



財華社
FINET

Interim Report 2007/2008

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)



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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 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\$19,219,000 for the six months ended 30th September, 2007, representing an increase of 21% from approximately HK\$15,858,000 for the same period in 2006.
- The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30th September, 2007 was approximately HK\$9,546,000.
- The board of Directors does not recommend the payment of dividend for the six months ended 30th September, 2007.



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, 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2007

	Notes	For the three months ended 30th September,		For the six months ended 30th September,	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	11,043	8,362	19,219	15,858
Cost of sales		(2,809)	(3,168)	(5,549)	(5,867)
Gross profit		8,234	5,194	13,670	9,991
Other operating incomes	2	256	312	638	590
Selling expenses		(2,354)	(90)	(2,460)	(190)
General and administrative expenses		(10,161)	(5,443)	(18,559)	(10,862)
Other operating expenses		(560)	–	(800)	–
Operating loss	4	(4,585)	(27)	(7,511)	(471)
Finance costs	5	(261)	(66)	(323)	(133)
Loss before income tax		(4,846)	(93)	(7,834)	(604)
Gain on disposals of interest in a subsidiary		4,125	–	16,144	–
Income tax expenses	6	–	–	–	–
(Loss)/Profit for the period		(721)	(93)	8,310	(604)
Attributable to:					
Equity holders of the Company		374	(93)	9,546	(604)
Minority interests		(1,095)	–	(1,236)	–
		(721)	(93)	8,310	(604)
Earnings/(Loss) per share attributable to the equity holders of the Company					
– Basic (in HK cent)	8(a)	0.070	(0.018)	1.795	(0.119)
– Diluted (in HK cent)	8(b)	0.067	N/A	1.716	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2007

	30th September, 2007	31st March, 2007
Notes	HK\$'000 (Unaudited)	<i>HK\$'000</i> <i>(Audited)</i>
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	19,791	15,217
Leasehold land and land use rights	10,363	2,444
Goodwill	126,511	–
Intangible assets	147	–
Investment in an associate	35	–
Available-for-sale financial assets	895	2,165
	157,742	19,826
Current assets		
Financial assets at fair value through profit or loss	1,354	22
Accounts receivable	5,641	2,313
Prepayments, deposits and other receivables	5,433	4,206
Cash and cash equivalents	30,320	37,036
	42,748	43,577



		30th September, 2007	31st March, 2007
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Current liabilities			
Accounts payable	10	3,818	1,987
Accruals and other payables		7,245	2,528
Consideration payable on acquisition of a subsidiary		46,800	–
Financial liabilities at fair value through profit or loss		–	18
Borrowings	11	10,988	172
		68,851	4,705
Net current (liabilities)/assets		(26,103)	38,872
Total assets less current liabilities		131,639	58,698
Non-current liabilities			
Borrowings	11	3,378	3,461
Consideration payable on acquisition of a subsidiary		78,000	–
Net assets		50,261	55,237
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	5,481	5,279
Reserves		63,653	49,863
		69,134	55,142
Minority interests		(18,873)	95
		50,261	55,237

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2007

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	-	(62,576)	24,942	-	29,922
Issue of shares under share option scheme	12	214	-	-	-	-	-	-	214	-	226
Issue of shares under subscription agreement	242	20,328	-	-	-	-	-	-	20,328	-	20,570
Share issuance cost	-	(666)	-	-	-	-	-	-	(666)	-	(666)
Employee share-based compensation	-	-	-	485	-	-	-	-	485	-	485
Exercise of share options	-	37	-	(37)	-	-	-	-	-	-	-
Currency translation	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Loss for the period	-	-	-	-	-	-	-	(604)	(604)	-	(604)
At 30th September, 2006	5,234	97,209	4,870	3,406	8	2,384	-	(63,180)	44,697	-	49,931
At 1st April, 2007	5,279	98,286	4,870	4,390	141	6,747	500	(65,071)	49,863	95	55,237
Fair value loss:											
- Available-for-sales financial assets	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Issue of shares under share option scheme	202	2,938	-	-	-	-	-	-	2,938	-	3,140
Vested share options lapsed	-	-	-	(146)	-	-	-	146	-	-	-
Employee share-based compensation	-	-	-	1,444	-	-	-	-	1,444	-	1,444
Exercise of share options	-	1,734	-	(1,734)	-	-	-	-	-	-	-
Currency translation	-	-	-	-	362	-	-	-	362	-	362
Disposals of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(18,968)	(18,968)
Profit for the period	-	-	-	-	-	-	-	9,546	9,546	-	9,546
At 30th September, 2007	5,481	102,958	4,870	3,954	503	6,747	-	(55,379)	63,653	(18,873)	50,261

