



財華社  
FINET



First Quarterly Report 2006/2007

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)

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

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

**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.**

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

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

*This report, for which the directors of Finet Group Limited (“Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Finet Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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\$7,496,000 for the three months ended 30th June, 2006, representing an increase of approximately 8% from approximately HK\$6,922,000 for the same period in 2005.
- The Group's unaudited consolidated loss attributable to equity holders for the three months ended 30th June, 2006 was approximately HK\$511,000.
- The board of Directors does not recommend the payment of dividend for the three months ended 30th June, 2006.

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 30th June, 2006, together with the comparative unaudited figures for the corresponding period in 2005 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30th June, 2006

		For the three months ended 30th June	
		2006	2005
	Notes	HK\$'000	HK\$'000 (restated)
Revenue	2	7,496	6,922
Cost of sales		<u>(2,699)</u>	<u>(2,087)</u>
Gross profit		4,797	4,835
Other operating income	2	278	220
Selling expenses		(100)	(116)
General and administrative expenses		<u>(5,419)</u>	<u>(5,467)</u>
Operating loss		(444)	(528)
Finance costs		<u>(67)</u>	<u>–</u>
Loss before income tax		(511)	(528)
Income tax expense	3	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(511)</u></u>	<u><u>(528)</u></u>
Loss per share			
– Basic (in HK cent)	5	<u><u>(0.102)</u></u>	<u><u>(0.107)</u></u>
– Diluted (in HK cent)	5	<u><u>N/A</u></u>	<u><u>N/A</u></u>

## NOTES TO THE ACCOUNTS

### 1. Basis of preparation of the accounts

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules.

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual accounts for the year ended 31st March, 2006.

The unaudited consolidated results for the three months ended 30th June, 2006 have been reviewed by the audit committee.

### 2. Revenue and other operating income

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

	<b>For the three months ended 30th June,</b>	
	<b>2006</b>	2005
	<b>HK\$’000</b>	HK\$’000
<b>Revenue</b>		
Service income from provision of financial information services	<b>7,311</b>	6,698
Advertising income	<b>185</b>	214
Sales of merchandise	–	10
	<u><b>7,496</b></u>	<u>6,922</u>
<b>Other operating income</b>		
Realised gain on disposal of short term investments	<b>124</b>	183
Dividend income	<b>13</b>	13
Commission income	<b>27</b>	–
Interest income	<b>114</b>	24
	<u><b>278</b></u>	<u>220</u>
<b>Total income</b>	<u><b>7,774</b></u>	<u>7,142</u>

### 3. **Income tax expense**

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

No Hong Kong profits tax has been provided for the three months ended 30th June, 2006 as there was no assessable profit arising in Hong Kong for the period (2005: Nil).

No income tax was provided for the three months ended 30th June, 2006 (2005: Nil) for a subsidiary of the Company established in the People's Republic of China as the subsidiary had no assessable profit for the three months ended 30th June, 2006.

### 4. **Dividend**

The Board does not recommend the payment of dividend for the three months ended 30th June, 2006 (2005: Nil).

### 5. **Loss per share**

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$511,000 (2005 restated: HK\$528,000) and on the 498,595,000 ordinary shares in issue during the three months ended 30th June, 2006 (2005: 493,840,000).

Diluted loss per share for the three months ended 30th June, 2006 and the same period in 2005 (restated) have not been disclosed as the share options outstanding have an anti-dilutive effect on the basic loss per share.

## 6. Movement of Reserves

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee compensation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April, 2005, as previously reported	4,938	76,477	4,870	-	-	-	(59,631)	26,654
Effect on adoption of HKFRS 2	-	-	-	1,284	-	-	(1,284)	-
At 1st April, 2005, as restated	4,938	76,477	4,870	1,284	-	-	(60,915)	26,654
Employee share-based compensation	-	-	-	544	-	-	-	544
Loss for the period	-	-	-	-	-	-	(528)	(528)
At 30th June, 2005, as restated	4,938	76,477	4,870	1,828	-	-	(61,443)	(26,670)
At 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	(62,576)	29,922
Issue of shares	6	83	-	-	-	-	-	89
Employee share-based compensation	-	-	-	280	-	-	-	280
Exercise of share options	-	19	-	(19)	-	-	-	-
Loss for the period	-	-	-	-	-	-	(511)	(511)
<b>At 30th June, 2006</b>	<b>4,986</b>	<b>77,398</b>	<b>4,870</b>	<b>3,219</b>	<b>10</b>	<b>2,384</b>	<b>(63,087)</b>	<b>29,780</b>

## 7. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

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## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATIONS REVIEW**

The Group has established itself as one of the leading providers of integrated financial information solutions in Greater China in empowering financial institutions for their online securities trading, risk management and database management needs, and in providing advanced technology platforms for individual investors in real-time market data, news, analytics and value-added services. The Group continued to focus on its core business for the three months ended 30th June, 2006.

