



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: 8317)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

CHARACTERISTICS OF THE 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 emerging nature of 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\$9,819,000 for the six months ended 30 September 2020, representing a decrease of approximately 35.7% from approximately HK\$15,270,000 for the same period in 2019.
- The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2020 was approximately HK\$4,074,000 (six months ended 30 September 2019: approximately HK\$10,900,000).
- The Board does not recommend the payment of dividend for the six months ended 30 September 2020.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months and six months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three months and six months ended 30 September 2020

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	4,240	10,956	9,819	15,270
Cost of sales		<u>(308)</u>	<u>(384)</u>	<u>(486)</u>	<u>(1,302)</u>
Gross profit		3,932	10,572	9,333	13,968
Other income and other losses	3	3,465	(310)	4,832	189
Selling and marketing expenses		(18)	(171)	(133)	(532)
General and administrative expenses		(8,732)	(13,495)	(17,379)	(24,968)
Finance costs	5	<u>(70)</u>	<u>(143)</u>	<u>(181)</u>	<u>(290)</u>
Loss before income tax	6	(1,423)	(3,547)	(3,528)	(11,633)
Income tax expense	7	<u>(42)</u>	<u>(23)</u>	<u>(75)</u>	<u>(33)</u>
Loss for the period		<u>(1,465)</u>	<u>(3,570)</u>	<u>(3,603)</u>	<u>(11,666)</u>
Loss attributable to:					
Owners of the Company		(1,293)	(2,468)	(4,074)	(10,900)
Non-controlling interests		<u>(172)</u>	<u>(1,102)</u>	<u>471</u>	<u>(766)</u>
		<u>(1,465)</u>	<u>(3,570)</u>	<u>(3,603)</u>	<u>(11,666)</u>
Loss per share for loss attributable to owners of the Company during the period	9				
— Basic and diluted (in HK cents)		<u>(0.19)</u>	<u>(0.37)</u>	<u>(0.61)</u>	<u>(1.64)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the three months and six months ended 30 September 2020

	For the three months ended 30 September		For the six months ended 30 September	
	2020	2019	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(1,465)	(3,570)	(3,603)	(11,666)
Other comprehensive (expense)/income				
Currency translation differences	<u>(1,176)</u>	<u>464</u>	<u>(851)</u>	<u>(51)</u>
Other comprehensive (expense)/income for the period	<u>(1,176)</u>	<u>464</u>	<u>(851)</u>	<u>(51)</u>
Total comprehensive expense for the period	<u>(2,641)</u>	<u>(3,106)</u>	<u>(4,454)</u>	<u>(11,717)</u>
Attributable to:				
Owners of the Company	<u>(2,469)</u>	<u>(2,004)</u>	<u>(4,925)</u>	<u>(10,951)</u>
Non-controlling interests	<u>(172)</u>	<u>(1,102)</u>	<u>471</u>	<u>(766)</u>
	<u>(2,641)</u>	<u>(3,106)</u>	<u>(4,454)</u>	<u>(11,717)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		52,574	53,448
Right-of-use assets		775	1,324
Investment properties		32,700	32,700
Intangible assets		950	950
Statutory deposits and other assets		205	456
		87,204	88,878
Current assets			
Trade receivables	10	3,200	2,858
Prepayments, deposits and other receivables		5,060	4,941
Financial assets at fair value through profit or loss	11	96	1,013
Amounts due from related companies		4,574	5,339
Client trust bank balances		1,848	818
Cash and cash equivalents		10,964	8,296
		25,742	23,265
Total assets		112,946	112,143