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2007

	For the six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(7,213)	(775)
Net cash outflow from investing activities	(2,921)	(2,047)
Net cash inflow from financing activities	3,056	20,054
Net (decrease)/increase in cash and cash equivalents	(7,078)	17,232
Cash and cash equivalents, beginning of period	37,036	18,632
Effect of foreign exchange rate changes, net	362	(2)
Cash and cash equivalents, end of period	30,320	35,862
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	30,320	35,862

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 the interim financial statements are consistent with those adopted in the preparation of the financial statements for the year ended 31st March, 2007.

The audit committee has reviewed the unaudited interim consolidated financial statements.

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 recognized during the period is as follows:

	For the three months ended 30th September,		For the six months ended 30th September,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	8,614	7,887	16,540	15,198
Advertising income	466	475	689	660
Online games income	1,963	–	1,990	–
	11,043	8,362	19,219	15,858
Other operating incomes				
Fair value gain on financial assets/ liabilities at fair value through profit or loss	(62)	96	97	220
Dividend income	–	–	–	13
Commission income	209	4	212	31
Interest income	109	212	329	326
	256	312	638	590
Total incomes	11,299	8,674	19,857	16,448

3. SEGMENT INFORMATION

(a) *Business segments*

For management purposes, the Group is currently organised into two operating divisions - financial information services and internet advertising (“FITS”); and online games. These divisions are the basis on which the Group reports its primary segment information.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and property, plant and equipment.

Segment information about these businesses is presented below:

For the six months ended 30th September,

	FITS		Online games		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	<u>17,229</u>	15,858	<u>1,990</u>	–	<u>19,219</u>	15,858
Segment results	<u>11,680</u>	9,991	<u>1,990</u>	–	<u>13,670</u>	9,991
Other operating incomes					638	590
Unallocated costs					<u>(21,819)</u>	(11,052)
Operating loss					<u>(7,511)</u>	(471)
Finance costs					<u>(323)</u>	(133)
Loss before income tax					<u>(7,834)</u>	(604)
Gain on disposals of interest in a subsidiary					16,144	–
Income tax expenses					–	–
Profit/(Loss) for the period					<u>8,310</u>	(604)
Profit/(Loss) attributable to equity holders					9,546	(604)
Minority interests					<u>(1,236)</u>	–
					<u>8,310</u>	(604)

	FITS		Online games		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	41,557	53,552	30,138	–	71,695	53,552
Investment in an associate					35	–
Unallocated assets					128,760	3,886
Total assets					200,490	57,438
Segment liabilities	7,378	3,444	3,685	–	11,063	3,444
Unallocated liabilities					139,166	4,063
Total liabilities					150,229	7,507
Capital Expenditure	592	708	1,983	–	2,575	708
Depreciation of property, plant and equipment	935	784	878	–	1,813	784
Amortization of leasehold land and land use right	132	27	27	–	159	27
Amortization of intangible assets	–	–	12	–	12	–

(b) *Geographical segments*

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are where the assets are located.

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the operating profit/(loss) of the Group are attributable to markets outside the People's Republic of China (the "PRC") (including Hong Kong).

