



財華社
FINET

Third Quarterly Report 2007/2008

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8317)



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

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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\$29,636,000 for the nine months ended 31st December, 2007, representing an increase of 25% from approximately HK\$23,669,000 for the same period in 2006.
- The Group's unaudited consolidated profit attributable to equity holders for the nine months ended 31st December, 2007 was approximately HK\$10,515,000.
- The board of Directors does not recommend the payment of dividend for the nine months ended 31st December, 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 nine months ended 31st December, 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 nine months ended 31st December, 2007

	Notes	For the three months ended 31st December,		For the nine months ended 31st December,	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	10,417	7,811	29,636	23,669
Cost of sales		(2,936)	(2,868)	(8,485)	(8,735)
Gross profit		7,481	4,943	21,151	14,934
Other operating incomes	2	1,444	1,300	2,082	1,890
Selling expenses		(2,862)	(99)	(5,322)	(289)
General and administrative expenses		(13,578)	(6,324)	(32,137)	(17,186)
Other operating expenses		(214)	–	(1,014)	–
Operating loss		(7,729)	(180)	(15,240)	(651)
Share of losses of associates		(111)	–	(111)	–
Finance costs		(263)	(63)	(586)	(196)
Loss before income tax		(8,103)	(243)	(15,937)	(847)
Gain on disposals of interest in subsidiaries		9,079	–	25,223	–
Income tax expenses	3	–	–	–	–
Profit/(Loss) for the period		976	(243)	9,286	(847)

	Notes	For the three months ended 31st December,		For the nine months ended 31st December,	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Attributable to:					
Equity holders of the Company		969	(243)	10,515	(847)
Minority interests		7	–	(1,229)	–
		<u>976</u>	<u>(243)</u>	<u>9,286</u>	<u>(847)</u>
Earnings/(Loss) per share					
attributable to the equity holders					
of the Company					
– Basic (<i>in HK cent</i>)	5(a)	<u>0.164</u>	<u>(0.046)</u>	<u>1.906</u>	<u>(0.165)</u>
– Diluted (<i>in HK cent</i>)	5(b)	<u>0.158</u>	<u>N/A</u>	<u>1.829</u>	<u>N/A</u>

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards 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, 2007.

The unaudited consolidated results for the three months and nine months ended 31st December, 2007 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 recognized during the period is as follows:

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	8,597	7,549	25,137	22,747
Advertising income	880	262	1,569	922
Online games income	940	–	2,930	–
	<u>10,417</u>	<u>7,811</u>	<u>29,636</u>	<u>23,669</u>
Other operating incomes				
Fair value gain on financial assets/liabilities at fair value through profit or loss	625	272	722	492
Dividend income	–	3	–	16
Commission income	106	–	318	31
Interest income	269	245	598	571
Sundry income	444	780	444	780
	<u>1,444</u>	<u>1,300</u>	<u>2,082</u>	<u>1,890</u>
Total incomes	<u>11,861</u>	<u>9,111</u>	<u>31,718</u>	<u>25,559</u>

3. 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 nine months ended 31st December, 2007 as the Group had no assessable profit arising in Hong Kong for the period (2006: nil).

No income tax was provided for the nine months ended 31st December, 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 nine months ended 31st December, 2007.

4. Dividend

The Board does not recommend the payment of dividend for the nine months ended 31st December, 2007 (2006: nil).

5. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company for the three months and nine months ended 31st December, 2007 approximately of HK\$969,000 and HK\$10,515,000 respectively (three months and nine months ended 31st December, 2006 loss attributable to equity holders approximately of HK\$243,000 and HK\$847,000 respectively), and on the weighted average number of 590,880,652 and 551,629,255 ordinary shares in issue during the three months and nine months ended 31st December, 2007 respectively (three months and nine months ended 31st December, 2006: 523,961,556 and 514,159,854 respectively).