		Unaudited	Audited
		30 September	31 March
		2020	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payable	12	3,481	2,451
Accruals and other payables		8,507	5,268
Amount due to a related company		42	42
Lease liabilities		789	1,171
Borrowings	13	12,455	12,603
Tax payables		—	215
		<u>25,274</u>	<u>21,750</u>
Net current assets		<u>468</u>	<u>1,515</u>
Total assets less current liabilities		<u>87,672</u>	<u>90,393</u>
Non-current liabilities			
Loans from shareholder		24,650	22,926
Lease liabilities		—	172
Deferred tax liabilities		11,184	11,184
		<u>35,834</u>	<u>34,282</u>
Net assets		<u>51,838</u>	<u>56,111</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	6,665	6,665
Reserves		52,238	56,982
		<u>58,903</u>	<u>63,647</u>
Non-controlling interests		<u>(7,065)</u>	<u>(7,536)</u>
Total equity		<u>51,838</u>	<u>56,111</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	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	HK\$'000
As at 1 April 2019	6,665	320,095	4,870	—	1,776	(1,702)	9,989	(264,810)	76,883	(8,541)	68,342
Loss for the period	—	—	—	—	—	—	—	(10,900)	(10,900)	(766)	(11,666)
Other comprehensive expense											
Currency translation differences	—	—	—	—	—	(51)	—	—	(51)	—	(51)
Total comprehensive expense	—	—	—	—	—	(51)	—	(10,900)	(10,951)	(766)	(11,717)
Employee compensation reserve	—	—	—	689	—	—	—	—	689	—	689
As at 30 September 2019	<u>6,665</u>	<u>320,095</u>	<u>4,870</u>	<u>689</u>	<u>1,776</u>	<u>(1,753)</u>	<u>9,989</u>	<u>(275,710)</u>	<u>66,621</u>	<u>(9,307)</u>	<u>57,314</u>
As at 1 April 2020	6,665	320,095	4,870	360	3,757	3,014	9,989	(285,103)	63,647	(7,536)	56,111
Loss for the period	—	—	—	—	—	—	—	(4,074)	(4,074)	471	(3,603)
Other comprehensive expense											
Currency translation differences	—	—	—	—	—	(851)	—	—	(851)	—	(851)
Total comprehensive (expense)/income	—	—	—	—	—	(851)	—	(4,074)	(4,925)	471	(4,454)
Employee compensation reserve	—	—	—	181	—	—	—	—	181	—	181
As at 30 September 2020	<u>6,665</u>	<u>320,095</u>	<u>4,870</u>	<u>541</u>	<u>3,757</u>	<u>2,163</u>	<u>9,989</u>	<u>(289,177)</u>	<u>58,903</u>	<u>(7,065)</u>	<u>51,838</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2020*

	For the six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	<u>2,753</u>	<u>(8,812)</u>
Net cash outflow from investing activities	<u>(115)</u>	<u>(6)</u>
Drawdown of loans from shareholder	2,724	15,000
Repayment of loans from shareholder	(1,000)	—
Repayment of borrowings, interest and principal elements of lease payments	<u>(924)</u>	<u>(382)</u>
Net cash inflow from financing activities	<u>800</u>	<u>14,618</u>
Net increase in cash and cash equivalents	3,438	5,800
Cash and cash equivalents, at beginning of the period	8,296	12,749
Effect of foreign exchange rate changes, net	<u>(770)</u>	<u>(176)</u>
Cash and cash equivalents, at end of the period	<u><u>10,964</u></u>	<u><u>18,373</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activity of Finet Group Limited (the “Company”) is investment holding. The Company and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information, advertising and investor relationship service and technology solutions to corporate and retail clients in Hong Kong and People’s Republic of China (the “PRC”); (ii) the securities business that specializes in the provision of online securities trading; (iii) money lending business; and (iv) property investments.

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 24 June 2002. 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 immediate and ultimate holding company is Maxx Capital International Limited incorporated in the British Virgin Islands (“BVI”) with limited liability and Pablos International Limited incorporated in the BVI with limited liability, respectively. The ultimate controlling party is Ms. LO Yuk Yee, who controls Pablos International Limited and is also the Chairman and executive Director of the Company.

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 13 November 2020.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 2020.

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 assets, which are carried at fair values.

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 2020.

