



財華社  
FINET



Interim 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.**

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*This report, for which the directors of Finet Group Limited (“Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Finet Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **RESULTS HIGHLIGHTS**

- The Group reported a turnover of approximately HK\$15,858,000 for the six months ended 30th September, 2006, representing an increase of 16% from approximately HK\$13,722,000 for the same period in 2005.
- The Group's unaudited consolidated loss attributable to equity holders for the six months ended 30th September, 2006 was approximately HK\$604,000.
- The board of Directors does not recommend the payment of dividend for the six months ended 30th September, 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 and six months ended 30th September, 2006, together with the comparative unaudited figures for the corresponding period in 2005 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2006

	Notes	For the three months ended 30th September,		For the six months ended 30th September,	
		2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)
Revenue	2	<b>8,362</b>	6,800	<b>15,858</b>	13,722
Cost of sales		<b>(3,168)</b>	(1,965)	<b>(5,867)</b>	(4,052)
Gross profit		<b>5,194</b>	4,835	<b>9,991</b>	9,670
Other operating incomes	2	<b>312</b>	1,879	<b>590</b>	2,099
Selling expenses		<b>(90)</b>	(154)	<b>(190)</b>	(270)
General and administrative expenses		<b>(5,443)</b>	(5,832)	<b>(10,862)</b>	(11,299)
Operating (loss)/profit	3	<b>(27)</b>	728	<b>(471)</b>	200
Finance cost	4	<b>(66)</b>	(36)	<b>(133)</b>	(36)
(Loss)/Profit before income tax		<b>(93)</b>	692	<b>(604)</b>	164
Income tax expense	5	–	–	–	–
(Loss)/Profit for the period		<b>(93)</b>	692	<b>(604)</b>	164
(Loss)/Earnings per share					
– Basic (in HK cent)	7	<b>(0.018)</b>	0.140	<b>(0.119)</b>	0.033
– Diluted (in HK cent)	7	<b>N/A</b>	0.131	<b>N/A</b>	0.031

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2006

	Notes	30th September, 2006 HK\$'000 (Unaudited)	31st March, 2006 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		9,766	9,841
Leasehold land and land use rights		2,471	2,499
Available-for-sale financial assets	8	1,665	–
		<u>13,902</u>	<u>12,340</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		2,221	612
Amount due from a related company		25	25
Accounts receivable	9	2,075	2,387
Prepayments, deposits and other receivables		3,353	4,408
Cash and cash equivalents		35,862	18,632
		<u>43,536</u>	<u>26,064</u>
<b>Current liabilities</b>			
Accounts payable	10	1,140	1,539
Accruals and other payables		2,304	2,803
Financial liabilities at fair value through profit or loss		346	346
Borrowings		151	159
		<u>3,941</u>	<u>4,847</u>
<b>Net current assets</b>		<u>39,595</u>	<u>21,217</u>
<b>Total assets less current liabilities</b>		<u>53,497</u>	<u>33,557</u>
<b>Non-current liabilities</b>			
Borrowings		3,566	3,635
<b>Net assets</b>		<u>49,931</u>	<u>29,922</u>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital	11	5,234	4,980
Reserves		44,697	24,942
<b>Total equity</b>		<u>49,931</u>	<u>29,922</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

	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	4,938	76,477	4,870	1,284	-	-	(60,915)	26,654
Employee share-based compensation as restated	-	-	-	970	-	-	-	970
Profit for the period as restated	-	-	-	-	-	-	164	164
At 30th September, 2005 as restated	<u>4,938</u>	<u>76,477</u>	<u>4,870</u>	<u>2,254</u>	<u>-</u>	<u>-</u>	<u>(60,751)</u>	<u>(27,788)</u>
At 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	(62,576)	29,922
Issue of shares under share option scheme	12	214	-	-	-	-	-	226
Issue of shares under subscription agreement	242	20,328	-	-	-	-	-	20,570
Share issuance cost	-	(666)	-	-	-	-	-	(666)
Employee share-based compensation	-	-	-	485	-	-	-	485
Exercise of share options	-	37	-	(37)	-	-	-	-
Currency translation	-	-	-	-	(2)	-	-	(2)
Loss for the period	-	-	-	-	-	-	(604)	(604)
<b>At 30th September, 2006</b>	<b><u>5,234</u></b>	<b><u>97,209</u></b>	<b><u>4,870</u></b>	<b><u>3,406</u></b>	<b><u>8</u></b>	<b><u>2,384</u></b>	<b><u>(63,180)</u></b>	<b><u>49,931</u></b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

