



財華社  
FINET

Finet Group Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 08317)

Interim 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 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\$17,289,000 for the six months ended 30th September, 2008, representing a decrease of 10% from approximately HK\$19,219,000 for the same period in 2007.
- The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30th September, 2008 was approximately HK\$10,744,000.
- The board of Directors does not recommend the payment of dividend for the six months ended 30th September, 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 and six months ended 30th September, 2008, together with the comparative unaudited figures for the corresponding period in 2007 as follows:

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September, 2008

	Notes	For the three months ended 30th September,		For the six months ended 30th September,	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	2	<b>8,289</b>	11,043	<b>17,289</b>	19,219
Cost of sales		<b>(2,464)</b>	(2,809)	<b>(5,061)</b>	(5,549)
Gross profit		<b>5,825</b>	8,234	<b>12,228</b>	13,670
Other operating incomes	2	<b>753</b>	256	<b>1,527</b>	638
Development costs		<b>(1,748)</b>	(1,179)	<b>(3,431)</b>	(1,179)
Selling expenses		<b>(820)</b>	(2,354)	<b>(1,492)</b>	(2,460)
General and administrative expenses		<b>(12,490)</b>	(8,982)	<b>(22,943)</b>	(17,380)
Other operating expenses		<b>(106)</b>	(560)	<b>(121)</b>	(800)
Operating loss	4	<b>(8,586)</b>	(4,585)	<b>(14,232)</b>	(7,511)
Finance cost	5	<b>(50)</b>	(261)	<b>(86)</b>	(323)
Loss before income tax		<b>(8,636)</b>	(4,846)	<b>(14,318)</b>	(7,834)
Gain on disposal of interest in a subsidiary		<b>27,537</b>	4,125	<b>27,537</b>	16,144
Share of loss of associate		<b>35</b>	–	<b>(5)</b>	–
Income tax expense	6	–	–	–	–
Profit/(Loss) for the period		<b>18,936</b>	(721)	<b>13,214</b>	8,310
Attributable to:					
Equity holders of the Company		<b>15,828</b>	374	<b>10,744</b>	9,546
Minority interests		<b>3,108</b>	(1,095)	<b>2,470</b>	(1,236)
		<b>18,936</b>	(721)	<b>13,214</b>	8,310
Earnings per share attributable to the equity holders of the Company					
– Basic (in HK cent)	8(a)	<b>2.64</b>	0.07	<b>1.79</b>	1.80
– Diluted (in HK cent)	8(b)	<b>2.64</b>	0.07	<b>1.75</b>	1.72

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2008

	Notes	30th September, 2008 HK\$'000 (Unaudited)	31st March, 2008 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		11,829	10,374
Investment properties		17,155	17,155
Property under development		–	8,524
Intangible assets		63,420	70,339
Investment in an associate		75	80
Available-for-sale financial assets		1,007	1,098
		<b>93,486</b>	107,570
<b>Current assets</b>			
Financial assets at fair value through profit or loss		3	3,056
Accounts receivable	9	4,959	3,888
Prepayments, deposits and other receivables		51,543	7,000
Cash and cash equivalents		1,342	7,556
		<b>57,847</b>	21,500
<b>Current liabilities</b>			
Accounts payable	10	2,188	1,955
Accruals and other payables		8,769	5,196
Deferred income		3,914	4,534
Borrowings	11	773	174
		<b>15,644</b>	11,859
<b>Net current assets</b>		<b>42,203</b>	9,641
<b>Total assets less current liabilities</b>		<b>135,689</b>	117,211
<b>Non-current liabilities</b>			
Borrowings	11	4,125	3,278
<b>Net assets</b>		<b>131,564</b>	113,933
<b>EQUITY</b>			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	5,994	5,978
Reserves		110,451	95,630
		<b>116,445</b>	101,608
<b>Minority interests</b>		<b>15,119</b>	12,325
		<b>131,564</b>	113,933

