet Group Limited (the "Company") is pleased to present the unaudited results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st December, 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31st December, 2008

	Notes	For the three months ended 31st December,		For the nine months ended 31st December,	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	2	9,863	10,417	27,152	29,636
Cost of sales		(2,712)	(2,936)	(7,773)	(8,485)
Gross profit		7,151	7,481	19,379	21,151
Other operating income	2	541	1,444	2,068	2,082
Development costs		(1,558)	(1,912)	(4,989)	(4,705)
Selling expenses		(2,083)	(2,862)	(3,575)	(5,322)
General and administrative expenses		(11,725)	(11,666)	(34,668)	(27,432)
Other operating expenses		(38)	(214)	(159)	(1,014)
Operating loss		(7,712)	(7,729)	(21,944)	(15,240)
Finance costs		(192)	(263)	(278)	(586)
Loss before income tax		(7,904)	(7,992)	(22,222)	(15,826)
Gain on disposal of interest in a subsidiary		-	9,079	27,537	25,223
Loss on disposal of an associate		(56)	-	(56)	-
Share of loss of an associate		-	(111)	(5)	(111)
Income tax expenses	3	-	-	-	-
(Loss)/Profit for the period		<u>(7,960)</u>	<u>976</u>	<u>5,254</u>	<u>9,286</u>
Attributable to:					
Equity holders of the Company		(7,341)	969	3,403	10,515
Minority interests		(619)	7	1,851	(1,229)
		<u>(7,960)</u>	<u>976</u>	<u>5,254</u>	<u>9,286</u>
(Loss)/Earnings per share attributable to the equity holders of the Company					
- Basic (in HK cent)	5(a)	<u>(1.225)</u>	<u>0.164</u>	<u>0.568</u>	<u>1.906</u>
- Diluted (in HK cent)	5(b)	<u>N/A</u>	<u>0.158</u>	<u>0.552</u>	<u>1.829</u>

NOTES TO THE ACCOUNTS

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 accounts for the year ended 31st March, 2008.

The unaudited consolidated results for the three months and nine months ended 31st December, 2008 have been reviewed by the audit committee.

2. Revenue and other operating income

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

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue				
Service income from provision of financial information services	7,470	8,597	23,640	25,137
Advertising income	312	880	1,120	1,569
Online games income	2,081	940	2,392	2,930
	9,863	10,417	27,152	29,636
Other operating income				
Fair value gain/(loss) on financial assets/ liabilities at fair value through profit or loss	(32)	625	166	722
Gross rental income from investment property	401	–	1,142	–
Commission income	–	106	–	318
Interest income	4	269	14	598
Management fee income	168	444	356	444
Sundry income	–	–	390	–
	541	1,444	2,068	2,082
Total incomes	10,404	11,861	29,220	31,718

3. Income Tax Expenses

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, were 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. The Company's subsidiary established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

No Hong Kong profits tax has been provided for the nine months ended 31st December, 2008 as the Group had no assessable profits arising in Hong Kong for the period (2007: nil).

No income tax was provided for the nine months ended 31st December, 2008 (2007: nil) for the subsidiaries of the Company established in the People's Republic of China as the subsidiaries had no assessable profits for the nine months ended 31st December, 2008.

4. Dividend

The Board does not recommend the payment of a dividend for the nine months ended 31st December, 2008 (2007: nil).

5. (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss) and profit attributable to equity holders of the Company for the three months and nine months ended 31st December, 2008 approximately of (HK\$7,341,000) and HK\$3,403,000 respectively (three months and nine months ended 31st December, 2007 profit attributable to equity holders approximately of HK\$969,000 and HK\$10,515,000 respectively), and on the weighted average number of 590,347,745 and 599,347,745 ordinary shares in issue during the three months and nine months ended 31st December, 2008 respectively (three months and nine months ended 31st December, 2007: 590,880,652 and 551,629,255 respectively).

(b) Diluted (loss)/earning per share

Diluted loss per share for the three months ended 31st December, 2008 have not been disclosed as the share options outstanding have an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the nine months ended 31st December, 2008 is based on the weighted average number of 599,347,745 ordinary shares in issue plus the 17,266,296 ordinary shares deemed to be issued during the nine months ended 31st December, 2008 if all the outstanding potential ordinary shares were exercised.

The calculation of diluted earnings per share for the three months and nine months ended 31st December, 2007 is based on the weighted average number of 590,880,652 and 551,629,255 ordinary shares in issue plus the 22,527,841 and 23,130,033 ordinary shares deemed to be issued during the three months and nine months ended 31st December, 2007 if all the outstanding potential ordinary shares were exercised.