	For the six months ended 30th September,	
	2006 HK\$'000	2005 HK\$'000
<b>Net cash outflow from operating activities</b>	<b>(775)</b>	(2,593)
<b>Net cash outflow from investing activities</b>	<b>(2,047)</b>	(5,575)
<b>Net cash inflow from financing activities</b>	<b>20,054</b>	3,982
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,232</b>	(4,186)
Cash and cash equivalents, beginning of period	<b>18,632</b>	20,622
Effect of foreign exchange rate changes, net	<b>(2)</b>	–
<b>Cash and cash equivalents, end of period</b>	<b>35,862</b>	16,436
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and cash equivalents	<b>35,862</b>	16,436

## NOTES TO THE ACCOUNTS

### 1. Basis of preparation of the accounts

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 audit committee has reviewed the unaudited interim consolidated financial statements.

### 2. Revenue and other operating income

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

	For the three months ended 30th September,		For the six months ended 30th September,	
	2006 <i>HK\$’000</i>	2005 <i>HK\$’000</i>	2006 <i>HK\$’000</i>	2005 <i>HK\$’000</i>
<b>Revenue</b>				
Service income from provision of financial information services	<b>7,887</b>	6,520	<b>15,198</b>	13,218
Advertising income	<b>475</b>	253	<b>660</b>	467
Sale of merchandise	–	27	–	37
	<b>8,362</b>	6,800	<b>15,858</b>	13,722
<b>Other operating incomes</b>				
Fair value gain on financial assets/liabilities at fair value through profit or loss	<b>96</b>	1,820	<b>220</b>	2,003
Dividend income	–	–	<b>13</b>	13
Commission income	<b>4</b>	–	<b>31</b>	–
Interest income	<b>212</b>	59	<b>326</b>	83
	<b>312</b>	1,879	<b>590</b>	2,099
Total income	<b>8,674</b>	8,679	<b>16,448</b>	15,821



The Group is principally engaged in the provision of financial information services and internet advertising. The Group's assets are mainly located in Hong Kong. During the period, over 90% of the Group's revenue is derived from customers located in Hong Kong. Accordingly, no separate business and geographical segment information is prepared.

### 3. Operating (loss)/profit

	For the three months ended 30th September,		For the six months ended 30th September,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
Operating (loss)/profit is arrived at after charging:				
Operating lease charges				
– rentals of office premises	272	328	544	650
Amortization of leasehold land and land use rights	14	–	27	–
Depreciation of property, plant and equipment	400	321	784	619
Unrealized holding loss on short term investments	–	593	–	893
Staff costs, including directors' emoluments				
– salaries and allowances	2,865	2,458	5,797	4,836
– share option benefits	205	426	485	970

### 4. Finance cost

	For the three months ended 30th September,		For the six months ended 30th September,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on bank loan wholly repayable within five years	<u>66</u>	<u>36</u>	<u>133</u>	<u>36</u>

## 5. Income Tax Expenses

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 six months ended 30th September, 2006 as there was no assessable profit arising in Hong Kong for the period (six months ended 30th September, 2005: nil).

No income tax was provided for the six months ended 30th September, 2006 (six months ended 30th September, 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 six months ended 30th September, 2006.

## 6. Dividend

The Board does not recommend the payment of dividend for the six months ended 30th September, 2006 (six months ended 30th September, 2005: nil).