In the current reporting period, the Group has applied, for the first time, certain new standards, amendments to standards and interpretations issued by the HKICPA that are mandatorily effective for its accounting period beginning on 1 April 2020. 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.

The Group has not yet applied new standards and amendments to existing standards that have been issued but not yet effective, and will apply such standards when they become effective. The Group anticipates that the application of the such new standards and amendments to existing standards have no material impact on the results and the financial position of the Group.

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		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Service income from provision of financial information services	73	68	171	100
Advertising and investor relationship service income	3,662	10,420	8,366	14,292
Brokerage commission and service income from securities business	137	—	586	1
Rental income from investment properties	368	468	696	877
	<u>4,240</u>	<u>10,956</u>	<u>9,819</u>	<u>15,270</u>
Other income and other losses				
Fair value change on financial assets at fair value through profit or loss	789	(922)	1,026	(1,033)
Income from sharing of administrative expenses	1,941	609	2,661	1,215
Government subsidies	726	—	1,134	—
Interest income	—	3	2	5
Sundry income	9	—	9	2
	<u>3,465</u>	<u>(310)</u>	<u>4,832</u>	<u>189</u>

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company (the “executive Directors”). The executive Directors have reviewed the Group’s internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on these reports. The executive Directors have further considered the business from product perspective and have assessed the performance of four main business segments: (i) Financial information, advertising and investor relationship services business; (ii) Securities business; (iii) Money lending business; and (iv) Property investment.

At 30 September 2020, the Group is organized into four main operating segments:

- (i) Financial information, advertising and investor relationship service business — the development, production and provision of financial information service and technology solutions to corporate and retail clients in Hong Kong and the PRC, this segment also includes results of the media business, providing advertising, investor relationship and branding promotion and communication service;
- (ii) Securities business that specializes in the provision of online securities trading;
- (iii) Money lending business; and
- (iv) Property investment business.

Segment results for the six months ended 30 September 2020 about these businesses are as follows:

	Unaudited				
	Financial information, advertising and investor relationship service business <i>HK\$’000</i>	Securities business <i>HK\$’000</i>	Money lending business <i>HK\$’000</i>	Property investment business <i>HK\$’000</i>	Group <i>HK\$’000</i>
Revenue	<u>8,537</u>	<u>586</u>	<u>—</u>	<u>696</u>	<u>9,819</u>
Segment results	(2,697)	402	(1)	(1,051)	(3,347)
Finance costs					<u>(181)</u>
Loss before income tax					(3,528)
Income tax expense					<u>(75)</u>
Loss for the period					<u>(3,603)</u>

Segment results for the six months ended 30 September 2019 about these businesses are as follows:

	Unaudited				Group <i>HK\$'000</i>
	Financial information, advertising and investor relationship service business <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	
Revenue	14,392	1	—	877	15,270
Segment results	(6,496)	(2,105)	(2)	(2,740)	(11,343)
Finance costs					(290)
Loss before income tax					(11,633)
Income tax expense					(33)
Loss for the period					<u>(11,666)</u>
				For the six months ended	
				30 September	
				2020	2019
				<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers					
— Service income from provision of financial information services				171	100
— Advertising and investor relationship service income				8,366	14,292
— Brokerage commission and services income from securities business				586	1
				<u>9,123</u>	<u>14,393</u>
Represented by:					
Timing of revenue recognition					
— At a point in time				8,366	14,292
— Over time				757	101
				<u>9,123</u>	<u>14,393</u>
Revenue from other sources					
— Rental income from investment properties				696	877
				<u>696</u>	<u>877</u>
				<u>9,819</u>	<u>15,270</u>

The segment assets and liabilities at 30 September 2020 are as follows:

	Unaudited				Group <i>HK\$'000</i>
	Financial information, advertising and investor relationship service business <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	
Assets	<u>67,833</u>	<u>10,418</u>	<u>55</u>	<u>34,640</u>	<u>112,946</u>
Liabilities	<u>29,592</u>	<u>2,885</u>	<u>—</u>	<u>28,631</u>	<u>61,108</u>

