



財華社
FINET

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08317)

First Quarterly Report 2008/2009



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 the Company. The Directors having made all reasonable enquires, 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\$9,000,000 for the three months ended 30th June, 2008, representing an increase of approximately 10% from approximately HK\$8,176,000 for the same period in 2007.
- The Group's unaudited consolidated loss attributable to equity holders of the Company for the three months ended 30th June, 2008 was approximately HK\$5,084,000, mainly due to the ongoing investment in online game business.
- The board of Directors does not recommend the payment of dividend for the three months ended 30th June, 2008.

The board of Directors (the "Board") of Finet Group Limited (the "Company") is pleased to present the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 30th June, 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30th June, 2008

		For the three months ended 30th June,	
		2008	2007
	Notes	HK\$'000	HK\$'000
Revenue	2	9,000	8,176
Cost of sales		(2,597)	(2,740)
Gross profit		6,403	5,436
Other operating incomes	2	774	382
Development costs		(1,683)	–
Selling expenses		(672)	(106)
General and administrative expenses		(10,453)	(8,398)
Other operating expenses		(15)	(240)
Operating loss		(5,646)	(2,926)
Finance costs		(36)	(62)
Loss before tax expenses		(5,682)	(2,988)
Income tax expense	3	–	–
Loss after tax expenses		(5,682)	(2,988)
Gain on disposal of interest in a subsidiary		–	12,019
Share of loss of associate		(40)	–
(Loss)/Profit for the period		(5,722)	9,031

		For the three months ended 30th June,	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(5,084)	9,172
Minority Interests		(638)	(141)
		<u>(5,722)</u>	<u>9,031</u>
 (Loss)/Profit per share attributable to the equity holders of the Company			
– Basic (<i>in HK cent</i>)	5(a)	(0.848)	1.732
– Diluted (<i>in HK cent</i>)	5(b)	N/A	1.618
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

1. Basis of preparation of the accounts

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards 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, 2008.

The unaudited consolidated results for the three months ended 30th June, 2008 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 services rendered. Revenue recognised during the period is as follows:

	For the three months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Revenue		
Service income from provision of financial information services	8,460	7,926
Advertising income	451	223
Online games income	89	27
	<hr/> 9,000 <hr/>	<hr/> 8,176 <hr/>
Other operating incomes		
Fair value gain on financial assets/liabilities at fair value through profit or loss	204	159
Gross rental income from investment properties	339	–
Commission income	–	3
Interest income	8	220
Others	223	–
	<hr/> 774 <hr/>	<hr/> 382 <hr/>
Total incomes	<hr/> 9,774 <hr/>	<hr/> 8,558 <hr/>

3. **Income tax expense**

The Company and one of its subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, are 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 three months ended 30th June, 2008 (2007: Nil) as the Group had no assessable profit for the period.

No income tax was provided for the three months ended 30th June, 2008 (2007: Nil) for the subsidiaries of the Company established in the People's Republic of China as the subsidiaries had no assessable profit for the three months ended 30th June, 2008.

4. **Dividend**

The Board does not recommend the payment of dividend for the three months ended 30th June, 2008 (2007: Nil).

5. **(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 ended 30th June, 2008 of approximately HK\$5,084,000 (2007: profit attributable to equity holders of the Company of approximately HK\$9,172,000) on the weighted average number of 599,302,747 ordinary shares in issue during the three months ended 30th June, 2008 (2007: 529,512,143).

(b) Diluted (loss)/earnings per share

Diluted loss per share for the three months ended 30th June, 2008 has 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 ended 30th June, 2007 is based on 529,512,143 ordinary shares in issue plus the 37,400,764 ordinary shares deemed to be issued during the three months ended 30th June, 2007 if all the outstanding potential ordinary shares were exercised.