## 7. (Loss)/Earnings per share

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company for the three months and six months ended 30th September, 2006 approximately of HK\$93,000 and HK\$604,000 respectively (three months and six months ended 30th September, 2005 restated profit attributable to equity holders approximately HK\$692,000 and HK\$164,000 respectively) and on the weighted average number of 505,688,799 ordinary shares in issue during the three months and six months ended 30th September, 2006 (three months and six months ended 30th September, 2005: 493,840,000).

### (b) Diluted (loss)/earnings per share

Diluted loss per share for the three months and six months ended 30th September, 2006 have not been disclosed as the share options outstanding have an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share for the three months and six months ended 30th September, 2005 is based on 493,840,000 ordinary shares in issue plus the 36,348,355 and 35,686,417 ordinary shares deemed to be issued during the three months and six months ended 30th September, 2005 respectively if all the outstanding potential ordinary shares were exercised.

## 8. Available-for-sale financial assets

	<b>30th September, 2006 HK\$'000 (Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
Unlisted equity investments, at cost	<b>1,665</b>	–

## 9. Accounts receivable

The credit terms granted by the Group to its customers range from 14 days to 90 days. An aging analysis of accounts receivable as of the balance sheet date is as follows:

	<b>30th September, 2006 HK\$'000 (Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
0 – 30 days	<b>1,285</b>	1,768
31 – 60 days	<b>318</b>	393
61 – 90 days	<b>164</b>	73
Over 90 days	<b>308</b>	153
	<b>2,075</b>	2,387

## 10. Accounts payable

An aging analysis of accounts payable as of the balance sheet date is as follows:

	<b>30th September, 2006 HK\$'000 (Unaudited)</b>	31st March, 2006 HK\$'000 (Audited)
0 – 30 days	<b>898</b>	1,094
31 – 60 days	<b>134</b>	164
61 – 90 days	<b>29</b>	90
Over 90 days	<b>79</b>	191
	<b>1,140</b>	1,539

## 11. Share capital

	For the six months ended 30th September, 2006		For the twelve months ended 31st March, 2006	
	<i>No. of shares</i>	<i>HK\$'000</i> (Unaudited)	<i>No. of shares</i>	<i>HK\$'000</i> (Audited)
Authorized:				
Ordinary shares of HK\$0.01 each				
Beginning and end of period/year	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
Beginning of period/year	498,000,000	4,980	493,840,000	4,938
New issue of shares under share option scheme (Note 1)	1,195,000	12	4,160,000	42
New issue of shares under subscription agreement (Note 2)	<u>24,200,000</u>	<u>242</u>	–	–
End of period/year	<u>523,395,000</u>	<u>5,234</u>	<u>498,000,000</u>	<u>4,980</u>

### Notes:

- Share options were exercised by optionholders during the period ended 30th September, 2006 to subscribe for a total of 1,195,000 shares in the Company by payment of subscription monies of approximately HK\$226,050, of which HK\$11,950 was credited to share capital and the balance of HK\$214,100 was credited to the share premium account.
- Pursuant to the subscription agreements dated 30th June, 2006, the Company issued and allotted a total of 24,200,000 new shares (the "Subscription Share(s)") at a subscription price of HK\$0.85 per Subscription Share to the subscribers on 13th July, 2006 (the "Subscription") following the completion of the placing agreements for the placing of 24,200,000 existing shares (the "Placing"). The Company raised a net sum of approximately HK\$19.9 million through the Placing and the Subscription and the fund was used as general working capital for media network and future acquisition of the Group.

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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 six months ended 30th September, 2006.

With the robust performance of Hong Kong and China's economic and financial market performance over the past six 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\$15,858,000 for the six months ended 30th September, 2006, representing an increase of approximately 16% from approximately HK\$13,722,000 for the same period in 2005.