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the three months and nine months ended 31st December, 2007 is based on the weighted average number of 590,880,652 and 551,629,255 ordinary shares in issue plus the 22,527,841 and 23,130,033 ordinary shares deemed to be issued during the three months and nine months ended 31st December, 2007 if all the outstanding potential ordinary shares were exercised.

Diluted loss per share for the three months and nine months ended 31st December, 2006 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	Share	Employee		Property	Investment	Accumulated	Total	Minority	Total	
	capital	premium	Merger	compensation	Translation	revaluation					revaluation
	HK\$'000	HK\$'000	reserve	reserve	reserve	reserve	reserve	losses	reserves	interests	equity
At 1st April, 2006	4,980	77,296	4,870	2,958	10	2,384	-	(62,576)	24,942	-	29,922
Fair value gain:											
- Available-for-sale financial assets	-	-	-	-	-	-	3,043	-	3,043	-	3,043
Issue of shares under the share option scheme	41	792	-	-	-	-	-	-	792	-	833
Issue of shares under the subscription agreement	242	20,328	-	-	-	-	-	-	20,328	-	20,570
Share issuance cost	-	(666)	-	-	-	-	-	-	(666)	-	(666)
Employee share-based compensation	-	-	-	784	-	-	-	-	784	-	784
Exercise of share options	-	180	-	(180)	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Loss for the period	-	-	-	-	-	-	-	(847)	(847)	-	(847)
At 31st December, 2006	5,263	97,930	4,870	3,562	8	2,384	3,043	(63,423)	48,374	-	53,637
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-sale financial assets	-	-	-	-	-	-	(500)	-	(500)	-	(500)
Issue of shares under the placing agreement	461	30,515	-	-	-	-	-	-	30,515	-	30,976
Issue of shares under the share option scheme	208	3,024	-	-	-	-	-	-	3,024	-	3,232
Vested share options lapsed	-	-	-	(146)	-	-	-	146	-	-	-
Employee share-based compensation	-	-	-	2,123	-	-	-	-	2,123	-	2,123
Exercise of share options	-	1,762	-	(1,762)	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	862	-	-	-	862	106	968
Disposals of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,849)	(1,849)
Profit/(Loss) for the period	-	-	-	-	-	-	-	10,515	10,515	(1,229)	9,286
At 31st December, 2007	5,948	133,587	4,870	4,605	1,003	6,747	-	(54,410)	96,402	(2,877)	99,473

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The Group focused on two main business lines in Greater China for the nine months ended 31st December, 2007: financial information services in Greater China and online games in Mainland China. On financial information services, the Group continues to lead the market in providing 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 (including online terminals and website) to individual investors in real-time market data, news, analytics and value-added services.

On online games business in China, the Group continues to enhance the development and operations capabilities following the 100% acquisition of East Treasure Limited (“East Treasure”) which holds 100% interest in Hangzhou Xiaoao Digital Technology Company Limited (杭州笑傲數碼科技有限公司) (“Xiaoao”), and the entering of operative agreements with Hangzhou Tianchang Network Technology Company Limited (杭州天暢網路科技有限公司) (“Tianchang”) to perform online game operations in China. On 19th December, 2007, the Group further reached agreements with the sellers of East Treasure to expedite the full take-over of Xiaoao and the direct control of Tianchang by the Group, by paying a one-off and final payment of RMB 29.5 millions to the sellers.

This transaction represents important milestone for the Group to enhance and improve the operations results in online games, and to achieve operational flexibility and to ensure management accountability. Given the market potential of online games in China as witnessed by the successful public listings of a few China online game companies in 2007, the Group believes the transaction will help the Group in a better position to execute its business objectives and to achieve outstanding operational results in 2008 and beyond.

Following the completion of the transaction, the Group has installed an experienced and capable management team to grow its online game business. The new management team is fully geared to launch the two in-house developed games in 2008, namely, The Legend of Three Kingdoms (三國傳奇) and New Knight-Errant Story (新笑傲江湖), and also planning to expand both development and operations teams so as to grow the Group’s online games business into a leading player in Mainland China in the next few years.

