



財華社  
FINET

Third 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\$23,669,000 for the nine months ended 31st December, 2006, representing an increase of approximately 14% from approximately HK\$20,773,000 for the same period in 2005.
- The Group's unaudited consolidated loss attributable to equity holders for the nine months ended 31st December, 2006 was approximately HK\$847,000.
- The board of Directors does not recommend the payment of dividend for the nine months ended 31st December, 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 nine months ended 31st December, 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 nine months ended 31st December, 2006

	Notes	For the three months ended 31st December,		For the nine months ended 31st December,	
		2006 HK\$'000	2005 HK\$'000 (restated)	2006 HK\$'000	2005 HK\$'000 (restated)
Revenue	2	<b>7,811</b>	7,051	<b>23,669</b>	20,773
Cost of sales		<b>(2,868)</b>	(2,313)	<b>(8,735)</b>	(6,365)
Gross profit		<b>4,943</b>	4,738	<b>14,934</b>	14,408
Other operating incomes	2	<b>1,300</b>	(316)	<b>1,890</b>	1,783
Selling expenses		<b>(99)</b>	(189)	<b>(289)</b>	(459)
General and administrative expenses		<b>(6,324)</b>	(5,671)	<b>(17,186)</b>	(16,970)
Operating loss		<b>(180)</b>	(1,438)	<b>(651)</b>	(1,238)
Finance cost		<b>(63)</b>	(60)	<b>(196)</b>	(96)
Loss before income tax		<b>(243)</b>	(1,498)	<b>(847)</b>	(1,334)
Income tax expense	3	–	–	–	–
Loss for the period		<b>(243)</b>	(1,498)	<b>(847)</b>	(1,334)
Loss per share					
– Basic (in HK cent)	5	<b>(0.046)</b>	(0.303)	<b>(0.165)</b>	(0.270)
– Diluted (in HK cent)	5	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## 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 and nine months ended 31st December, 2006 have been reviewed by the audit committee.

### 2. Revenue and other operating incomes

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

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2006 HK\$’000	2005 HK\$’000	2006 HK\$’000	2005 HK\$’000
<b>Revenue</b>				
Service income from provision of financial information services	7,549	6,810	22,747	20,028
Advertising income	262	241	922	708
Sales of merchandise	–	–	–	37
	<u>7,811</u>	<u>7,051</u>	<u>23,669</u>	<u>20,773</u>
<b>Other operating incomes</b>				
Fair value gain on financial assets/ liabilities at fair value through profit or loss	272	(401)	492	1,602
Dividend income	3	–	16	13
Commission income	–	–	31	–
Interest income	245	85	571	168
Management income	780	–	780	–
	<u>1,300</u>	<u>(316)</u>	<u>1,890</u>	<u>1,783</u>
Total income	<u>9,111</u>	<u>6,735</u>	<u>25,559</u>	<u>22,556</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 nine months ended 31st December, 2006 as there was no assessable profit arising in Hong Kong for the period (nine months ended 31st December, 2005: nil).

No income tax was provided for the nine months ended 31st December, 2006 (nine months ended 31st December, 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 nine months ended 31st December, 2006.

### 4. Dividend

The Board does not recommend the payment of dividend for the nine months ended 31st December, 2006 (nine months ended 31st December, 2005: nil).

### 5. Loss per share

The calculation of basic loss per share for the three months and nine months ended 31st December, 2006 is based on the unaudited consolidated loss attributable to equity holders of the Company of approximately HK\$243,000 and HK\$847,000 respectively (three months and nine months ended 31st December, 2005 restated: HK\$1,498,000 and HK\$1,334,000 respectively) and on the weighted average number of 523,961,556 and 514,159,854 ordinary shares in issue during the three months and nine months ended 31st December, 2006 (three months and nine months ended 31st December, 2005: 493,840,000).