During the six months ended 30th September, 2006, the Group recorded cost of sales amounting to approximately HK\$5,867,000, representing an increase of 45% from 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 six months ended 30th September, 2006 was approximately HK\$10,862,000 (2005 restated: HK\$11,299,000), which represented a decrease of approximately 4% as compared to the same period in 2005. During the six months ended 30th September, 2006, the Group incurred staff costs (including director's emoluments) of approximately HK\$6,282,000 (2005 restated: HK\$5,806,000). 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 six months ended 30th September, 2006 was approximately HK\$604,000, comparing to the restated consolidated profit of approximately HK\$164,000 in the last corresponding period in 2005.

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

## **PROSPECTS**

Looking forward, the Group anticipates more demand for its products and services from the PRC financial institutions, media, listed companies and investors, who will increasingly trade on multiple markets. By focusing on perfecting and aggressively marketing Finet PowerStation, we aim to become the No. 1 financial information provider for global Chinese investors, particularly for the massive PRC investors, and hence to create long-term values for our shareholders.

The Group has enhanced the efforts in looking for investment opportunities in China's Internet and mobile business arena, given China's massive market size and proven business models of China's Internet and mobile service providers. The Group anticipates, through merger and acquisition, to become a key player in China Internet business and mobile value-added services in the next 2-3 years.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2006, the net current assets of the Group was approximately HK\$39,595,000 (31st March, 2006: HK\$21,217,000); the total equity of the Group was approximately HK\$49,931,000 (31st March, 2006: HK\$29,922,000); the cash and bank deposits of the Group was approximately HK\$35,862,000 (31st March, 2006: HK\$18,632,000).

## **CAPITAL STRUCTURE**

As at 30th September, 2006, the Company had total outstanding bank borrowings of approximately of HK\$3,717,000 (31st March, 2006: 3,794,000). The bank borrowings are denominated in Hong Kong dollars.

## **PLACING OF SHARES**

Pursuant to the subscription agreements dated 30th June, 2006, the Company issued and allotted a total of 24,200,000 new shares of the Company at a subscription price of HK\$0.85 per subscription share to the subscribers on 13th July, 2006, following the completion of the placing agreements for the placing of 24,200,000 existing shares to more than six places at a placing price of HK\$0.85 per placing share. The Company raised a net proceeds of approximately HK\$19.9 million through the placing and the subscription and the fund was used as general working capital for media network and future acquisition of the Group.

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the Directors of the Company by resolution of the shareholders passed at the annual general meeting of the Company held on 29th July, 2005.

### **CHARGES OF ASSETS**

As at 30th September, 2006, the properties and the leasehold land and land use rights with an aggregate carrying value of HK\$8,047,000 (31st March, 2006: HK\$8,047,000) were pledged as securities for the borrowing facilities of the Group.

### **GEARING RATIO**

The Group's gearing ratio, representing total bank borrowings divided by total equity, was approximately 7% as at 30th September, 2006 (31st March, 2006: approximately 13%).

### **SIGNIFICANT INVESTMENTS HELD**

As at 30th September, 2006, the Group held (a) available-for-sale financial assets of approximately HK\$1,665,000 (31st March, 2006: nil); (b) financial assets at fair value through profit or loss of approximately HK\$2,221,000 (31st March, 2006: HK\$612,000); and (c) financial liabilities at fair value through profit or loss of approximately HK\$346,000 (31st March, 2006: HK\$346,000).

### **ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES**

The Group had no acquisitions and disposal of subsidiaries during the six months ended 30th September, 2006.

### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES**

As most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

### **CONTINGENT LIABILITIES**

As at 30th September, 2006, the Group had no contingent liabilities (31st March, 2006: nil).

### **EMPLOYEE INFORMATION**

As at 30th September, 2006, the Group had 68 (31st March, 2006: 71) full-time employees, of which 35 (31st March, 2006: 37) are based in Hong Kong and 33 (31st March, 2006: 34) in the PRC.