With the robust performance of Hong Kong and China's economic and financial market performance over the past three months, the Group continued to grow in all three business lines, namely, FITS (Finet Information Technology Solutions), Finet PowerStation and Finet Web Products. While the positive market conditions led to strong demands for the Group's products and services, the Group's profit margins in the small-to-medium corporate segment have come under slight pressure due to cut-throat price competition.

Following the official launch of the QDII program (Qualified Domestic Institutional Investors) on 18th April, 2006, the Group has been focusing on growing its market share in Mainland China through enhancing Finet MarketWinner and improving the sales efforts. The Group was also prepared to capture the strong market potentials of providing investor relations solutions to listed companies, particularly H-share stocks.



## FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$7,496,000 for the three months ended 30th June, 2006, representing an increase of approximately 8% from approximately HK\$6,922,000 for the same period in 2005.

During the three months ended 30th June, 2006, the Group recorded cost of sales amounting to approximately HK\$2,699,000, representing an increase of 29% to the same period in 2005, which was in line with the increase in the turnover for the same period.

General and administrative expenses of the Group for the three months ended 30th June, 2006 was approximately HK\$5,419,000 (2005 restated: HK\$5,467,000), which represented a decrease of approximately 1% as compared to the same period in 2005. During the three months ended 30th June, 2006, the Group incurred staff costs (including director's emoluments) of approximately HK\$3,212,000 (2005 restated: HK\$2,982,000). The increase in staff costs resulted from workforce expansion both in Hong Kong and the PRC to develop and enhance the Group's products and services for the purpose of capturing various market opportunities.

The Group's unaudited consolidated loss attributable to equity holders for the three months ended 30th June, 2006 was approximately HK\$511,000 (2005 restated: HK\$528,000).

Nevertheless, the Board was satisfied with the growth in the turnover during the three months ended 30th June, 2006 and believed that the growth trend shall maintain for the rest of the fiscal year.

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

As at 30th June, 2006, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

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

Name of director	No. of shares		No. of underlying shares (share options)		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
<b>Executive Directors:</b>							
Yu Gang, George	-	243,156,608	27,726,000	-	1(a), 1(b), 1(c) & 2	270,882,608	54.32%
Au Siu Lun, Allen	15,053,267	-	3,800,000	-	3	18,853,267	3.78%
<b>Non-executive Director:</b>							
Kwan Pun Fong, Vincent	280,000	-	1,000,000	-	-	1,280,000	0.25%
<b>Independent Non-executive Directors:</b>							
Lam Lee G.	-	-	1,000,000	-	-	1,000,000	0.20%
Wu Tak Lung	-	-	1,000,000	-	-	1,000,000	0.20%

## (II) AGGREGATE LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of director	No. of shares		Notes	% of shares in issue
		Personal interest	Interest of controlled corporation		
Opulent Oriental International Limited	Yu Gang, George	75	-	1(a)	75%

*Notes:*

1. Mr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 270,882,608 shares in the Company. These shares were held in the following capacity:
  - (a) 243,156,608 shares were held by Opulent Oriental International Limited (“Opulent”) of which Mr. Yu Gang, George controlled 75% of the total voting rights.
  - (b) Mr. Yu Gang, George is directly interested in options carrying 27,726,000 underlying shares.
  - (c) On 3rd July, 2006 Opulent sold 24,200,000 shares pursuant to the transaction described in Note 2. After this transaction, Mr. Yu Gang, George is deemed to be interested in 246,682,608 shares in the Company representing approximately 47.18% of the issued share capital of the Company.
  
2. Pursuant to a placing agreement and a top-up subscription agreement both dated 30th June, 2006, Opulent agreed to place 24,200,000 existing shares in the Company to independent third parties and to subscribe for 24,200,000 new shares in the Company (the “Placing and Top-up Subscription”). The Placing and Top-up Subscription was completed on 13th July, 2006. Following the completion of the Placing and Top-up Subscription:
  - (a) 218,956,608 shares were held by Opulent representing approximately 41.88% of the issued share capital of the Company.
  - (b) Mr. Yu Gang, George was therefore deemed (by virtue of the SFO) to be interested in 246,682,608 shares in the Company representing approximately 47.18% of the issued share capital of the Company, of which 218,956,608 shares were held by Opulent.
  