The segment assets and liabilities at 31 March 2020 are as follows:

	Unaudited				Group <i>HK\$'000</i>
	Financial information, advertising and investor relationship service business <i>HK\$'000</i>	Securities business <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Property investment business <i>HK\$'000</i>	
Assets	<u>69,234</u>	<u>8,392</u>	<u>25</u>	<u>34,492</u>	<u>112,143</u>
Liabilities	<u>26,837</u>	<u>1,355</u>	<u>257</u>	<u>27,583</u>	<u>56,032</u>

5. FINANCE COSTS

	Unaudited			
	For the three months ended 30 September 2020 <i>HK\$'000</i>		For the six months ended 30 September 2019 <i>HK\$'000</i>	
Interest expenses on				
— bank borrowings	64	135	160	261
— lease liabilities	<u>6</u>	<u>8</u>	<u>21</u>	<u>29</u>
	<u>70</u>	<u>143</u>	<u>181</u>	<u>290</u>

6. LOSS BEFORE INCOME TAX

	Unaudited			
	For the three months ended		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging:				
Expenses related to short-term leases/ operating lease charges				
— in respect of rental premises	851	339	1,986	870
— in respect of office equipment	—	3	—	6
Depreciation of property, plant and equipment	140	470	895	958
Depreciation of right-of-use assets	326	976	589	1,953
Employee benefits expense (including directors' emoluments)	5,412	7,626	10,592	15,037
	<u>5,412</u>	<u>7,626</u>	<u>10,592</u>	<u>15,037</u>

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for the six months ended 30 September 2020 (2019: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Regulations on the Implementation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%. No Enterprise Income Tax for the PRC subsidiary has been provided during the six months ended 30 September 2020 (2019: Nil).

The PRC income tax of approximately HK\$70,000 during the six months ended 30 September 2020 (2019: HK\$64,000) was mainly attributable to the net rental income from the investment properties of the Company in the PRC.

8. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2020 (2019: Nil).

9. LOSS PER SHARE

a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 September 2020 of approximately HK\$1,293,000 and HK\$4,074,000 respectively (three months and six months ended 30 September 2019: loss of approximately HK\$2,468,000 and HK\$10,900,000 respectively) and on the weighted average number of 666,538,774 shares in issue during the three months and six months ended 30 September 2020 (three months and six months ended 30 September 2019: weighted average number of 666,538,774 shares in issue).

b) Diluted

The computation of diluted loss per share for the three months and six months ended 30 September 2020 and 2019 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.

10. TRADE RECEIVABLES

	Unaudited	Audited
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
Trade receivables	(i) <u><u>3,200</u></u>	<u><u>2,858</u></u>

- (i) The credit terms granted by the Group to its customers range from 10 days to 90 days. An aging analysis of trade receivables as at the end of the reporting period is as follows:

	Unaudited	Audited
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
0–30 days	1,797	1,101
31–60 days	371	636
61–90 days	50	76
Over 90 days	<u>982</u>	<u>1,045</u>
	<u><u>3,200</u></u>	<u><u>2,858</u></u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Equity securities listed in Hong Kong, at fair value:		
Daisho Microline Holdings Limited (SEHK: 0567)	96	61
Xiaomi Corporation (SEHK: 1810)	—	952
	<u>96</u>	<u>1,013</u>

The fair value of all equity securities are based on their current market prices in an active market. At 30 September 2020, the Group held listed equity securities with a total market value of approximately HK\$96,000 (At 31 March 2020: HK\$1,013,000).

During the six months ended 30 September 2020, the realized gain and unrealized gain on financial assets at fair value through profit or loss were HK\$991,000 and approximately HK\$35,000 respectively (six months ended 30 September 2019: realized loss of nil and unrealized loss of approximately HK\$1,033,000 respectively).