4. Operating loss

	For the three months ended 30th September,		For the six months ended 30th September,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating loss is arrived at after charging:				
Operating lease charges				
– rentals of office premises	296	272	633	544
Amortization of leasehold land and land use rights	93	14	159	27
Amortization of intangible assets	11	–	12	–
Depreciation of property, plant and equipment	1,273	400	1,813	784
Staff costs, including directors' emoluments				
– salaries and allowances	5,749	2,865	9,343	5,797
– share option benefits	723	205	1,444	485

5. Finance costs

	For the three months ended 30th September,		For the six months ended 30th September,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	261	66	323	133

6. Income Tax Expenses

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, were 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. The Company's subsidiary established in the Republic of Seychelles was exempted from payment of the Republic of Seychelles income tax.

No Hong Kong profits tax has been provided for the six months ended 30th September, 2007 as the Group had no assessable profit arising in Hong Kong for the period (2006: nil)

No income tax was provided for the six months ended 30th September, 2007 (2006: nil) for the subsidiaries of the Company established in the People's Republic of China as the subsidiaries had no assessable profit for the six months ended 30th September, 2007.

7. Dividend

The Board does not recommend the payment of dividend for the six months ended 30th September, 2007 (2006: nil).

8. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the three months and six months ended 30th September, 2007 approximately of HK\$374,000 and HK\$9,546,000 respectively (three months and six months ended 30th September, 2006 loss attributable to equity holders approximately HK\$93,000 and HK\$604,000 respectively) and on the weighted average number of 531,896,311 ordinary shares in issue during the three months and six months ended 30th September, 2007 (three months and six months ended 30th September, 2006: 505,688,799).

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the three months and six months ended 30th September, 2007 is based on 531,896,311 ordinary shares in issue plus the 23,987,291 and 24,318,615 ordinary shares deemed to be issued during the three months and six months ended 30th September, 2007 if all the outstanding potential ordinary shares were exercised.

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.

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:

	30th September, 2007 HK\$'000 (Unaudited)	31st March, 2007 HK\$'000 (Audited)
0 – 30 days	2,307	1,502
31 – 60 days	372	306
61 – 90 days	2,434	125
Over 90 days	528	380
	5,641	2,313

10. Accounts payable

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

	30th September, 2007 HK\$'000 (Unaudited)	31st March, 2007 HK\$'000 (Audited)
0 – 30 days	1,116	823
31 – 60 days	–	497
61 – 90 days	67	150
Over 90 days	2,635	517
	<u>3,818</u>	<u>1,987</u>

11. Bank borrowings

	30th September, 2007 HK\$'000 (Unaudited)	31st March, 2007 HK\$'000 (Audited)
Secured bank loans	14,366	3,633
Less: Amount due within one year shown under current liabilities	<u>(10,988)</u>	<u>(172)</u>
Amount due after one year shown under non-current liabilities	<u>3,378</u>	<u>3,461</u>

The bank loans were secured by the leasehold land and land use rights, and buildings of the Group with carrying values of approximately HK\$8,250,000 and HK\$9,792,000 respectively as at 30th September, 2007.

12. Share capital

	For the six months ended 30th September, 2007		For the twelve months ended 31st March, 2007	
	<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	<u>527,955,000</u>	<u>5,279</u>	498,000,000	4,980
Issue of shares under share option scheme (Note)	<u>20,195,000</u>	<u>202</u>	5,755,000	57
Issue of shares under subscription agreement	<u>-</u>	<u>-</u>	24,200,000	242
End of period/year	<u>548,150,000</u>	<u>5,481</u>	<u>527,955,000</u>	<u>5,279</u>

Note:

Share options were exercised by optionholders during the period ended 30th September, 2007 to subscribe for a total of 20,195,000 shares in the Company by payment of subscription monies of approximately HK\$3,140,000, of which HK\$202,000 was credited to share capital and the balance of HK\$2,938,000 was credited to the share premium account.