The Group has introduced share option schemes to recognize the contributions of its employees to the growth of the Group. In addition, annual review of remuneration of its employees have been put in place with reference to the Group's performance, individual's performance, and market conditions.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Company prospectus dated 31st December, 2004 to the actual business progress for the six months ended 30th September, 2006:

### BUSINESS OBJECTIVES

### ACTUAL BUSINESS PROGRESS

#### Enhancing the Group's business in the PRC

- Continue to promote the brand of Finet (財華社) and the Group's product and services through advertising on TV and newspapers and sponsorship on financial market related events in the PRC
- Established a Hong Kong stock data column on StockStar.com (證券之星), a leading financial website in China, and partnered with Shanghai Securities News (上海證券報), one of the national gazette newspapers in China, to contribute a regular Finet news and data column (財華社專欄) to promote the company's brand and editorial capabilities
- Teamed up with FORTUNE China to develop "100 Largest Listed Companies in China" (中國上市公司100強) that effectively promoted the Group's data-processing strengths
- Sponsored China Venture Capital Forum (中國風險投資論壇), Shenzhen, and Global Expansion Strategies (2006中國企業全球拓展戰略峰會), Beijing to promote the Group's brand and terminal products to China's financial and business professionals
- Continued to be interviewed and cited by leading media in Greater China on financial topics including the impact of QDII on Chinese investors



## BUSINESS OBJECTIVES

- Continue to customize the features and functionalities of Finet PowerStation for the PRC users
- Continue to enhance the quality of China listed company database and macroeconomic statistics
- Continue to enhance ICP business development
- Continue to expand the workforce at FGTL by employing additional 5 technology and product developers; 5 content developers; and 5 sales and marketing professionals
- To establish data servers in Shanghai and Beijing so as to serve customers in Northern and Eastern parts of China, at the same time to continue to develop the data servers and IT infrastructure in Shenzhen
- Continue to increase the market share of FITS and Finet PowerStation in the PRC

## ACTUAL BUSINESS PROGRESS

- In light of the growing number of China companies listed on New York Stock Exchange, Finet PowerStation customized a “NYSE-listed China Stocks” module, in addition to “Nasdaq-listed China Stocks” module, for PRC users to have a fast access to the pricing and financials of these companies
- Sourcing and developing more related information to enrich the PRC-listed company database
- Seeking potential acquisition targets to expedite the entry into ICP business in China
- Expanded the workforce on an ongoing basis during the six months ended 30th September, 2006, including 3 technology and product developers and 3 content developers
- Added data servers in Shenzhen to dedicate to the growing data capacity and user base in Beijing and Shanghai
- Won new contracts from a number of sizable China listed companies for their Investor Relations solutions and from financial institutions

## BUSINESS OBJECTIVES

## ACTUAL BUSINESS PROGRESS

### Enhancing the Group's technology and product development capabilities and IT infrastructure

- Continue to strengthen and upgrade the database and datafeed storage systems
- Continue to upgrade the network and system capacity and security level
- Continue to conduct the content and database reengineering project
- Migrated the database servers to a new data center to optimize server capacity for further business expansion
- Enhanced the network and system capacity along with migration to a new data center
- Conducted the content and database reengineering projects especially for the PRC users

### Enhancing the Group's content development capabilities

- Continue to enhance the features and functionalities of Finet PowerStation
- Launched "Finet Desktop" to seamlessly integrate the information on the Internet with Finet PowerStation
- Empowered Finet PowerStation with online trading capabilities and successfully integrated 12 leading brokers into the trading hub, enabling a one-click access to customers' preferred trading platforms
- Furthered Finet PowerStation's communications capabilities by integrating Gmail, Yahoo Mail and Hotmail into Finet Email Wizard, allowing users to check emails within Finet PowerStation

## BUSINESS OBJECTIVES

- Continue to introduce new features and enhanced functionalities of Finet Web Products according to market demand
- Continue to develop the web business through marketing campaigns and new subscription-based service offerings
- Continue to solicit the US, China, Hong Kong, Taiwan and Singapore financial information and data such as news, database, and equity market data aggregation for FITS, Finet PowerStation and the Group's website