12. ACCOUNTS PAYABLE

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Accounts payable arising from securities broking — Clients	1,848	818
Other accounts payable	1,633	1,633
	<u>3,481</u>	<u>2,451</u>

An aging analysis of accounts payable to suppliers of financial information services business as at the end of the reporting period is as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Over 90 days	<u>1,633</u>	<u>1,633</u>

13. BORROWINGS

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Secured bank loans	<u>12,455</u>	<u>12,603</u>

At 30 September 2020, the borrowings of approximately HK\$1,538,000 (31 March 2020: approximately HK\$1,603,000) carried at floating rate of Hong Kong Interbank Offer Rate (“HIBOR”) plus 1.25% per annum (31 March 2020: at floating rate of HIBOR plus 1.25% per annum). At 30 September 2020, the borrowings of approximately HK\$10,917,000 (31 March 2020: approximately HK\$11,000,000) carried at floating rate of HIBOR plus 1.75% per annum (31 March 2020: at floating rate of HIBOR plus 1.75% per annum). The carrying amounts of the borrowings are denominated in Hong Kong dollars.

The borrowings was pledged by certain land and buildings of the Group and a personal guarantee was given by the chairman of the Company for the Group’s certain borrowings as at 30 September 2020 and 31 March 2020 respectively.

The bank borrowings are classified as current liabilities because the related loan agreement contains a repayment on demand clause which gives the lender the unconditional right to call the loan at any time.

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value ordinary shares HK\$'000
Authorised:		
At 31 March 2020 and 30 September 2020	<u>15,000,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 31 March 2020 and 30 September 2020	<u>666,538,774</u>	<u>6,665</u>

15. 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		For the six months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Incomes from sharing of administrative expenses received from International Links Limited (<i>note i</i>)	558	135	858	270
Incomes from sharing of administrative expenses received from Maxx Capital Finance Limited (<i>note i</i>)	505	474	925	945
Incomes from sharing of administrative expenses received from Top 100 Hong Kong Listed Companies Research Centre (<i>note i</i>)	878	—	878	—
Rental expenses paid to Cyber Feel Limited (<i>note i</i>)	1,014	990	2,028	1,981

Note:

- (i) International Links Limited, Maxx Capital Finance Limited, Top 100 Hong Kong Listed Companies Research Centre and Cyber Feel Limited are beneficially owned by Ms. LO Yuk Yee, the chairman and the executive Director of the Company.

16. FAIR VALUE MEASUREMENT

Financial instruments that are measured in the unaudited condensed consolidated financial statement at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Unaudited 30 September 2020 Level 1 HK\$'000	Audited 31 March 2020 Level 1 HK\$'000
Financial assets at fair value through profit or loss		
— Equity securities listed in Hong Kong	<u>96</u>	<u>1,013</u>

There were no transfer between Level 1, Level 2 and Level 3 during the periods.

17. COMPARATIVE FIGURES

Certain comparative figures have been re-classified in order to conform with the presentation of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

We are an integrated platform hosting news media, public relationship and social networking services for listed companies and investors. We have 5 operation units, Finet.hk, FinTV.hk, Finet.com.cn, FinTV APP and Finet Finance Pro APP which are formed by 3 websites and 2 mobile applications. Our primary focus of our operations is in Financial PR and branding for listed companies. Through an array of new media facilities we controlled our operating costs and improved our operation efficiency. Through the distribution of high quality contents we have obtained a general recognition of our services in the market. We operate the following business segments:

Financial Information, Advertising and Investor Relationship Service Business

The income from the advertising and investor relationship service business recorded substantial growth over past few years. The decrease in current period is due to the impact of COVID-19 which has temporarily deferred the event hosting activities and decreased the relevant revenue which originally often recorded in first half of financial year.

Service income from provision of financial information service remained at a relatively low level during this financial period as this revenue stream has scaled down in recently years.

Property Investment Business

The investment properties in the PRC continued to provide stable income to the Group. The moderate decrease in revenue during the period is due to tenants have requested for and we have granted rental reduction for a few months during the period of COVID-19 pandemic.

Securities Business

Due to the keen competition within the market, the Group's securities business is still a challenging task in this period. Revenue during the period is mainly arising from services rendered for securities transaction.