3. Mr. Au Siu Lun, Allen was retired on the Annual General Meeting of the Company held on 31st July, 2006.

Save as disclosed above, as at 30th June, 2006, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 30th June, 2006, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of company	No. of shares		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation			
<b>Substantial shareholder:</b>					
Opulent Oriental International Limited	243,156,608		1	243,156,608	48.77%
<b>Other persons:</b>					
T & C Holdings, Inc.	40,160,000			40,160,000	8.05%
Nebulamart Limited	38,738,477		2	38,738,477	7.77%
United Business Media Plc	38,738,477		2	38,738,477	7.77%
Apollo Investment Co., Ltd.	31,180,000	9,180,000	3	40,360,000	8.09%

**Notes:**

1. Please see Note 2 in the section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares" above.
2. 38,738,477 shares were held by Nebulamart Limited ("Nebulamart"), which was a wholly-owned subsidiary of United Business Media Plc ("UBM"). Accordingly, both Nebulamart and UBM were deemed (by virtue of the SFO) to be interested in 38,738,477 shares in the Company.
3. Apollo Investment Co., Ltd. ("Apollo") was deemed (by virtue of the SFO) to be interested in 40,360,000 shares in the Company. These shares were held in the following capacity:–
  - (a) 31,180,000 shares were held by Apollo as beneficial owners; and
  - (b) 9,180,000 shares were held by OA System Plaza Co., Ltd. of which Apollo controlled 41.64% of the total voting rights.

Save as disclosed above, the Directors are not aware of other person who, as at 30th June, 2006, 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 30th June, 2006, options to subscribe for an aggregate of 51,981,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23rd July, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 30th June, 2006 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2006	No. of share options			Balance as at 30th June, 2006
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
<b>Directors:</b>							
Yu Gang, George	21st September, 2004	HK\$0.15	27,726,000	-	-	-	27,726,000
Au Siu Lun, Allen (Note 1)	21st September, 2004	HK\$0.15	3,800,000	-	-	-	3,800,000
<b>Employees</b>	21st September, 2004	HK\$0.15	22,240,000	-	(595,000)	(1,190,000)	20,455,000
			<u>53,766,000</u>	<u>-</u>	<u>(595,000)</u>	<u>(1,190,000)</u>	<u>51,981,000</u>

As at 30th June, 2006, options to subscribe for an aggregate of 14,500,000 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16th December, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 30th June, 2006 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2006	No. of share options			Balance as at 30th June, 2006
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
<b>Non-executive Director:</b>							
Kwan Pun Fong, Vincent	29th September, 2005	HK\$0.365	1,000,000	-	-	-	1,000,000
<b>Independent Non-executive Directors:</b>							
Lam Lee G.	29th September, 2005	HK\$0.365	1,000,000	-	-	-	1,000,000
Ng Ching Wo (Note 2)	29th September, 2005	HK\$0.365	1,000,000	-	-	(1,000,000)	-
Wu Tak Lung	29th September, 2005	HK\$0.365	1,000,000	-	-	-	1,000,000
<b>Employees</b>							
	5th September, 2005	HK\$0.28	8,500,000	-	-	-	8,500,000
	24th March, 2006	HK\$0.83	3,000,000	-	-	-	3,000,000
			<u>15,500,000</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>14,500,000</u>

*Notes:*

1. Mr. Au Siu Lun, Allen was retired on the Annual General Meeting of the Company held on 31st July, 2006.
2. Mr. Ng Ching Wo was resigned as an Independent Non-executive Director with effect from 30th April 2006. The Company appointed Mr. William Hay with effect from 3rd May, 2006 to fill the vacancy pursuant to Rule 5.05 of the GEM Listing Rules.

## SPONSOR'S INTERESTS

As at 30th June, 2006, the Company's sponsor, Hantec Capital Limited ("Hantec"), its directors, employees or associates did not have any interest in the shares of the Company, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company.

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

## 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 30th June, 2006.

## AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members whom are independent non-executives directors, namely, Mr. Wu Tak Lung, Dr. Lam Lee G. and Mr. Ng Ching Wo with Mr. Wu Tak Lung as the chairman thereof. Following the resignation of Mr. Ng Ching Wo as an audit committee member with effect from 30th April, 2006, the Company appointed Mr. William Hay with effect from 3rd May, 2006 to fill the vacancy pursuant to Rule 5.28 of the GEM Listing Rules.

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 30th June, 2006 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 30th June, 2006.

By Order of the Board  
**Yu Gang, George**  
Chairman

Hong Kong, 14th August, 2006

*As at the date of this report, the executive directors of the Company are Dr. Yu Gang, George and Mr. Man Kong Yui, Elton, the non-executive director of the Company is Dr. Kwan Pun Fong, Vincent and the independent non-executive directors of the Company are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. William Hay.*