Diluted loss per share for the three months and nine months ended 31st December, 2006 and 2005 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	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2005	4,938	76,477	4,870	1,284	-	-	-	(60,915)	26,654
Employee share-based compensation as restated	-	-	-	1,632	-	-	-	-	1,632
Currency translation	-	-	-	-	10	-	-	-	10
Loss for the period as restated	-	-	-	-	-	-	-	(1,334)	(1,334)
At 31st December, 2005 as restated	<u>4,938</u>	<u>76,477</u>	<u>4,870</u>	<u>2,916</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>(62,249)</u>	<u>(26,962)</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	41	792	-	-	-	-	-	-	833
Issue of shares under subscription agreement	242	20,328	-	-	-	-	-	-	20,570
Share issuance cost	-	(666)	-	-	-	-	-	-	(666)
Employee share-based compensation	-	-	-	784	-	-	-	-	784
Exercise of share options	-	180	-	(180)	-	-	-	-	-
Currency translation	-	-	-	-	(2)	-	-	-	(2)
Gain on fair value changes of available-for-sale financial assets	-	-	-	-	-	-	3,043	-	3,043
Loss for the period	-	-	-	-	-	-	-	(847)	(847)
At 31st December, 2006	<u>5,263</u>	<u>97,930</u>	<u>4,870</u>	<u>3,562</u>	<u>8</u>	<u>2,384</u>	<u>3,043</u>	<u>(63,423)</u>	<u>53,637</u>

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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 information 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 31st December, 2006.

The bullishness of major financial markets, especially record new highs in Hong Kong's and China's stock markets over the past three months, boosted the demands for the Group's multi-market financial information. Consequently, the Group's business grew in all three business lines, namely, FITS ("Finet Information Technology Solutions"), Finet PowerStation and Finet Web Products.

To better compete with providers of single-market information, the Group had taken initiatives since mid-2006 to upgrade its services by investing further in IT infrastructure and delivering premium services to large-scale clients. By the end of December 2006, the Group had completed the relocation of its main data center in Hong Kong with more sophisticated capabilities to serve a broader customer base across Hong Kong, Japan and Taiwan.

The Group also elevated its development and sales efforts in China. The Group expanded its content and product development teams in the Shenzhen office to develop new service offerings in preparation for the enormous market opportunities arising from China's bullish market sentiments that will likely to continue for years. Moreover, the Group's market share in China continued to grow following the launch of the enhanced version of Finet MarketWinner and heightened sales efforts. Our clientele added several prestigious names including China Life, China Social Security Fund, and Shenyin Wanguo Securities.

The Group also mapped out an acquisition plan in China's Internet, Media and Mobile ("IMM") sectors aiming to tap into China's mainstream consumer Internet market. On 26th November, 2006, the Group entered into a memorandum of understanding with China PRNews, a company principally engaged in the business of media distribution network in China, to acquire 50% of its shareholding interests. The Group believes the strategic investment in China PRNews will provide significant synergies to the Group's content and distribution business by leveraging China PRNews' extensive online media network in China. The Group also anticipates further acquisitions and investments in line with its China IMM strategy.



## FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$23,669,000 for the nine months ended 31st December, 2006, representing an increase of approximately 14% from approximately HK\$20,773,000 for the same period in 2005.

During the nine months ended 31st December, 2006, the Group recorded cost of sales amounting to approximately HK\$8,735,000, representing an increase of approximately 37% 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 nine months ended 31st December, 2006 was approximately HK\$17,186,000 (2005 restated: HK\$16,970,000), which represented an increase of approximately 1.3% as compared to the same period in 2005. During the nine months ended 31st December, 2006, the Group incurred staff costs (including director's emoluments) of approximately HK\$9,460,000 (2005 restated: HK\$9,433,000).

The Group's unaudited consolidated loss attributable to equity holders for the nine months ended 31st December, 2006 was approximately HK\$847,000 (2005 restated: HK\$1,334,000).