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2008

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Trans-lation reserve	Property revaluation reserve	Investment revaluation reserve	Accum-ulated 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, 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	-	-	-	-	-	-	-	-	-	(17,732)	(17,732)
Profit for the period	-	-	-	-	-	-	-	9,546	9,546	(1,236)	8,310
<b>At 30th September, 2007</b>	<b>5,481</b>	<b>102,958</b>	<b>4,870</b>	<b>3,954</b>	<b>503</b>	<b>6,747</b>	<b>-</b>	<b>(55,379)</b>	<b>63,653</b>	<b>(18,873)</b>	<b>50,261</b>
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-sales financial assets	-	-	-	-	-	-	(75)	-	(75)	-	(75)
Issue of shares under share option scheme	16	213	-	-	-	-	-	-	213	-	229
Employee share-based compensation	-	-	-	677	-	-	-	-	677	-	677
Exercise of share options	-	54	-	(54)	-	-	-	-	-	-	-
Currency translation	-	-	-	-	394	-	-	-	394	-	394
Disposal of interest in a subsidiary	-	-	-	-	(245)	-	-	3,113	2,868	324	3,192
Profit for the period	-	-	-	-	-	-	-	10,744	10,744	2,470	13,214
<b>At 30th September, 2008</b>	<b>5,994</b>	<b>134,436</b>	<b>4,870</b>	<b>5,298</b>	<b>1,992</b>	<b>9,989</b>	<b>(642)</b>	<b>(45,492)</b>	<b>110,451</b>	<b>15,119</b>	<b>131,564</b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2008

	For the six months ended 30th September,	
	2008 HK\$'000	2007 HK\$'000
<b>Net cash outflow from operating activities</b>	<b>(790)</b>	(7,213)
<b>Net cash outflow from investing activities</b>	<b>(7,153)</b>	(2,921)
<b>Net cash inflow from financing activities</b>	<b>1,729</b>	3,056
<b>Net decrease in cash and cash equivalents</b>	<b>(6,214)</b>	(7,078)
Cash and cash equivalents, beginning of period	<b>7,556</b>	37,036
Effect of foreign exchange rate changes, net	–	362
<b>Cash and cash equivalents, end of period</b>	<b>1,342</b>	30,320
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and cash equivalents	<b>1,342</b>	30,320

## 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, 2008.

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

### 2. Revenue and other operating income

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

	For the three months ended 30th September,		For the six months ended 30th September,	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>				
Service income from provision of financial information services	7,710	8,614	16,170	16,540
Advertising income	357	466	808	689
Online games income	222	1,963	311	1,990
	<b>8,289</b>	11,043	<b>17,289</b>	19,219
<b>Other operating incomes</b>				
Fair value gain on financial assets/liabilities at fair value through profit or loss	(6)	(62)	198	97
Gross rental income from investment property	402	–	741	–
Commission income	–	209	–	212
Interest income	2	109	10	329
Management fee income	188	–	188	–
Sundry income	167	–	390	–
	<b>753</b>	256	<b>1,527</b>	638
Total incomes	<b>9,042</b>	11,299	<b>18,816</b>	19,857



### 3. Segment Information

(a) *Primary reporting format – business segments*

The Group is principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate clients and retail investors; and (ii) the development and operations of online games. No separate business segment information is presented as over 90% of the Group's revenue was derived from the business segment of development, production and provision of financial information services and technology solutions to corporate clients and retail investors.

(b) *Secondary reporting format – geographical segments*

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

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 property, plant and equipment, property under development and intangible assets, including additions resulting from acquisition through business combinations.

#### For the six months ended 30th September

	Hong Kong		PRC		Consolidated	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	13,404	16,299	3,885	2,920	17,289	19,219
Segment results	8,746	10,870	3,482	2,800	12,228	13,670
Other revenue					1,527	638
Development costs	-	-	(3,431)	(1,179)	(3,431)	(1,179)
Unallocated costs					(24,556)	(20,640)
Operating loss					(14,232)	(7,511)
Finance costs					(86)	(323)
Loss before taxation					(14,318)	(7,834)
Gain on disposal of interest in a subsidiary					27,537	16,144
Share of loss of associate	(5)	-	-	-	(5)	-
Income tax expenses					-	-
Profit for the period					13,214	8,310

### 3. Segment Information (continued)

(b) Secondary reporting format – geographical segments (continued)

