



財華社
FINET

Finet Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08317)



First Quarterly Report
2010/2011

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 report, for which the directors of Finet Group Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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\$7,300,000 for the three months ended 30 June 2010, representing a decrease of approximately 17% from approximately HK\$8,763,000 for the same period in 2009.
- The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2010 was approximately HK\$5,450,000.
- The board of Directors does not recommend the payment of dividend for the three months ended 30 June 2010.

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 ended 30 June 2010, together with the comparative unaudited figures for the corresponding period in 2009 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2010

		For the three months ended 30 June	
		2010	2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (restated)
Revenue	2	7,300	8,763
Cost of sales		(2,090)	(2,303)
		<hr/>	<hr/>
Gross profit		5,210	6,460
Other operating incomes	2	930	284
Development costs		(1,215)	(1,325)
Selling expenses		(810)	(582)
General and administrative expenses		(10,032)	(9,502)
Other operating expenses		-	(114)
		<hr/>	<hr/>
Operating loss		(5,917)	(4,779)
Finance costs		(51)	(53)
		<hr/>	<hr/>
Loss before tax expenses		(5,968)	(4,832)
Income tax expense	3	(15)	(14)
		<hr/>	<hr/>
Loss for the period		(5,983)	(4,846)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(5,450)	(4,350)
Minority Interests		(533)	(496)
		<hr/>	<hr/>
		(5,983)	(4,846)
		<hr/> <hr/>	<hr/> <hr/>

		For the three months ended 30 June	
	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000 (restated)
Loss for the period		(5,983)	(4,846)
Other comprehensive income:			
Fair value loss on available-for-sale financial assets		(64)	5
Reserve realized upon disposal of available-for-sale financial assets		–	97
Currency translation differences		(11)	(10)
Other comprehensive income for the period		(75)	92
Total comprehensive income for the period		(6,058)	(4,754)
Attributable to:			
Owners of the Company		(5,525)	(4,257)
Minority interests		(533)	(497)
		(6,058)	(4,754)
Loss per share for loss attributable to the owners of the Company			
– Basic (<i>in HK cent</i>)	5(a)	(1.48)	(3.63)
– Diluted (<i>in HK cent</i>)	5(b)	N/A	N/A

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 accounts for the year ended 31 March 2010.

The unaudited consolidated results for the three months ended 30 June 2010 have been reviewed by the audit committee.

2. Revenue and other operating incomes

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

	For the three months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Revenue		
Service income from provision of financial information services	6,310	8,553
Advertising income	389	162
Online games income	1	48
Brokerage commission and service income	600	–
	<u>7,300</u>	<u>8,763</u>
Other operating incomes		
Recycling of gain from equity on disposal of available-for-sale financial asset	71	–
Gross rental income from investment properties	282	282
Interest income	499	2
Others	78	–
	<u>930</u>	<u>284</u>
Total incomes	<u>8,230</u>	<u>9,047</u>

3. **Income tax expense**

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, are 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 three months ended 30 June 2010 (2009: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The PRC income tax of approximately HK\$15,000 was paid during the three months ended 30 June 2010 (2009: HK\$14,000) 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 2010 (2009: Nil).

5. **Loss per share**

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months ended 30 June 2010 of approximately HK\$5,450,000 (2009: HK\$4,350,000) on the weighted average number of 367,642,013 ordinary shares in issue during the three months ended 30 June 2010 (2009 (restated): 119,874,000).

(b) Diluted loss per share

Diluted loss per share for the three months ended 30 June 2010 and 2009 have not been disclosed as the share options and bonus warrants outstanding have an anti-dilutive effect on the basic loss per share.

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 interest	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 1 April 2009	5,994	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,091
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	5	-	5	-	5
Currency translation differences	-	-	-	-	(9)	-	-	-	(9)	(1)	(10)
Reserve realized upon disposal of available-for-sale financial assets	-	-	-	-	-	-	97	-	97	-	97
Loss for the period	-	-	-	-	-	-	-	(4,350)	(4,350)	(496)	(4,846)
At 30 June 2009	5,994	134,436	4,870	1,748	2,385	9,989	(817)	(121,769)	30,842	11,501	48,337
At 1 April 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(64)	-	(64)	-	(64)
Issue of shares on exercise of bonus warrants	13	105	-	-	-	-	-	-	105	-	118
Issue of shares upon exercise of share options	3	33	-	-	-	-	-	-	33	-	36
Currency translation differences	-	-	-	-	(11)	-	-	-	(11)	-	(11)
Loss for the period	-	-	-	-	-	-	-	(5,450)	(5,450)	(533)	(5,983)
At 30 June 2010	18,389	199,531	4,870	1,745	2,462	9,989	(1,128)	(158,421)	59,048	667	78,104

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

During the past three months ended 30 June 2010, the Group still strengthened our market position and future profitability in both financial information business and online game business.