Money Lending Business

No loan interest income from the money lending business was generated during the six months ended 30 September 2020 (2019: Nil).

Financial Review

The Group reported a turnover of approximately HK\$9,819,000 for the six months ended 30 September 2020, representing a decrease of approximately 35.7% from approximately HK\$15,270,000 for the same period in 2019.

During the six months ended 30 September 2020, the Group recorded cost of sales amounting to approximately HK\$486,000, representing a decrease of 62.7% from approximately HK\$1,302,000 for the same period in 2019.

Other income and other losses of the Group for the six months ended 30 September 2020 was a gain of approximately HK\$4,832,000 (six months ended 30 September 2019: HK\$189,000). The increase was mainly attributable to (i) the increase of fair value gain/loss on financial assets at fair value through profit or loss of HK\$2,059,000, (ii) government subsidies of approximately HK\$1,134,000, mainly from the Employment Support Scheme in Hong Kong, and (iii) increase in income from sharing of administrative expenses of HK\$1,446,000.

General and administrative expenses of the Group for the six months ended 30 September 2020 was approximately HK\$17,379,000 (six months ended 30 September 2019: HK\$24,968,000), which represented a decrease of approximately 30.4% when compared to the same period of 2019. The decrease was mainly due to the decrease in staff costs and professional fee.

Finance costs for the six months ended 30 September 2020 was approximately HK\$181,000 (six months ended 30 September 2019: HK\$290,000), which represented interest expenses on bank borrowings and lease liabilities. Finance costs for the six months ended 30 September 2020 included approximately HK\$160,000 of interest expenses on bank borrowings and approximately HK\$21,000 of interest expenses on lease liabilities.

The Group's unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 September 2020 was approximately HK\$4,074,000 (six months ended 30 September 2019: loss of HK\$10,900,000).

Liquidity and Financial Resources

At 30 September 2020, the net current assets of the Group was approximately HK\$468,000 (At 31 March 2020: HK\$1,515,000); the total equity of the Group was approximately HK\$51,838,000 (At 31 March 2020: HK\$56,111,000); the cash and cash equivalents of the Group was approximately HK\$10,964,000 (At 31 March 2020: HK\$8,296,000); and the unutilised banking facilities of the Group was HK\$11,360,000 (At 31 March 2020: Nil).

Borrowings

At 30 September 2020, the Group had total outstanding bank borrowings of approximately of HK\$12,455,000 (At 31 March 2020: HK\$12,603,000).

Charges of Assets

At 30 September 2020, certain property, plant and equipment of the Group with aggregate carrying value of approximately HK\$83,280,000 (At 31 March 2020: HK\$51,120,000) were pledged as securities for the borrowing facilities of the Group.

Gearing Ratio

The Group's gearing ratio, representing net debt (bank borrowings, loans from shareholder and lease liabilities less cash and cash equivalents and financial asset at fair value through profit or loss) divided by total equity, was approximately 51.8% as at 30 September 2020 (At 31 March 2020: 48.8%).

Prospect

We will continue to allocate our resources to strengthen our leading position in providing financial news services. With our competitive edge and strength arising from our integrated multiple platforms in our three vertical websites and two mobile App (Finet.hk, FinTV.hk, Finet.com.cn, FinTV APP, Finet Finance Pro APP), we can achieve a further improvement in our market share in the media industry in China and Hong Kong, and further strengthen our digital marketing business development.

We will continue to strengthen our sales and marketing team to boost and diversify the Group revenue. Moreover, FinTV is expected to provide strong support to our investor relationship business ("IR business"). IR business is expected to become our profitable stream of the Group in the coming years. IR business will both cover the listed companies and pre-IPO assignments. The services that we have been providing include the followings: (1) production of promotional videos; (2) arrangement of press conferences and celebration events; (3) arrangement of investor meetings; (4) preparing of investor relationship articles; (5) news distribution for the listed companies and pre-IPO assignments.