## ACTUAL BUSINESS PROGRESS

- Launched "Finet Talk" (財華會客室), a video talk show with the region's opinion leaders, that capitalized on Finet PowerStation's multi-media technologies
- Launched "Expert Commentaries" (專家股評), aggregating real-time commentaries from analysts and commentators
- Finet MarketWinner, under the family of Finet Web Products, underwent several upgrades including the addition of financial futures and world indices information to meet the PRC user demands
- Partnered with Nokia to preload e-finet.com's URL in its mobiles. The campaign is expected to significantly increase web traffic
- In contract negotiations with leading global search engines to enhance contextual advertising and search capabilities in the website
- In contract negotiations with two global information providers to aggregate and redistribute their data and contents, which, when completed, will significantly strengthen the information coverage of Finet's products and services
- Sourced financial information from an established Japanese provider

## BUSINESS OBJECTIVES

## ACTUAL BUSINESS PROGRESS

### Strengthening the Group's sales and marketing efforts

- Continue to promote the brand of Finet (財華社) through advertising on newspapers and magazines and sponsorship on financial market related events
- Established a Hong Kong stock data column on StockStar.com (證券之星), a leading financial website in China, and partnered with Shanghai Securities News (上海證券報), one of the national gazette newspapers in China to contribute a regular Finet news and data column (財華社專欄), to promote the company's brand and editorial capabilities
- Teamed up with FORTUNE China to develop "100 Largest Listed Companies in China" (中國上市公司100強) that effectively promoted the Group's data-processing strengths
- Continued to be interviewed and cited by leading media in Greater China on financial topics including the impact of QDII on Chinese investors
- Sponsored Lexis Nexis' China Capital Markets Forum 2006, and Shun Loong's Seminar – Oil Crises and the Impact of High Oil Price held in Hong Kong to promote the Group's brand and terminal products
- Continue to carry out advertising on financial newspapers and seminars to promote the Group's products
- Sponsored Lexis Nexis' China Capital Markets Forum 2006, and Shun Loong's Seminar – Oil Crises and the impact of High Oil Price held in Hong Kong to promote the Group's brand and terminal products

## **BUSINESS OBJECTIVES**

- Continue to increase the market share of FITS, Finet PowerStation and Finet Web Products in Hong Kong by direct marketing and sales
- To solicit qualified distribution agents for marketing the Group's services in Taiwan and Singapore

## **ACTUAL BUSINESS PROGRESS**

- Focused direct sales efforts on global financial institutions with a need of professional real-time financial information to service their Chinese customers
- Searching for leading information providers or system integrators in Taiwan and Japan to be the distribution agent of Finet's products and services

## USE OF PROCEEDS

The actual use of proceeds for the six months ended 30th September, 2006 as compared to the amount set out in the section headed "Use of Proceeds" of the Company prospectus dated 31st December, 2004 are summarized as follows:

	<b>Proposed</b> <i>HK\$'000</i>	<b>Actual</b> <i>HK\$'000</i>
Expanding the Group's business into the PRC	1,300	1,283
Enhancing the Group's technology and product development capabilities and IT infrastructure	700	1,035
Enhancing the Group's content development capabilities	900	874
Strengthening the Group's sales and marketing efforts	600	696
	<hr/>	<hr/>
Total	<u>3,500</u>	<u>3,888</u>

Note:

1. The excess in the actual amount of the use of proceeds was financed by the unused fund in the similar purpose brought forward from previous period.

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

As at 30th September, 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)		Note	Total	% of share in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
<b>Executive Directors:</b>							
Yu Gang, George	-	218,956,608	27,726,000	-	1(a) & (b)	246,682,608	47.13%
Man Kong Yui, Elton	-	-	3,000,000	-	-	3,000,000	0.57%
<b>Non-executive Director:</b>							
Kwan Pun Fong, Vincent	280,000	-	1,000,000	-	-	1,280,000	0.24%
<b>Independent Non-executive Directors:</b>							
Lam Lee G.	-	-	1,000,000	-	-	1,000,000	0.19%
Wu Tak Lung	-	-	1,000,000	-	-	1,000,000	0.19%

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

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

*Note:*

1. Mr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 246,682,608 shares in the Company. These shares were held in the following capacity:
  - (a) 218,956,608 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.

