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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 2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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 companies listed on GEM are generally small and mid-sized companies, 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 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 in this announcement misleading.

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$4,314,000 for the three months ended 30 June 2019, representing an increase of approximately 20.6% from approximately HK\$3,576,000 for the same period in 2018.
- The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2019 was approximately HK\$8,432,000.
- The Board does not recommend the payment of dividend for the three months ended 30 June 2019.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months ended 30 June 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2019

		For the three months ended 30 June	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	4,314	3,576
Cost of sales		<u>(918)</u>	<u>(974)</u>
Gross profit		3,396	2,602
Other income and other losses	3	499	(1,992)
Selling and marketing expenses		(361)	(5)
General and administrative expenses		(11,473)	(11,483)
Finance costs		<u>(147)</u>	<u>(115)</u>
Loss before income tax		(8,086)	(10,993)
Income tax expense	4	(41)	(42)
Deferred tax credit		<u>31</u>	<u>199</u>
Loss for the period		<u>(8,096)</u>	<u>(10,836)</u>
Loss for the period attributable to:			
— Owners of the Company		(8,432)	(10,474)
— Non-controlling interests		<u>336</u>	<u>(362)</u>
		<u>(8,096)</u>	<u>(10,836)</u>
Loss per share for loss attributable to the owners of the Company during the period			
— Basic and diluted (<i>in HK cents</i>)	6	<u>(1.27)</u>	<u>(1.57)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the three months ended 30 June 2019

	For the three months ended 30 June	
	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(8,096)	(10,836)
Other comprehensive expense:		
Currency translation differences	<u>(515)</u>	<u>(1,555)</u>
Other comprehensive expense for the period, net of tax	<u>(515)</u>	<u>(1,555)</u>
Total comprehensive expense for the period	<u>(8,611)</u>	<u>(12,391)</u>
Total comprehensive expense for the period attributable to:		
— Owners of the Company	(8,947)	(12,029)
— Non-controlling interests	<u>336</u>	<u>(362)</u>
	<u>(8,611)</u>	<u>(12,391)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Finet Group Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and Greater China; (ii) media business; (iii) the securities and futures business that specializes in the provision of online securities and futures trading; (iv) money lending business; and (v) property investments. The principal activity of the Company is investment holding.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. On 16 June 2011, 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 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company’s parent is Maxx Capital International Limited, which is wholly owned by Pablos International Limited. The ultimate controlling party is Ms. LO Yuk Yee, the chairman and executive director of the Company, through her ownership in Pablos International Limited.

The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 7 January 2005.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 14 August 2019.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 2019.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial investments, which are carried at fair value, as appropriate.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report, and should be read in conjunction with the Group's annual report for the year ended 31 March 2019.

In the current reporting period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2019. Except for HKFRS 16 Leases mentioned below, the adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior year.

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group has applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The standard affects primarily the accounting for the Group's operating leases. The Group's office and operating premises leases were previously classified as operating leases and the lease payments (net of any incentives received from the lessor) were recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group recognises and measures a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset are recognised in profit or loss. The Group's assets and liabilities increase and the timing of expense recognition is also be impacted as a result.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 is not material.

The Group has not yet applied new or revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a material impact on its results of operations.

3. REVENUE AND OTHER INCOME AND OTHER LOSSES

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

	Unaudited	
	For the three months	
	ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Revenue		
Service income from provision of financial information service	33	381
Advertising and investor relationship service income	3,872	2,543
Brokerage commission and service income from securities and futures business	—	—
Loan interest income	—	236
Rental income from investment properties	409	416
	<u>4,314</u>	<u>3,576</u>
Other income and other losses		
Fair value change on financial assets at fair value through profit or loss	(111)	(2,763)
Income from sharing of administrative expenses	606	769
Interest income	2	2
Sundry income	2	—
	<u>499</u>	<u>(1,992)</u>

4. 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 2019 (2018: 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\$41,000 was paid during the three months ended 30 June 2019 (2018: HK\$42,000) for the net rental income from the investment properties of the Company in the PRC.

5. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2019 (2018: Nil).

6. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the three months ended 30 June 2019 of approximately HK\$8,432,000 (2018: HK\$10,474,000) by the number of 666,538,774 (2018: 666,538,774) ordinary shares in issue during the period.

(b) Diluted

The computation of diluted loss per share for the three months ended 30 June 2019 and 2018 did not assume the exercise of the Company's outstanding share options during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

7. MOVEMENT OF RESERVES

For the three months ended 30 June 2019 (Unaudited)

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Translation reserve	Property revaluation reserve	Accumulated losses	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2018	6,665	320,095	4,870	—	1,776	274	9,989	(230,940)	112,729	103,452
Loss for the period	—	—	—	—	—	—	—	(10,474)	(10,474)	(10,836)
Other comprehensive expenses										
Currency translation differences	—	—	—	—	—	(1,555)	—	—	(1,555)	(1,555)
Total other comprehensive expenses	—	—	—	—	—	(1,555)	—	—	(1,555)	(1,555)
Total comprehensive expenses	—	—	—	—	—	(1,555)	—	(10,474)	(12,029)	(12,391)
Balance at 30 June 2018	6,665	320,095	4,870	—	1,776	(1,281)	9,989	(241,414)	100,700	91,061
Balance at 1 April 2019	6,665	320,095	4,870	—	1,776	(1,701)	9,989	(264,811)	76,883	68,342
Loss for the period	—	—	—	—	—	—	—	(8,432)	(8,432)	(8,096)
Other comprehensive expenses										
Currency translation differences	—	—	—	—	—	(515)	—	—	(515)	(515)
Total other comprehensive expenses	—	—	—	—	—	(515)	—	—	(515)	(515)
Total comprehensive expenses	—	—	—	—	—	(515)	—	(8,432)	(8,947)	(8,611)
Employee compensation reserves	—	—	—	309	—	—	—	—	309	309
Balance at 30 June 2019	6,665	320,095	4,870	309	1,776	(2,216)	9,989	(273,243)	68,245	60,040

8. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following related party transactions during the period:

	Unaudited	
	For the three months	
	ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Income from sharing of administrative expenses received from International Links Limited (<i>Note i</i>)	135	268
Income from sharing of administrative expenses received from Maxx Capital Finance Limited (<i>Note i</i>)	471	501
Rental expenses paid to Cyber Feel Limited (<i>Note i</i>)	991	991
Rental expenses paid to Great Heep International Investment Limited (<i>Note i</i>)	—	87
Loan interest income from the Group's subsidiary director (<i>Note ii</i>)	—	128
	<u> </u>	<u> </u>

Notes:

- (i) Maxx Capital Finance Limited, Great Heep International Investment Limited, Cyber Feel Limited and International Links Limited are beneficially owned by Ms. LO, the chairman and the executive director of the Company.
- (ii) Finet Finance Limited, a wholly-owned subsidiary of the Company entering into loan agreements with the Borrower, Ms. Chan Kwai Yuet, the Group's subsidiary director, constituted the connected transaction with the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued its Internet, Mobile and Media (“IMM”) growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. Both the broadness and depth of programmes offered by FinTV have continued to multiply. FinTV brings investors and financial elites in greater China the latest professional report, through television, internet and mobile channels at the same time. The Group believes that the FinTV will be one of the major drivers for future growth in business. To broaden its revenue bases and to better utilize its resources, the Group continued to tap on the property investment with satisfactory results.

Media Business

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

Property Investment Business

The investment properties in the People’s Republic of China (the “PRC”) continued to provide stable income and result a positive contribution to the financial results of the Group.

Money Lending Business

Comparing with last year, no loan interest income from the money lending business was generated during the three months ended 30 June 2019.

Financial Information, Advertising and Investor Relationship Service Business

Service income from provision of financial information service business was decreased during the three months ended 30 June 2019 as the business segment continue to scale down. The income from the advertising and investor relationship service business increased in this financial period due to continuous effort of our Group.