13. Litigation

As at 30th September 2007, Finet Holdings Limited, a wholly owned subsidiary of the Company was involved in a civil action in which an IT vendor claimed against Finet Holdings Limited a sum of HK\$700,000 being unpaid purchase price plus interest and costs. Finet Holdings Limited is defending the action and counterclaiming the vendor for damages for breach of contract.

On 15th September, 2007, a civil action was filed against the Company by an independent third party alleging damages for libel contained in an article published on an internet website. The Company believes it has meritorious defenses to the action and accordingly no provision for any potential liability has been made in the condensed consolidated financial statement.

14. Post balance sheet event

On 20th September, 2007 the Company entered into a placing agreement with a placing agent for the placing, on a best endeavor basis, of up to 46,080,000 new shares to not less than six places at the placing price of HK\$0.68 per placing share. The placing was complete on 8th October, 2007 and a total of 46,080,000 new shares were issued by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS OPERATIONS REVIEW

The Group focused on two main business lines in Greater China for the six months ended 30th September, 2007: financial information services in Greater China and online games in Mainland China. On financial information services, 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 financial database management needs, and in providing advanced information platforms for individual investors in real-time market data, news, analytics and value-added services.

On 18th June, 2007, the Group closed the transaction to acquire the 100% interest of East Treasure Limited to enter China's fast-growing online game market. East Treasure Limited is a limited liability company incorporated in the Republic of Seychelles. It holds 100% of the equity interest in Hangzhou Xiaobao Digital Technology Company Limited (杭州笑傲數碼科技有限公司) ("Xiaobao"), a wholly foreign-owned enterprise incorporated in the PRC. Xiaobao has entered into the operative agreements with Hangzhou Tianchang Network Technology Company Limited (杭州天暢網路科技有限公司) ("Tianchang"), in connection with the ownership, development and operations of online games in the PRC. Tianchang currently focuses on completing the development of two new 3-dimensional MMORPG games, The Legend of Three Kingdoms (三國傳奇) and New Knight-Errant Story (新笑傲江湖). The Legend of Three Kingdoms has gone through a series of close-beta testings and is scheduled for commercial launch in the 4th quarter of 2007. New Knight-Errant Story is scheduled to undergo closed-beta testing in 1st quarter of 2008 and commercial launch after satisfactory closed-beta and open-beta testings. The Group anticipates the online game business to be the growth driver in the next few years.

The Group's financial information business continued to grow both inside and outside Mainland China, particularly following the overall bullish market sentiments across global financial markets. The Group's market share in China continued to grow owing to multiple factors, namely, the expanded QDII program launched in July 2007 and the anticipated launch of China-wide Hong Kong stock market Through-Train Program (港股直通車) and the Group's enhanced service efforts to customers in China. An enhanced new financial terminal product targeting at Mainland China users is underway to be released in early 2008.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$19,219,000 for the six months ended 30th September, 2007, representing an increase of approximately 21% from approximately HK\$15,858,000 for the same period in 2006.

During the six months ended 30th September, 2007, the Group recorded cost of sales amounting to approximately HK\$5,549,000, representing an decrease of 6% from the same period in 2006.

General and administrative expenses of the Group for the six months ended 30th September, 2007 was approximately HK\$18,559,000 (2006: HK\$10,862,000). A substantial factor in the increase in general and administrative expenses was due to transaction expenses and ongoing operating expenses arising from the successful acquisition of the entire equity interest of the East Treasure Group in June, 2007.

The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30th September, 2007 was approximately HK\$9,546,000 (2006: loss of HK\$604,000). The profit for the period was mainly derived from the gain on disposals of interest in the East Treasure Group during the period.