Our outstanding FinTV production team will continue to support the growth and expansion of our IR business.

The Group continues to host the TOP 100 HK awards Ceremony events that created a strong foundation for us to develop the event management business and to achieve lots of reputation and recognition in China including Hong Kong. Due to COVID-19, some of the event hosting activities have been temporarily deferred but expect to catch up and resume in the near future.

Meanwhile, Finet Securities Limited (“Finet Securities”), our securities arm, continue to expand our services including discretionary portfolio management, investment advisory and management of private funds. Finet Securities is expected to generate satisfactory management fee and performance fee income from fund management business in near future.

The board of Directors (the “Board”) acknowledges that the performances of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the PRC and Hong Kong stock markets, and susceptible to other external factors that may affect its value. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performances of the equity investments and the changes of market condition.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

As at 30 September 2020, there was no significant investments held which exceed 5% of the total assets of the Group.

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the reporting period.

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties in Renminbi. The Group is therefore exposed to currency risks, as the rental income will fluctuate due to change in exchange rates. The risk of currency exposure is considered to be insignificant by the Directors and specific hedges may be taken out if necessary in the future.

Contingent Liabilities

At 30 September 2020, the Group had no significant contingent liabilities (At 31 March 2020: Nil).

Employee Information

At 30 September 2020, the Group had 85 (At 31 March 2020: 84) full-time employees (including directors) in Hong Kong and the PRC.

The total staff costs (including Directors’ remuneration) for the six months ended 30 September 2020 was approximately HK\$10,592,000 (2019: HK\$15,037,000). 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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in directors' information are as follows:

On 29 June 2020, our independent non-executive director Mr. Siu Siu Ling, Robert was appointed to act as the independent non-executive director of China Saite Group Company Limited (stock code: 0153), a company listed on the Stock Exchange.

On 15 October 2020, our independent non-executive director Mr. Leung Chi Hung was appointed to act as the independent non-executive director of Evergreen International Holdings Limited (stock code: 0238), a company listed on the Stock Exchange.

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

As at 30 September 2020, 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 Director:							
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%

(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. Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,055,736 ordinary shares of HK\$0.01 each.
2. Ms. Lo and Mr. Lee were granted 660,000 and 2,000,000 share options respectively during the six months ended 30 September 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 shares in respect of the share options granted.
3. As at 30 September 2020, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 September 2020, 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 September 2020, 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					
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%
WANG Yuan	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 September 2020, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.

MOVEMENT OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 4 September 2014 for the six months ended 30 September 2020 are as follows:

Name of grantee	Date of grant (Note 1)	Exercise price	Number of share options				Balance as at 30 September 2020
			Balance as at 1 April 2020	Granted during the period	Lapsed during the period	Re-classified	
Executive Directors:							
Ms. Lo	17 April 2019	HK\$0.49	660,000	—	—	—	660,000
Mr. Lee Yu Chung (Resigned as Director on 13 August 2020)	17 April 2019	HK\$0.49	2,000,000	—	—	(2,000,000)	—
Employee	17 April 2019	HK\$0.49	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>2,000,000</u>	<u>8,500,000</u>
Total			<u>9,160,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,160,000</u>

Note:

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%

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 September 2020, 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 six months ended 30 September 2020.

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 results of the Group for the six months ended 30 September 2020 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 15 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 six months ended 30 September 2020 or at any time during such period (2019: 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 six months ended 30 September 2020. 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 six months ended 30 September 2020.

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 six months ended 30 September 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2020, 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 Yuk Yee is the chairman of our Board and she has been managing the Group's business and supervising the overall operations of the Group since 2011. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Ms. Lo is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider separating the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

By Order of the Board

LO Yuk Yee

Chairman and executive Director

Hong Kong, 13 November 2020

As at the date of this announcement, the executive Directors are Ms. LO Yuk Yee and Mr. LIN Dongming; the non-executive Director is CHAN Kwok Chiu and the independent non-executive Directors are Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung.

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.