Securities and Futures Business

Due to the keen competition within the market, the Group’s securities and future business is still a challenging task in coming year.

Financial Review

The Group reported a turnover of approximately HK\$4,314,000 for the three months ended 30 June 2019, representing an increase of approximately 20.6% from approximately HK\$3,576,000 for the same period in 2018.

Other income and other losses of the Group for the three months ended 30 June 2019 was a gain of approximately HK\$499,000 (2018: a loss of approximately HK\$1,992,000), which represented a decrease of loss of approximately 125.1% when compared to that of last year. The decrease was mainly due to: (i) the decrease of income from sharing of administrative expenses of approximately HK\$163,000 (2018: the increase of income from sharing of administrative expenses of approximately HK\$769,000) and (ii) the decrease of fair value loss on financial assets at fair value through profit or loss of approximately HK\$2,652,000 (2018: the increase of fair value loss on financial assets at fair value through profit or loss of approximately HK\$2,588,000).

During the three months ended 30 June 2019, the Group recorded cost of sales amounting to approximately HK\$918,000 representing a decrease of 5.7% from approximately HK\$974,000 for the same period in 2018.

General and administrative expenses of the Group for the three months ended 30 June 2019 was approximately HK\$11,473,000 (2018: approximately HK\$11,483,000), which represented a decrease of approximately 0.1% when compared to that of last year.

For the three months ended 30 June 2019, finance cost were the interest expenses on bank borrowings of approximately HK\$126,000 and the interest expenses on lease liabilities of approximately HK\$21,000. For the three months ended 30 June 2018, finance costs was the interest expenses on bank borrowings of approximately HK\$115,000.

The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2019 was approximately HK\$8,432,000 (2018: HK\$10,474,000).

Significant Investments Held

As at 30 June 2019, the Group held financial assets at fair value through profit or loss of approximately HK\$1,167,000 (At 31 March 2019: approximately HK\$1,278,000) representing highly liquid equity securities listed in the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The equity investment as of 30 June 2019 consists of 1,000,000 shares (At 31 March 2019: 1,000,000 shares) of equity securities of Daisho Microline Holdings Limited (SEHK: 567) which were acquired through placement during the year ended 31 March 2017 and 91,200 shares (At 31 March 2019: 91,200 shares) of equity securities of Xiaomi Corporation (SEHK: 1810).

For the three months ended 30 June 2019, the Group had an unrealized loss of financial assets at fair value through profit or loss of approximately HK\$111,000 (2018: A unrealized loss of financial assets at fair value through profit or loss of approximately HK\$2,763,000 of Daisho Microline Holdings Limited). As at 30 June 2019, the investments represented approximately 0.17% (At 31 March 2019: approximately 0.17%) of shareholding in Daisho Microline Holdings Limited and approximately 0.0004% (At 31 March 2019: approximately 0.0003%) of shareholding in Xiaomi Corporation respectively. As at 30 June 2019, based on the fair value of HK\$0.255 per share of Daisho Microline Holdings Limited (At 31 March 2019: HK\$0.240 per share) and the fair value of HK\$10 per share of Xiaomi Corporation (At 31 March 2019: HK\$11.38 per share) respectively, the fair value and carrying amount of the equity investment of Daisho Microline Holdings Limited and Xiaomi Corporation were approximately HK\$255,000 (At 31 March 2019: approximately HK\$240,000) and approximately HK\$912,000 (At 31 March 2019: approximately HK\$1,038,000).