6. Movement of Reserves

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	5,279	98,286	4,870	4,390	141	6,747	500	(65,071)	49,863	95	55,237
Fair value loss:											
- Available-for-sale financial assets	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Issue of shares under the placing agreement	461	30,515	-	-	-	-	-	-	30,515	-	30,976
Issue of shares under the share option scheme	208	3,024	-	-	-	-	-	-	3,024	-	3,232
Vested share options lapsed	-	-	-	(146)	-	-	-	146	-	-	-
Employee share-based compensation	-	-	-	2,123	-	-	-	-	2,123	-	2,123
Exercise of share options	-	1,762	-	(1,762)	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	862	-	-	-	862	106	968
Disposals of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,849)	(1,849)
Profit/(Loss) for the period	-	-	-	-	-	-	-	10,515	10,515	(1,229)	9,286
At 31st December, 2007	5,948	133,587	4,870	4,605	1,003	6,747	-	(54,410)	96,402	(2,877)	99,473
At 1st April, 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933
Fair value loss:											
- Available-for-sale financial assets	-	-	-	-	-	-	(68)	-	(68)	-	(68)
Issue of shares under the share option scheme	16	213	-	-	-	-	-	-	213	-	229
Employee share-based compensation	-	-	-	977	-	-	-	-	977	-	977
Exercise of share options	-	54	-	(54)	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	239	-	-	-	239	(22)	217
Disposals of interest in subsidiaries	-	-	-	-	(245)	-	-	3,113	2,868	324	3,192
Profit for the period	-	-	-	-	-	-	-	3,403	3,403	1,851	5,254
At 31st December, 2008	5,994	134,436	4,870	5,598	1,837	9,989	(635)	(52,833)	103,262	14,478	123,734

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

During this quarter, the Group witnessed one of the worst market sell-offs worldwide, led by a sharp deterioration of market conditions and slowdown in economic activities. Despite chaotic market conditions following the collapse of Lehman Brothers in September 2008, the Group continued to focus its two business lines in Greater China for the three months ended 31st December, 2008: financial information services in Greater China, mainly through sales to corporations and financial institutions and launching the Group's self-developed online games in Mainland China.

With the relatively counter-cyclical nature of the online game industry in China, the Group's online game business, China Game, continued to build momentum in the third quarter of 2008/2009. On 16th December, "Warage" unveiled its official version with a significant upgrade of its virtual items and equipments and the addition of two large-scale systems, leading to a breakthrough of both user spending and user number in the game. China Game also began to increase its operation and marketing partners across the nation to jointly operate "Warage" in different regions.

In the third quarter, China Game made two major initiatives to continue its strategic focus on self-development and strengthening its product pipeline. In mid-November, China Game made the first alpha-testing of its second game, "Swordsman-Plus", another self-developed 3D MMORPG that is based on a well-established martial arts story line. China Game also decided to set up a team to venture into the web game business, which is expected to be commercialized in six months' time. However, given the increasing competition in China's online games industry including higher labor costs and higher marketing costs, China Game is increasingly under threat to compete with established industry heavyweights with strong funding and games already in operations.

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

The Group's financial information business will certainly be negatively affected as long as global market conditions remain adverse. Despite the tremendous stimulus efforts by governments worldwide, we believe market conditions will be difficult for the next few quarters or even for the next few years, and that will likely result in industry shakeout and market opportunities. Because of that, the Group has examined the ways to reduce costs and improve operational efficiency in the deteriorating business environment. The Group is also reviewing its existing business strategies compared to the latest industry developments, and plans new initiatives to enhance the Group's business scope, value-added product lines and financial positions to create shareholder value.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$27,152,000 for the nine months ended 31st December, 2008, representing a decrease of 8% from approximately HK\$29,636,000 for the same period in 2007.

During the nine months ended 31st December, 2008, the Group recorded cost of sales amounting to approximately HK\$7,773,000, representing a decrease of 8% from the same period in 2007.

Development costs of the Group for the nine months ended 31st December, 2008 was approximately HK\$4,989,000 (2007: HK\$2,794,000), which mainly included the depreciation of property, plant and equipment; and employment benefit expenses of the research and development team.

Selling expenses of the Group for the nine months ended 31st December, 2008 was decreased to approximately HK\$3,575,000 compared with approximately HK\$5,322,000 in 2007.

General and administrative expenses of the Group for the nine months ended 31st December, 2008 was approximately HK\$34,668,000 (2007: HK\$29,343,000). The increase mainly resulted from increases in staff costs as the workforce was expanded in the PRC for the financial information services and online game businesses.

The Group's unaudited consolidated profit attributable to equity holders of the Company for the nine months ended 31st December, 2008 was approximately HK\$3,403,000 (2007: HK\$10,515,000). The profit for the period was mainly derived from the gain on disposal of interest in the Hangzhou Tianchang Network Technology Company Limited during the period.

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

As at 31st December, 2008, 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") 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 Rules 5.46 of the GEM Listing Rules, were as follows:

(i) AGGREGATE LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of director	No. of shares		No. of underlying shares (share options)		Note	Total	% of shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
Executive Director:							
Yu Gang, George	-	183,337,456	17,126,000	-	1	200,463,456	33.45%
Independent Non-executive Directors:							
Lam Lee G.	-	-	2,000,000	-	-	2,000,000	0.33%
Wu Tak Lung	-	-	2,000,000	-	-	2,000,000	0.33%
William Hay	-	-	1,000,000	-	-	1,000,000	0.17%

(ii) AGGREGATE LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of director	No. of shares		Note	% of shares in issue
		Personal interest	Interest of controlled corporation		
Opulent Oriental International Limited	Yu Gang, George	100	–	1	100%

Note:

1. Dr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 200,463,456 shares in the Company. These shares were held in the following capacity:
 - (a) 183,337,456 shares were held by Opulent Oriental International Limited (“Opulent”) which is wholly-owned by Dr. Yu Gang, George; and
 - (b) Dr. Yu Gang, George is directly interested in options carrying 17,126,000 underlying shares.