The Group’s financial information business continues to have steady growth, following the increased liquidity and positive sentiment in Hong Kong’s and China’s financial markets, albeit the spill-over of US subprime markets have significantly increased market volatility and investment risk. The Group’s financial information business in China continues to grow following market’s and investor’s anticipation for the launch of China-wide Hong Kong stock market Through-Train Program (港股直通車) in 2008. The Group’s plan to launch an enhanced financial terminal product targeting Mainland China investors is underway to debut in first quarter of 2008.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$29,636,000 for the nine months ended 31st December, 2007, representing an increase of 25% from approximately HK\$23,669,000 for the same period in 2006.

During the nine months ended 31st December, 2007, the Group recorded cost of sales amounting to approximately HK\$8,485,000, representing a decrease of 3% from the same period in 2006.

General and administrative expenses of the Group for the nine months ended 31st December, 2007 was approximately HK\$32,137,000 (2006: HK\$17,186,000). 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 nine months ended 31st December, 2007 was approximately HK\$10,515,000 (2006: loss of HK\$847,000). 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 nine months ended 31st December, 2007 and believed that the growth trend shall maintain for the rest of the fiscal year.

PLACING OF SHARES

Pursuant to the placing agreement dated 20th September, 2007, the Company issued and allotted a total of 46,080,000 new shares of the Company at placing price of HK\$0.68 per placing share to not less than six placees. The Company raised a net proceeds of approximately HK\$30.7 million and the fund was used as general working capital for media network and future acquisition of the Group.

The above placing 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 27th July, 2007.

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

As at 31st December, 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	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			
Executive Director:							
Yu Gang, George	-	180,807,456	17,126,000	-	1	197,933,456	33.27%
Non-executive Director:							
Kwan Pun Fong, Vincent	670,000	-	1,700,000	-		2,370,000	0.40%
Independent Non-executive Directors:							
Lam Lee G.	-	-	2,000,000	-		2,000,000	0.34%
Wu Tak Lung	-	-	2,000,000	-		2,000,000	0.34%
William Hay	-	-	1,000,000	-		1,000,000	0.17%

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

Name of associated corporation	Name of director	Number 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 197,933,456 shares in the Company. These shares were held in the following capacity:
 - (a) 180,807,456 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 31st December, 2007, none of the Directors or chief executives 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, 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	180,807,456	–		180,807,456	30.40%
Other persons:					
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	9.20%
Chang Wen Shiann	–	54,739,152	1	54,739,152	9.20%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	9.20%
T & C Holdings, Inc.	41,320,000	–		41,320,000	6.95%
Stellar Group Co. Ltd.	30,280,000	9,180,000	2	39,460,000	6.63%
Nebulamart Limited	38,738,477	–	3	38,738,477	6.51%
United Business Media Plc	–	38,738,477	3	38,738,477	6.51%

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. (“Stellar”) was deemed (by virtue of the SFO) to be interested in 39,460,000 shares in the Company. These shares were held in the following capacity:
 - (a) 30,280,000 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 31st December, 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 31st December, 2007, options to subscribe for an aggregate of 25,946,000 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, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 31st December, 2007
			Balance as at 1st April, 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	-	(4,565,000)	(2,360,000)	13,820,000
			<u>48,471,000</u>	<u>-</u>	<u>(20,165,000)</u>	<u>(2,360,000)</u>	<u>25,946,000</u>

As at 31st December, 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 31st December, 2007 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 31st December, 2007
			Balance as at 1st April, 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:							
Employees	5th September, 2005	HK\$0.28	3,000,000	-	(350,000)	-	2,650,000
Employees	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>

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, 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 nine months ended 31st December, 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 nine months ended 31st December, 2007.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 4th February, 2008

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.