Set out below is a breakdown of the significant investments of the Group as at 30 June 2019 and 31 March 2019:

	Unaudited 30 June 2019 HK\$'000	Audited 31 March 2019 HK\$'000
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Current assets

Financial assets at fair value through profit or loss

— Daisho Microline Holdings Limited (SEHK: 0567)	255	240
— Xiaomi Corporation (SEHK: 1810)	912	1,038

As at 30 June 2019

	Number of shares held as at 30 June 2019	Percentage of shareholding as at 30 June 2019	Fair Value as at 31 March 2019	Investment cost during the period ended 30 June 2019	Investment cost of disposal of shares during the period ended 30 June 2019	Realized gain/(loss) for the period ended 30 June 2019	Unrealized gain/(loss) for the period ended 30 June 2019	Net gain/(loss) for the period ended 30 June 2019	Fair value as at 30 June 2019	Percentage to the Group's total assets as at 30 June 2019
Daisho Microline Holdings Limited (SEHK: 0567)	1,000,000	0.17%	240	—	—	—	15	15	255	0.22%
Xiaomi Corporation (SEHK: 1810)	91,200	0.0004%	1,038	—	—	—	(126)	(126)	912	0.78%

As at 31 March 2019

	Number of shares held as at 31 March 2019	Percentage of shareholding as at 31 March 2019	Fair value as at 31 March 2018 HK\$'000	Investment cost during the year ended 31 March 2019 HK\$'000	Investment cost of disposal of shares during the year ended 31 March 2019 HK\$'000	Realized gain/(loss) for the year ended 31 March 2019 HK\$'000	Unrealized loss for the year ended 31 March 2019 HK\$'000	Net gain/(loss) for the year ended 31 March 2019 HK\$'000	Fair value as at 31 March 2019 HK\$'000	Percentage to the Group's total assets as at 31 March 2019
Daisho Microline Holdings Limited (SEHK: 0567)	1,000,000	0.17%	5,813	—	(2,933)	(2,415)	(225)	(2,640)	240	0.20%
Tencent Holdings Limited (SEHK: 0700)	—	—	—	1,458	(1,489)	31	—	31	—	—
Xiaomi Corporation (SEHK: 1810)	91,200	0.0003%	—	1,469	—	—	(431)	(431)	1,038	0.86%

Performance and Prospects of the Financial Assets at Fair Value through Profit or Loss

Daisho Microline Holdings Limited

Daisho Microline Holdings Limited (“Daisho Microline”) and its subsidiaries (together, the “Daisho Microline Group”) are principally engaged in investment holding, the manufacturing and trading of printed circuit boards (“PCB”) and the trading of petroleum and energy products.

Pursuant to the annual report of Daisho Microline for the period ended 31 March 2019, the Daisho Microline Group’s total revenue for the year ended 31 March 2019 was approximately HK\$1,517 million, representing an increase of 268% as compared with approximately HK\$412 million for the last year. The increase was resulted from the Daisho Microline Group engaging in the trading of petroleum and energy products and related business commenced since June 2017. The Daisho Microline Group’s net gain for the year ended 31 March 2019 was approximately HK\$100 million, mainly due to the gain on disposal of a subsidiary approximately HK\$170 million.

Xiaomi Corporation

Xiaomi Corporation (“Xiaomi Corporation”) and its subsidiaries (the “Xiaomi Corporation Group”) are principally engaged in investment holding, sales of smartphones and smart hardware.

Pursuant to the annual report of Xiaomi Corporation for the year ended 31 December 2018, the Xiaomi Corporation Group’s total revenue for the year ended 31 December 2018 was approximately RMB174,915 million (2017: RMB114,625). The increase in revenue was resulted from the Xiaomi Corporation Group more revenue contributed from the sales of smartphones. The Xiaomi Corporation Group’s net profit for the year ended 31 December 2018 was approximately HK\$13,477 million.

Going forward, the Xiaomi Corporation Group will continue to i) invest in innovation, quality control and supply chain management; ii) promote multi-brand strategy and iii) explore the global markets and replicate the success in other key markets such as India.

Charges of Assets

As at 30 June 2019, the Group’s property, plant and equipment with an aggregate carrying value of approximately HK\$51,930,000 (At 31 March 2019: HK\$52,200,000) was pledged as security for the borrowing facilities of the Group.

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties in Renminbi. The Group is therefore exposed to currency risks, as the value of the assets will fluctuate due to change in exchange rates.