6. Movement of Reserves

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Accumulated losses	Total reserves	Minority interest	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, 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)
Currency translation differences	-	-	-	-	355	-	-	-	355	-	355
Issue of shares under the share option scheme	40	636	-	-	-	-	-	-	636	-	676
Employee share-based compensation	-	-	-	721	-	-	-	-	721	-	721
Exercise of share options	-	251	-	(251)	-	-	-	-	-	-	-
Vested share options lapsed	-	-	-	(146)	-	-	-	146	-	-	-
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(1,187)	(1,187)
Profit for the period	-	-	-	-	-	-	-	9,172	9,172	-	9,172
At 30th June, 2007	5,319	99,173	4,870	4,714	496	6,747	-	(55,753)	60,247	(1,092)	64,474
At 1st April, 2008	5,978	134,169	4,870	4,675	1,843	9,989	(567)	(59,349)	95,630	12,325	113,933
Fair value loss:											
– Available-for-sale financial assets	-	-	-	-	-	-	114	-	114	-	114
Currency translation differences	-	-	-	-	(13)	-	-	-	(13)	(3)	(16)
Issue of shares under the share option scheme	16	213	-	-	-	-	-	-	213	-	229
Employee share-based compensation	-	-	-	339	-	-	-	-	339	-	339
Exercise of share options	-	54	-	(54)	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(5,084)	(5,084)	(638)	(5,722)
At 30th June, 2008	5,994	134,436	4,870	4,960	1,830	9,989	(453)	(64,433)	91,199	11,684	108,877

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The Group focused on two main business lines for the three months ended 30th June, 2008: 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 financial software and website) to individual investors in real-time market data, news, analytics and value-added services. In particular, the Group continues to focus on executing the China growth strategy by enhancing the product customizations to Mainland China investors and expanding the distribution channels in China.

The Group's online game business entered into a few milestones in this quarter. The Group established a headquarters and an operations centre in Shanghai and reorganized the Hangzhou company which the Group acquired and expanded in 2007 as a research and development centre to supply the Group with state-of-the-art three-dimensional ("3D") massive multiplayer online role-playing games ("MMORPG"). The new structure allowed the Group to focus its efforts on elevating its development capabilities, while having direct access to the abundant marketing resources and operations talents in Shanghai. Together, the Group's online game business was rebranded as China Game (龍遊天下) in May 2008 ("China Game"), which aims to be a leading brand in China's online game market. Subsequently, China Game built an integrated entertainment portal www.lyjoy.com as the official platform to operate its self-developed games.

In this quarter ending 30th June 2008, China Game put the major focus on the launch of "Warage" (征戰), formerly named as "Legend of Three Kingdoms" (三國傳奇). "Warage" unfolded an alpha testing on May 13 and a closed beta-testing on June 30. "Warage" was ranked among the top 20 most anticipated online games in China on the popular game portal 17173.com by the end of June 2008. "Warage" is scheduled for commercialization and open-beta testing in the next quarter.

In this quarter, China Game was in an intense investment period to pave the way for its game launch and new organizational structure. As a result, this line of business resulted in operational losses for the Group in this quarter. Given that the commercialization of "Warage" will be on schedule next quarter, we expect the financial impact caused by China Game's operations will be reversed in the next few quarters.

The Group's financial information business continues to have steady growth in this quarter, owing to the fact that the Group's existing client base concentrated on major financial institutions across Greater China. Nevertheless, the global liquidity squeeze following the spillover of US subprime crisis has completely changed the outlook for the robust growth of the business over the next few quarters because of decreasing market liquidity and securities trading volume that had reduced the demand for financial information products. In addition, the decision by Chinese authorities to postpone without a fixed timetable the official launch of much-anticipated China-wide Hong Kong Stock Market Through-Train Program (港股直通車) has dampened Mainland China investor participation in Hong Kong's financial markets. This has directly led to less demand for the Group's products in China, thus has negatively impacted the operational results out of the Group's ongoing China growth strategy, including expended sales efforts of our products and the official launch of China-focused financial website, www.caihuanet.com, in this quarter. Therefore, although we are still optimistic about the outlook of our financial information business, particularly in China, the explosive growth of the business may somehow be delayed for a few quarters.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$9,000,000 for the three months ended 30th June, 2008, representing an increase of approximately 10% from approximately HK\$8,176,000 for the same period in 2007.

During the three months ended 30th June, 2008, the Group recorded cost of sales amounting to approximately HK\$2,597,000, representing a decrease of 5% to the same period in 2007, which was mainly resulted in the decreased in cost to the information providers in connection with the provision of relevant services.

Development costs of the Group for the three months ended 30th June, 2008 was approximately HK\$1,683,000 (2007: Nil), which mainly depreciation of property, plant and equipment of approximately HK\$6,000 (2007: Nil) and employee benefit expenses of approximately HK\$1,450,000 (2007: Nil).