Financial Information Business

During the previous quarter, we continue to promote the brand name of Finet news and to expand our financial news distribution channels. At the same time, we had introduced our value-added services in press release, media monitoring and investor relations to our clients and so far have been appreciated by the market. For another, we have been expanding our mobile distribution channels for financial content. We expect to expand our mobile distribution channels through other similar opportunities in the next few quarters. In addition, the Group has identified several mobile platform providers to distribute financial information in both China and Hong Kong. Through providing customized, punctual and quality mobile content, Finet will be able to cater to the increasing needs of mobile users in financial information services in China.

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

Brokerage Business

On 19 May 2010, the Group completed the acquisition of the entire issued share capital of Finet Securities for a cash consideration of approximately HK\$10,245,000. Finet Securities is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. During the three months ended 30 June 2010, the Group included the financial results of Finet Securities from the date of acquisition up to 30 June 2010.

Online Game Business

The Group's online game business made good progress for the three months ended 30 June 2010. The MMORPG jointly developed with Onwind Digital was entering the final stage of product development before public testing. The Group tested the market response to the game through the first round of pre-marketing and attained very positive feedback from the media and hardcore gamers particularly regarding the unique style and outstanding graphic quality of the game. Despite the controlled scope of pre-marketing, the game was chosen to be one of the most anticipated games in a mainstream game publication. The Group was planning to roll out a series of testing in conjunction with growing marketing efforts in the next few months.

In the meantime, Project Ming, the Group's future flagship product through its in-house development, passed a milestone in May with significant technical and content upgrades. With its exceptional technologies and graphic standards, the game gained sales interests from overseas game operators and the Group will continue to explore sales in the overseas markets at commercially attractive terms.

The Group had been in discussion with two internationally renowned game studios to explore co-development opportunities although no final contracts were agreed at the date of this quarterly report.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$7,300,000 for the three months ended 30 June 2010, representing a decrease of approximately 17% from approximately HK\$8,763,000 for the same period in 2009.

During the three months ended 30 June 2010, the Group recorded cost of sales amounting to approximately HK\$2,090,000, representing a decrease of 9% to the same period in 2009, which was mainly resulted in the decreased in cost to the information providers in connection with the provision of relevant services.

Development costs of the Group for the three months ended 30 June 2010 was approximately HK\$1,215,000 (2009: HK\$1,325,000), which mainly included depreciation of property, plant and equipment; and employee benefit expenses of the research and development team.

General and administrative expenses of the Group for the three months ended 30 June 2010 was increased by approximately HK\$530,000 to approximately HK\$10,032,000 (2009: HK\$9,502,000), which mainly due to increase in the expenses in the new brokerage services since acquisition completed on May 2010.

The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2010 was approximately HK\$5,450,000 (2009: HK\$4,350,000).

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

As at 30 June 2010, 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 Rule 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	Number of shares		Number of underlying shares		Note	Total	% of shares in issue
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation			
Executive Director:							
Yu Gang, George ("Dr. Yu")	-	193,654,617	2,992,384	5,500,123	1	202,147,124	55.01%
Independent Non-executive Directors:							
Lam Lee G.	-	-	246,774	-	-	246,774	0.06%
Wu Tak Lung	-	-	246,774	-	-	246,774	0.06%

(ii) Aggregate long positions in the shares of associated corporation

Name of associated corporation	Name of director	Number of shares		Note	% of shares in issue
		Beneficial owner	Interest of controlled corporation		
Opulent Oriental International Limited ("Opulent")	Yu Gang, George	100	–	1	100%

Note 1: Dr. Yu was deemed (by virtue of the SFO) to be interested in 202,147,124 shares. These shares were held in the following capacity:

- (a) 193,654,617 shares and 5,500,123 underlying shares were held by Opulent. Dr. Yu is interested in the entire issued share capital of Opulent. Therefore, the interest of Dr. Yu in these 193,654,617 shares and 5,500,123 underlying shares duplicates with the interest of Opulent in the same lots of 193,654,617 shares and 5,500,123 underlying shares; and
- (b) Dr. Yu is entitled to share options to subscribe for an aggregate of 2,992,384 shares.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives 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 Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 30 June 2010, 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:

	Number of shares and capacity in which the share were held			Number of underlying shares and capacity in which the share were held			Notes	Total number of shares	% of shares in issue
	Beneficial owner	Security interest	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation				
Substantial shareholders:									
Opulent Oriental International Limited	193,654,617	-	-	5,500,123	-	1 & 2	199,154,740	54.19%	
Maxx Capital Finance Limited	-	193,654,617	-	-	-	2	193,654,617	52.70%	
Pablos International Limited	-	-	193,654,617	-	-	2	193,654,617	52.70%	
Wise Capital International Limited	-	-	-	35,600,000	-	3	35,600,000	9.68%	
Lo Yuk Yee	-	-	193,654,617	-	35,600,000	2 & 3	229,254,617	62.38%	

Notes:

1. Opulent was deemed (by virtue of the SFO) to be interested 199,154,740 shares as beneficial owner. The interest of Opulent in these 199,154,740 shares duplicates with the interest of Dr. Yu in the same lot of 199,154,740 shares. Such 199,154,740 shares comprise:
 - (a) 193,654,617 shares held by Opulent; and
 - (b) 5,500,123 underlying shares falling to be issued to Opulent upon the exercise of the subscription rights attaching to the 5,500,123 bonus warrants.
2. According to the information on the shareholders' disclosure of interest, the 193,654,617 shares held by Opulent has been pledged to Maxx Capital Finance Limited ("Maxx"), which was a 99.99% owned subsidiary of Pablos International Limited ("Pablos") and Pablos was a wholly-owned company of Ms. Lo Yuk Yee ("Ms. Lo"). Accordingly, Maxx, Pablos and Ms. Lo were all deemed (by virtue of the SFO) to be interested in 193,654,617 shares in the Company.
3. According to the information on the shareholders' disclosure of interest, the 35,600,000 underlying shares were held by Wise Capital International Limited ("Wise"), which was a wholly-owned company of Ms. Lo. Accordingly, both Wise and Ms. Lo were deemed (by virtue of the SFO) to be interested in 35,600,000 underlying shares in the Company.

Save as disclosed above, the Directors are not aware of other person who, as at 30 June 2010, 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 30 June 2010, options to subscribe for an aggregate of 3,157,723 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23 July 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 30 June 2010 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 30 June 2010
			Balance as at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Director:							
Yu Gang, George	21 September 2004	HK\$0.6080	2,992,384	-	-	-	2,992,384
Employees:							
Employees	21 September 2004	HK\$0.6080	224,565	-	(59,226)	-	165,339
Total			3,216,949	-	(59,226)	-	3,157,723

As at 30 June 2010, options to subscribe for an aggregate of 1,492,984 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16 December 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 30 June 2010 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 30 June 2010
			Balance as at 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Independent							
Non-executive							
Directors:							
Lam Lee G.	29 September 2005	HK\$1.4790	246,774	-	-	-	246,774
Wu Tak Lung	29 September 2005	HK\$1.4790	246,774	-	-	-	246,774
Employees:							
Employee	5 September 2005	HK\$1.1345	653,952	-	-	-	653,952
Employee	29 September 2005	HK\$1.4790	98,710	-	-	-	98,710
Employee	6 December 2006	HK\$2.7070	246,774	-	-	-	246,774
Total			1,492,984	-	-	-	1,492,984

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 2010.

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 comprises three members whom are independent non-executive directors, namely, Mr. Wu Tak Lung, Dr. Lam Lee G. and Mr. Lam Ka Wai, Graham 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 three months ended 30 June 2010 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30 June 2010.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 10 August 2010

As at the date of this report, the executive directors of the Company are Dr. Yu Gang, George and Mr. Lin Peng, Ben; and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. Lam Ka Wai, Graham.