Save as disclosed above, as at 31st December, 2008, 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 or 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 Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 31st December, 2008, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have 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 company	Number of shares		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation			
Substantial shareholder:					
Opulent Oriental International Limited	183,337,456	–		183,337,456	30.59%
Other persons:					
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	9.13%
Chang Wen Shiann	–	54,739,152	1	54,739,152	9.13%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	9.13%
T & C Holdings, Inc.	41,320,000	–		41,320,000	6.89%
Stellar Group Co. Ltd.	30,280,000	9,180,000	2	39,460,000	6.58%
Nebulamart Limited	38,738,477	–	3	38,738,477	6.46%
United Business Media Plc	–	38,738,477	3	38,738,477	6.46%

Notes:

1. 54,739,152 shares were held by Union Stars Group Ltd. ("USG"), which Mr. Chang Wen Shiann and Mrs. Chang Hu Ching Yueh hold 50% of the total voting rights respectively. Accordingly, all USG, Mr. Chang and Mrs. Chang were deemed (by virtue of the SFO) to be interested in 54,739,152 shares in the Company.

2. Stellar Group Co. Ltd. ("Stellar") was deemed (by virtue of the SFO) to be interested in 39,460,000 shares in the Company. These shares were held in the following capacity:
 - (a) 30,280,000 shares were held by Stellar as beneficial owners; and
 - (b) 9,180,000 shares were held by OA System Plaza Co., Ltd. of which Stellar controlled 41.64% of the total voting rights.

3. 38,738,477 shares were held by Nebulamart Limited ("Nebulamart"), which was a wholly-owned subsidiary of United Business Media Plc ("UBM"). Accordingly, both Nebulamart and UBM were deemed (by virtue of the SFO) to be interested in 38,738,477 shares in the Company.

Save as disclosed above, the Directors are not aware of other person who, as at 31st December, 2008, 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.

DETAILS OF OUTSTANDING OPTIONS GRANTED

As at 31st December, 2008, options to subscribe for an aggregate of 21,721,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23rd July, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 31st December, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 31st December, 2008
			Balance as at 1st April, 2008	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Director:							
Yu Gang, George	21st September, 2004	HK\$0.15	12,126,000	-	-	-	12,126,000
Employees:							
Employees	21st September, 2004	HK\$0.15	11,115,000	-	(1,520,000)	-	9,595,000
			<u>23,241,000</u>	<u>-</u>	<u>(1,520,000)</u>	<u>-</u>	<u>21,721,000</u>

As at 31st December, 2008, options to subscribe for an aggregate of 24,550,000 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16th December, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 31st December, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options					Balance as at 31st December, 2008
			Balance as at 1st April, 2008	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Reclassified during the period	
Executive Director:								
Yu Gang, George	6th December, 2006	HK\$0.668	5,000,000	-	-	-	-	5,000,000
Non-executive Director:								
Kwan Pun Fong,	29th September, 2005	HK\$0.365	400,000	-	-	-	(400,000)	-
Vincent (Note 1)	6th December, 2006	HK\$0.668	1,000,000	-	-	-	(1,000,000)	-
Independent								
Non-executive Directors:								
Lam Lee G.	29th September, 2005	HK\$0.365	1,000,000	-	-	-	-	1,000,000
	6th December, 2006	HK\$0.668	1,000,000	-	-	-	-	1,000,000
Wu Tak Lung	29th September, 2005	HK\$0.365	1,000,000	-	-	-	-	1,000,000
	6th December, 2006	HK\$0.668	1,000,000	-	-	-	-	1,000,000
William Hay	6th December, 2006	HK\$0.668	1,000,000	-	-	-	-	1,000,000
Employees:								
Employee	5th September, 2005	HK\$0.28	2,650,000	-	-	-	-	2,650,000
Employee	29th September, 2005	HK\$0.365	-	-	-	-	400,000	400,000
Employee	6th December, 2006	HK\$0.668	10,500,000	-	-	-	1,000,000	11,500,000
			<u>24,550,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,550,000</u>

Note:

1. Dr. Kwan Pun Fong, Vincent resigned from office on 10th June 2008. Accordingly, the options held by him were reclassified to the pool of employee.

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 nine months ended 31st December, 2008.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members whom are independent non-executive directors, namely, Mr. Wu Tak Lung, Dr. Lam Lee G. and Mr. William Hay with Mr. Wu Tak Lung as the chairman thereof.

The principal duties of the audit committee 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 nine months ended 31st December, 2008 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 nine months ended 31st December, 2008.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 12th February, 2009

As at the date of this report, the executive director of the Company is Dr. Yu Gang, George, the independent non-executive directors are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. William Hay.