General and administrative expenses of the Group for the three months ended 30th June, 2008 was increased by approximately HK\$2,055,000 to approximately HK\$10,453,000 (2007: HK\$8,398,000). The increase is mainly resulted from increasing in staff costs that workforce was expanded in the PRC for the financial information services and online game business.

The Group's unaudited consolidated loss attributable to equity holders of the Company for the three months ended 30th June, 2008 was approximately HK\$5,084,000 (2007: profit of HK\$9,172,000).

The Board was satisfied with the growth in the turnover during the three months ended 30th June, 2008 and believed that the growth trend shall maintain for the rest of the fiscal year.

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

As at 30th June, 2008, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

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

Name of director	No. of shares		No. of underlying shares (share options)		Notes	Total	% of shares in issue
	Personal interest	Interest of controlled corporation	Personal interest	Interest of controlled corporation			
Executive Director:							
Yu Gang, George	-	181,867,456	17,126,000	-	1	198,993,456	33.20%
Independent Non-executive Directors:							
Lam Lee G.	-	-	2,000,000	-		2,000,000	0.33%
Wu Tak Lung	-	-	2,000,000	-		2,000,000	0.33%
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	No. of shares		Notes	% of shares in issue
		Personal interest	Interest of controlled corporation		
Opulent Oriental International Limited	Yu Gang, George	100	-	1	100%

Notes:

1. Dr. Yu Gang, George was deemed (by virtue of the SFO) to be interested in 198,993,456 shares in the Company. These shares were held in the following capacity:
 - (a) 181,867,456 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 June, 2008, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 30th June, 2008, 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	181,867,456	–		181,867,456	30.34%
Other persons:					
Union Stars Group Ltd.	54,739,152	–	1	54,739,152	9.13%
Chang Wen Shiann	–	54,739,152	1	54,739,152	9.13%
Chang Hu Ching Yueh	–	54,739,152	1	54,739,152	9.13%
T & C Holdings, Inc.	41,320,000	–		41,320,000	6.89%
Stellar Group Co. Ltd.	30,280,000	9,180,000	2	39,460,000	6.58%
Nebulamart Limited	38,738,477	–	3	38,738,477	6.46%
United Business Media Plc	–	38,738,477	3	38,738,477	6.46%

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 30th June, 2008, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DETAILS OF OUTSTANDING OPTIONS GRANTED

As at 30th June, 2008, options to subscribe for an aggregate of 21,716,000 underlying shares had been granted by the Company under the Pre-IPO Share Option Scheme adopted on 23rd July, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Pre-IPO Share Option Scheme as at 30th June, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 30th June, 2008
			Balance as at 1st April, 2008	Granted during the period	Exercised during the period	Cancelled or lapsed during the period	
Director:							
Yu Gang, George	21st September, 2004	HK\$0.15	12,126,000	-	-	-	12,126,000
Employees:							
Employees	21st September, 2004	HK\$0.15	11,115,000	-	(1,520,000)	(5,000)	9,590,000
			<u>23,241,000</u>	<u>-</u>	<u>(1,520,000)</u>	<u>(5,000)</u>	<u>21,716,000</u>

As at 30th June, 2008, options to subscribe for an aggregate of 24,530,000 underlying shares had been granted by the Company under the Post-IPO Share Option Scheme adopted on 16th December, 2004. Details of the outstanding options which have been granted and remaining unexercised under the Post-IPO Share Option Scheme as at 30th June, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2008	Number of share options				Balance as at 30th June, 2008
				Granted during the period	Exercised during the period	Cancelled or lapsed during the period	Reclassified 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	400,000	-	-	-	(400,000)	-
Vincent (Note 1)	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	2,650,000	-	-	-	-	2,650,000
Employee	29th September, 2005	HK\$0.365	-	-	-	-	400,000	400,000
Employee	6th December, 2006	HK\$0.668	10,480,000	-	-	-	1,000,000	11,480,000
			<u>24,530,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,530,000</u>

Note:

1. Dr. Kwan Pun Fong, Vincent resigned from office on 10th June 2008. Accordingly, the options held by him were reclassified to the pool of employee.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 30th June, 2008.

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 three months ended 30th June, 2008 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30th June, 2008.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 12th August, 2008

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