Nevertheless, the Board was satisfied with the growth in the turnover during the nine months ended 31st December, 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 31st December, 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	Number of shares		Number of underlying shares (share options)		Note	Total	% of shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
<b>Executive Director:</b>							
Yu Gang, George	-	164,217,456	32,726,000	-	1(a) & (b)	196,943,456	37.42%
<b>Non-executive Directors:</b>							
Kwan Pun Fong, Vincent	230,000	-	2,000,000	-		2,230,000	0.42%
Brendan McMahon	-	-	1,000,000	-		1,000,000	0.19%
<b>Independent Non-executive Directors:</b>							
Lam Lee G.	-	-	2,000,000	-		2,000,000	0.38%
Wu Tak Lung	-	-	2,000,000	-		2,000,000	0.38%
William Hay	-	-	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	Personal interest	Number of shares		% of shares in issue
			Interest of controlled corporation	Note	
Opulent Oriental International Limited	Yu Gang, George	100	-	1(a)	100%

*Note:*

1. Mr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 196,943,456 shares in the Company. These shares were held in the following capacity:
  - (a) 164,217,456 shares were held by Opulent Oriental International Limited ("Opulent") which is wholly-owned by Mr. Yu Gang, George; and
  - (b) Mr. Yu Gang, George is directly interested in options carrying 32,726,000 underlying shares.

Save as disclosed above, as at 31st December, 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 31st December, 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 shareholders:</b>					
Opulent Oriental International Limited	164,217,456	–		164,217,456	31.20%
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	10.40%
Chang Wen Shiann	–	54,739,152	1	54,739,152	10.40%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	10.40%
<b>Other persons:</b>					
T & C Holdings, Inc.	41,320,000	–		41,320,000	7.85%
Apollo Investment Co., Ltd.	31,180,000	9,180,000	2	40,360,000	7.67%
Nebulamart Limited	38,738,477	–	3	38,738,477	7.36%
United Business Media Plc	–	38,738,477	3	38,738,477	7.36%

*Notes:*

1. 54,739,152 shares were held by Union Stars Group Ltd. (“USG”), which Mr. Chang Wen Shiann and Mrs. Chang Hu Ching Yueh hold 50% of the total voting rights respectively. Accordingly, all USG, Mr. Chang and Mrs. Chang were deemed (by virtue of the SFO) to be interest in 54,739,152 shares in the Company.
2. 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.
3. 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 31st December, 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 31st December, 2006, options to subscribe for an aggregate of 50,101,000 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 31st December, 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 31st December, 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	26,040,000	-	(2,475,000)	(1,190,000)	22,375,000
			53,766,000	-	(2,475,000)	(1,190,000)	50,101,000

As at 31st December, 2006, options to subscribe for an aggregate of 27,000,000 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 31st December, 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 31st December, 2006
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
<b>Executive Directors:</b>							
Man Kong Yui, Elton (Note 1)	24th March, 2006	HK\$0.83	3,000,000	-	-	(3,000,000)	-
Yu Gang, George	6th December, 2006	HK\$0.668	-	5,000,000	-	-	5,000,000
<b>Non-executive Directors:</b>							
Kwan Pun Fong,	29th September, 2005	HK\$0.365	1,000,000	-	-	-	1,000,000
Vincent	6th December, 2006	HK\$0.668	-	1,000,000	-	-	1,000,000
Brendan McMahon	6th December, 2006	HK\$0.668	-	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
	6th December, 2006	HK\$0.668	-	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
	6th December, 2006	HK\$0.668	-	1,000,000	-	-	1,000,000
William Hay	6th December, 2006	HK\$0.668	-	1,000,000	-	-	1,000,000
<b>Employees:</b>							
Employees	5th September, 2005	HK\$0.28	8,500,000	-	(1,650,000)	(3,850,000)	3,000,000
	6th December, 2006	HK\$0.668	-	11,000,000	-	-	11,000,000
			<u>15,500,000</u>	<u>21,000,000</u>	<u>(1,650,000)</u>	<u>(7,850,000)</u>	<u>27,000,000</u>

*Notes:*

1. Mr. Man Kong Yui, Elton was resigned as an Executive Director with effect from 7th October, 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 31st December, 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.

## **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 nine months ended 31st December, 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. William Hay with Mr. Wu Tak Lung as the chairman thereof.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the three months and nine months ended 31st December, 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 nine months ended 31st December, 2006.

By Order of the Board

**Yu Gang, George**

*Chairman*

Hong Kong, 9th February, 2007

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