The Board was satisfied with the growth in the turnover during the six months ended 30th September, 2007 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 financial information products and services from the PRC financial institutions, media, listed companies and investors, who will increasingly trade in both A-share and Hong Kong markets. By focusing on the enhancement of our services and unfolding our marketing programmes, we aim to become the No. 1 financial information provider for the massive PRC investors in both Hong Kong financial markets and A-shares markets, and hence to create long-term values for our shareholders.

In view of the growing number of China online gaming companies going public overseas, the Group remains optimistic that its online game business with proprietary 3D game development technologies is well positioned to make headway in this burgeoning industry. In the quarters to come, in addition to fully integrating Tianchang's business into the Group's online game operations and improve its management accountability, the Group will direct its efforts to enhancing its game development technologies, securing more different games in the pipeline and expanding its operations in major game consumption cities in China. Following the launch of the new games by Tianchang in the next few months, the Group expects significant improvement in financial results in the game business. With fully-fledged development, publishing and distribution capabilities, the Group envisions to rapidly become a top player in China's online game business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2007, the net current liabilities of the Group was approximately HK\$26,103,000 (31st March, 2007 net current assets: HK\$38,872,000); the total equity of the Group was approximately HK\$50,261,000 (31st March, 2007: HK\$55,237,000); the cash and bank deposits of the Group was approximately HK\$30,320,000 (31st March, 2007: HK\$37,036,000).

CAPITAL STRUCTURE

As at 30th September, 2007, the Company had total outstanding bank borrowings of approximately of HK\$14,366,000 (31st March, 2007: HK\$3,633,000).

CHARGES OF ASSETS

As at 30th September, 2007, the properties and the leasehold land and land use rights with an aggregate carrying value of HK\$18,042,000 (31st March 2007: HK\$12,236,000) 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 29% as at 30th September, 2007 (31st March, 2007: approximately 6%).

SIGNIFICANT INVESTMENTS HELD

As at 30th September, 2007, the Group held available-for-sale financial assets of approximately HK\$895,000 (31st March, 2007: HK\$2,165,000) and financial assets at fair value through profit or loss of approximately HK\$1,354,000 (31st March, 2007: HK\$22,000).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES

The Group had the following acquisition and disposals during the six months ended 30th September, 2007:

ACQUISITION

The Group acquired the 100% equity interest in East Treasure Limited for a consideration of RMB150,000,000 (approximately HK\$156,250,000). East Treasure Limited is a limited liability company incorporated in the Republic of Seychelles. It holds 100% of the equity interest in Hangzhou Xiaobao Digital Technology Company Limited (杭州笑傲數碼科技有限公司), a WFOE incorporated in the PRC. Xiaobao has entered into the Operative Agreements with Hangzhou Tianchang Network Technology Company Limited (杭州天暢網路科技有限公司), in connection with the ownership, development and operations of online games in the PRC. The acquisition allowed the Group to enter China's fast-growing online game market.

DISPOSAL

For funding a part of the acquisition of the East Treasure Limited and the related investment, the Group disposed of the 12% and 2.29% equity interest in China Game and Digital Entertainment Limited, being a subsidiary of the Group, for a cash consideration of US\$4,000,000 (approximately HK\$31,200,000) and US\$1,000,000 (approximately HK\$7,800,000) respectively.

Save as disclosed above, the Group had no other acquisitions and disposals of subsidiaries during the six months ended 30th September, 2007.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group holds leasehold land and land use rights and buildings in RMB and available-for-sales financial assets in Japanese Yen. The Group is therefore exposed to currency risks, as the value of the assets/liabilities will fluctuate due to change in exchange rates.

CONTINGENT LIABILITIES

Saved as disclosed in note 13 to the condensed consolidated financial statements about litigation proceeding, the Group had no significant contingent liabilities as at 30th September, 2007.

EMPLOYEE INFORMATION

As at 30th September, 2007, the Group had 302 (31st March, 2007: 75) full-time employees, of which 39 (31st March, 2007: 38) are based in Hong Kong and 263 (31st March, 2007: 37) 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.