Contingent Liabilities

At 30 June 2019, the Group had no significant contingent liabilities (At 31 March 2019: Nil).

Employee Information

At 30 June 2019, the Group had 100 (At 31 March 2019: 105) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors' remuneration) for the three months ended 30 June 2019 was approximately HK\$7,447,000 (2018: HK\$7,444,000). Other benefits provided by the Group to the employees include contribution to the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance and medical coverage.

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

As at 30 June 2019, 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 3)
		Beneficial owner	Interest of controlled corporation	Beneficial owner (Note 2)	Interest of controlled corporation		
Executive Directors:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	43,458,058 (L)	391,597,678 (L)	660,000	—	—	65.37%
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. Lee Yu Chung ("Mr. Lee")	The Company	—	—	2,000,000	—	—	0.30%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited ("Maxx Capital") which was wholly-owned by Pablos International Limited ("Pablos"), and Pablos was wholly owned by Ms. LO Yuk Yee, ("Ms. LO"). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,715,736 ordinary shares of HK\$0.01 each.
- Ms. Lo and Mr. Lee were granted 660,000 and 2,000,000 share options respectively during the three months ended 30 June 2019 under the share option scheme of the Company adopted on 4 September 2014 and deemed to be interested in 660,000 and 2,000,000 respectively underlying in respect of the share options granted.
- As at 30 June 2019, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 June 2019, 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 2019, 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:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Substantial shareholders					
Ms. LO (Note 1)	Beneficial Owner	43,458,058 (L)	660,000	435,715,736 (L)	65.37%
	Interest of Controlled Corporation	391,597,678 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	343,997,678 (L)	—	343,997,678 (L)	51.61%
Maxx Capital (Note 1)	Beneficial Owner	343,997,678 (L)	—	343,997,678 (L)	51.61%
Broadgain International Limited	Beneficial Owner	43,800,000 (L)	—	43,800,000 (L)	6.57%
Li Wenjun	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	5.85%

(L) denotes long positions

Notes:

1. 343,997,678 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, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
2. As at 30 June 2019, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 4 September 2014 for the three months ended 30 June 2019 are as follows:

Name of grantee	Date of grant (Note 1)	Exercise price	Balance as at 1 April 2019	Number of share options		Balance as at 30 June 2019
				Granted during the period	Lapsed during the period	
Executive Directors:						
Ms. Lo	17 April 2019	HK\$0.49	—	660,000	—	660,000
Mr. Lee	17 April 2019	HK\$0.49	—	2,000,000	—	2,000,000
Employee	17 April 2019	HK\$0.49	—	14,500,000	—	14,500,000
Total			—	17,160,000	—	17,160,000

Notes:

1. For share options granted on 17 April 2019

Validity period: From 17 April 2019 (“Date of grant”) to 3 September 2024 (both days inclusive)

Vesting period: 3 years after 17 April 2019 100%

OUTSTANDING UNLISTED WARRANTS

As at 30 June 2019, the Company did not have any outstanding warrants.

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 2019, 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 2019.

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 condensed consolidated financial statements of the Group for the three months ended 30 June 2019 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality board, sound internal control and transparency and accountability to all shareholders.

The Board has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the provisions set out in the Corporate Governance Code ("CG Code"), contained in Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2019, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. Ms. LO was the chairman of the Company since 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. Thereafter, the post of chief executive officer was vacant and its roles and responsibilities were shared amongst the members of the Board. The Board is presently identifying a suitable candidate to be appointed as the chief executive officer and will make an announcement upon the appointment.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 8 to the unaudited condensed consolidated financial statements, no contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the three months ended 30 June 2019 or at any time during such period (2018: Nil).

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 30 June 2019. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the three months ended 30 June 2019.

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 2019.

By Order of the Board
LO Yuk Yee
Chairman and Executive Director

Hong Kong, 14 August, 2019

As at the date of this announcement, the executive Directors are Ms. LO Yuk Yee and Mr. LEE Yu Chung; 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 and no other matter 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 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.