	Hong Kong		PRC		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	<b>12,683</b>	21,312	<b>51,345</b>	50,383	<b>64,028</b>	71,695
Interest in an associate					<b>75</b>	35
Unallocated assets					<b>87,230</b>	128,760
Total assets					<b>151,333</b>	200,490
Segment liabilities	<b>4,868</b>	6,353	<b>10,003</b>	4,710	<b>14,871</b>	11,063
Unallocated liabilities					<b>4,898</b>	139,166
Total liabilities					<b>19,769</b>	150,229
Capital Expenditure	<b>2,509</b>	380	<b>129</b>	2,195	<b>2,638</b>	2,575
Depreciation of property, plant and equipment	<b>1,020</b>	1,036	<b>752</b>	777	<b>1,772</b>	1,813
Amortization of leasehold land and land use right	-	-	-	159	-	159
Amortization of intangible assets	-	-	<b>22</b>	12	<b>22</b>	12

#### 4. Operating loss

	For the three months ended 30th September,		For the six months ended 30th September,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating loss is arrived at after charging:				
Operating lease charges				
– rentals of office premises	1,626	296	2,456	633
Amortization of leasehold land and land use rights	–	93	–	159
Amortization of intangible assets	11	11	22	12
	<b>908</b>	<b>1,273</b>	<b>1,772</b>	<b>1,813</b>
Depreciation of property, plant and equipment				
Staff costs, including directors' emoluments				
– salaries and allowances	6,550	5,749	12,077	9,343
– share option benefits	338	723	677	1,444

#### 5. Finance cost

	For the three months ended 30th September,		For the six months ended 30th September,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loan wholly repayable within five years	50	261	86	323

## 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, 2008 as the Group had no assessable profit arising in Hong Kong for the period (2007: nil).

No income tax was provided for the six months ended 30th September, 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 six months ended 30th September, 2008.

## 7. Dividend

The Board does not recommend the payment of dividend for the six months ended 30th September, 2008 (2007: nil).

## 8. Earnings per share

### (a) Basic earnings 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, 2008 approximately of HK\$15,828,000 and HK\$10,744,000 respectively (three months and six months ended 30th September, 2007: approximately HK\$374,000 and HK\$9,546,000 respectively) and on the weighted average number of 599,336,557 ordinary shares in issue during the three months and six months ended 30th September, 2008 (three months and six months ended 30th September, 2007: 531,896,311).

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the three months and six months ended 30th September, 2008 is based on 599,336,557 ordinary shares in issue plus nil and 13,747,468 ordinary shares deemed to be issued during the three months and six months ended 30th September, 2008 if all the outstanding potential ordinary share options were exercised.

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 share options were exercised.

## 9. Accounts receivable

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

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
0 - 30 days	2,377	1,921
31 - 60 days	557	648
61 - 90 days	370	873
Over 90 days	1,655	446
	<u>4,959</u>	<u>3,888</u>

## 10. Accounts payable

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

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
0 - 30 days	1,168	671
31 - 60 days	64	131
61 - 90 days	460	–
Over 90 days	496	1,153
	<u>2,188</u>	<u>1,955</u>

## 11. Bank Borrowings

	<b>30th September, 2008 HK\$'000 (Unaudited)</b>	31st March, 2008 HK\$'000 (Audited)
Secured bank loans	<b>4,898</b>	3,452
Less: Amount due within one year shown under current liabilities	<b>(773)</b>	(174)
Amount due after one year shown under non-current liabilities	<b><u>4,125</u></b>	<b><u>3,278</u></b>

The bank loans were secured by the investment properties and some equipment with an aggregate carrying values of approximately HK\$18,675,000 as at 30th September, 2008.

## 12. Share capital

	<b>For the six months ended 30th September, 2008</b>		For the twelve months ended 31st March, 2008	
	<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	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>
Issued and fully paid:				
Beginning of period/year	<b>597,850,000</b>	<b>5,978</b>	527,955,000	5,279
Issue of shares under share option scheme (Note)	<b>1,520,000</b>	<b>16</b>	23,815,000	238
Issue of shares under subscription agreement	<b>–</b>	<b>–</b>	46,080,000	461
End of period/year	<b><u>599,370,000</u></b>	<b><u>5,994</u></b>	<b><u>597,850,000</u></b>	<b><u>5,978</u></b>

Note:

Share options were exercised by optionholders during the period ended 30th September, 2008 to subscribe for a total of 1,520,000 shares in the Company by payment of subscription monies of approximately HK\$228,000, of which HK\$15,200 was credited to share capital and the balance of HK\$212,800 was credited to the share premium account.