Save as disclosed above, as at 30th September, 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 September, 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	Number of shares		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation			
<b>Substantial shareholder:</b>					
Opulent Oriental International Limited	218,956,608	–		218,956,608	41.83%
<b>Other persons:</b>					
Apollo Investment Co., Ltd.	31,180,000	9,180,000	1	40,360,000	7.71%
T & C Holdings, Inc.	41,320,000	–		41,320,000	7.89%
Nebulamart Limited	38,738,477	–	2	38,738,477	7.40%
United Business Media Plc	–	38,738,477	2	38,738,477	7.40%

**Notes:**

1. 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.
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.

Save as disclosed above, the Directors are not aware of other person who, as at 30th September, 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 September, 2006, options to subscribe for an aggregate of 51,741,000 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 September, 2006 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2006	Number of share options			Balance as at 30th September, 2006
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
<b>Director:</b>							
Yu Gang, George	21st September, 2004	HK\$0.15	27,726,000	-	-	-	27,726,000
<b>Employees:</b>							
Employees	21st September, 2004	HK\$0.15	22,240,000	-	(835,000)	(1,190,000)	20,215,000
Au Siu Lun, Allen (Note 1)	21st September, 2004	HK\$0.15	3,800,000	-	-	-	3,800,000
			53,766,000	-	(835,000)	(1,190,000)	51,741,000

As at 30th September, 2006, options to subscribe for an aggregate of 10,290,000 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 September, 2006 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2006	Number of share options			Balance as at 30th September, 2006
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
<b>Executive Director:</b>							
Man Kong Yui, Elton (Note 2)	24th March, 2006	HK\$0.83	3,000,000	-	-	-	3,000,000
<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 3)	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	-	(360,000)	(3,850,000)	4,290,000
			<u>15,500,000</u>	<u>-</u>	<u>(360,000)</u>	<u>(4,850,000)</u>	<u>10,290,000</u>

**Notes:**

1. Mr. Au Siu Lun, Allen retired as an Executive Director during last annual general meeting on 31st July, 2006 and remains as the director of product development of the Company. The 3,800,000 granted share options were re-classified under employee accordingly.
2. Mr. Man Kong Yui, Elton resigned as an Executive Director with effect from 7th October, 2006.
3. Mr. Ng Ching Wo 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.

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## **DIRECTORS' INTEREST IN CONTRACTS**

No contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Company Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30th September, 2006 or at any time during such period.

## **SPONSOR'S INTERESTS**

As at 30th September, 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 period from 7th January, 2005 to 31st March, 2007.

## **CORPORATE GOVERNANCE REPORT**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code"), contained in Appendix 15 of the GEM Listing Rules during the six months ended 30th September, 2006, except for the following deviations:

- (1) Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual.

The roles of the chairman and chief executive officer are performed by the same individual, Dr. Yu Gang, George. While serving as the chairman of the Company, Dr. Yu Gang, George leads the Board and is responsible for the proceedings and workings of the Board. He is also responsible for running the Company and executing strategies adopted by the Board. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board which comprises of experienced and professional individuals. Given the Company's current stage of development, the Board considers that vesting the role of chairman and chief executive officer in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operations. However, the Board will review the existing structure from time to time.

- (2) Code provision A.4.1 stipulated that non-executive directors should be appointed for a specific term and subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, every Director shall retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected in accordance with the provisions of the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

## **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 period ended 30th September, 2006. Having made specific enquiry of all Directors of the Company, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors of the Company.

## **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 30th September, 2006.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th September, 2006.

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

Hong Kong, 13th November, 2006

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