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

As at 30th September, 2007, 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 shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
Executive Director:							
Yu Gang, George	-	179,877,456	17,126,000	-	1	197,003,456	35.94%
Non-executive Director:							
Kwan Pun Fong, Vincent	300,000	-	1,700,000	-		2,000,000	0.36%
Independent Non-executive Directors:							
Lam Lee G.	-	-	2,000,000	-		2,000,000	0.36%
Wu Tak Lung	-	-	2,000,000	-		2,000,000	0.36%
William Hay	-	-	1,000,000	-		1,000,000	0.18%

(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	100	–	1	100%

Note:

1. Dr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 197,003,456 shares in the Company. These shares were held in the following capacity:
 - (a) 179,877,456 shares were held by Opulent Oriental International Limited (“Opulent”) which is wholly-owned by Dr. Yu Gang, George; and
 - (b) Dr. Yu Gang, George is directly interested in options carrying 17,126,000 underlying shares.

Save as disclosed above, as at 30th September, 2007, 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, 2007, 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			
Substantial shareholder:					
Opulent Oriental International Limited	179,877,456	–		179,877,456	32.82%
Other persons:					
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	9.99%
Chang Wen Shiann	–	54,739,152	1	54,739,152	9.99%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	9.99%
T & C Holdings, Inc.	41,320,000	–		41,320,000	7.54%
Stellar Group Co. Ltd.	30,350,000	9,180,000	2	39,530,000	7.21%
Nebulamart Limited	38,738,477	–	3	38,738,477	7.07%
United Business Media Plc	–	38,738,477	3	38,738,477	7.07%

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 interested in 54,739,152 shares in the Company.
2. Stellar Group Co. Ltd. (formerly known as Apollo Investment Co., Ltd.) (“Stellar”) was deemed (by virtue of the SFO) to be interested in 39,530,000 shares in the Company. These shares were held in the following capacity:
 - (a) 30,350,000 shares were held by Stellar as beneficial owners; and
 - (b) 9,180,000 shares were held by OA System Plaza Co., Ltd. of which Stellar 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 30th September, 2007, 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, 2007, options to subscribe for an aggregate of 26,566,000 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, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2007	Number of share options			Balance as at 30th September, 2007
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Director:							
Yu Gang, George	21st September, 2004	HK\$0.15	27,726,000	-	(15,600,000)	-	12,126,000
Employees:							
Employees	21st September, 2004	HK\$0.15	20,745,000	-	(3,945,000)	(2,360,000)	14,440,000
			<u>48,471,000</u>	<u>-</u>	<u>(19,545,000)</u>	<u>(2,360,000)</u>	<u>26,566,000</u>

As at 30th September, 2007, options to subscribe for an aggregate of 26,350,000 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, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2007	Number of share options			Balance as at 30th September, 2007
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Executive Director:							
Yu Gang, George	6th December, 2006	HK\$0.668	5,000,000	-	-	-	5,000,000
Non-executive Director:							
Kwan Pun Fong,	29th September, 2005	HK\$0.365	1,000,000	-	(300,000)	-	700,000
Vincent	6th December, 2006	HK\$0.668	1,000,000	-	-	-	1,000,000
Independent Non-executive Directors:							
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
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
Employees:							
Employee	5th September, 2005	HK\$0.28	3,000,000	-	(350,000)	-	2,650,000
Employee	6th December, 2006	HK\$0.668	12,000,000	-	-	-	12,000,000
			<u>27,000,000</u>	<u>-</u>	<u>(650,000)</u>	<u>-</u>	<u>26,350,000</u>

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, 2007 or at any time during such period.

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, 2007, 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.

None of the non-executive Directors and the independent non-executive Directors of the Company is appointed for specific terms but are subject to the retirement by rotation provisions under the Articles.

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, 2007. 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, 2007.

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-executive 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 six months ended 30th September, 2007 have been reviewed by the audit committee.

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, 2007.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 12th November, 2007

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