---

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONS REVIEW

The Group continued to expand its two business lines in Greater China for the six months ended 30th September, 2008: financial information services in Greater China, mainly through sales to corporations and financial institutions and online games in Mainland China.

The Group's online game business, China Game, made significant progress in the second quarter of 2008/2009. Following the alpha testing and closed beta-testing of "Warage" in the previous quarter, the game officially began commercialization on 5th August, 2008 by opening up the sales of virtual items in the game. "Warage" then entered into open-beta testing on 10th September, 2008 with a multitude of new features such as the "monster-game-point" system and a unique game instance. These new versions all resulted in an all-time-high of concurrent users.

In conjunction with the game's commercialization, China Game has enabled its payment gateway with a diverse portfolio of distribution channels including the country-wide online banking payment system, China Mobile payment system, Alipay payment system and Tencent's payment system. Most importantly, China Game successfully opened up in the Taiwan, Hong Kong and Macau markets as it chose to license the traditional Chinese version of the game to Cayenne Entertainment Technology Co., Ltd, a leading online game operator based in Taiwan which also licenses and operates such brand name online games as Street Basketball Free Style, All for Baseball Online, Real Three Kingdoms Online, etc. The successful opening up of the overseas markets underlined the recognized quality of China Game's self-developed games and thus more revenue potential in other markets.

In an attempt to anchor its leading position as a domestic online game developer and operator, China Game chose to showcase "Warage", "Swordsman-Plus" and "Tang Dynasty II" at the respectable industry trade show, ChinaJoy, on 17th-19th July, 2008.

On 24th September, 2008, the Group reached agreement with a group of domestic buyers to acquire the 100% equity interest of Hangzhou Tianchang Network Technology Limited (杭州天暢網絡科技有限公司), a wholly-owned subsidiary of China Game, for RMB20 million. At the time of disposal, Hangzhou Tianchang mainly owned a site of 12,399 sq.m in Hangzhou's Yu Hang District. The disposal helps China Game to retain more cash for business development.

On financial information services, the Group experienced the slowdown in sales growth over the past six months. On the one hand, the global liquidity squeeze following the breakout of global financial crisis following the collapses of major US investment banks has changed the outlook for the robust growth of the Group's financial information business over the next few quarters. On the other hand, corrections of China's own capital markets and the decision by Chinese authorities to postpone without a fixed timetable the official launch of China-wide Hong Kong Stock Market Through-Train Program has dampened Mainland China investor participation in Hong Kong's financial markets. This has reduced demand for the Group's products in China, thus negatively impacting the operational results of the Group's ongoing China growth strategy. However, because the Group's existing client base is concentrated on major financial institutions across Greater China and the Group's business development strategy in the past few years has been through the corporate market, we believe the decline in sales growth is seasonal in nature.

Despite negative market sentiment during this period, the Group continued to upgrade our products, enhance our sales efforts and examine new ways to improve the operational results of our China growth strategy. Specifically, we have achieved the following milestones in executing the China growth strategy:

1. Officially launched the China-focused financial website, [www.caihuanet.com](http://www.caihuanet.com), on 23rd June, 2008, and in less than four months, the daily pageviews have reached over 1 million by the end of October 2008. The Group intends to maximize the value of the new website as a platform to market the Group's customized products and services to massive individual investors in China;
2. An extensive online and offline distributional network for the Group's flagship product, Finet PowerStation, is well established; and
3. We achieved over 400% sales growth in China compared to the same period last year.

## **FINANCIAL REVIEW**

The Group reported a turnover of approximately HK\$17,289,000 for the six months ended 30th September, 2008, representing a decrease of approximately 10% from approximately HK\$19,219,000 for the same period in 2007.

During the six months ended 30th September, 2008, the Group recorded cost of sales amounting to approximately HK\$5,061,000, representing a decrease of 9% from the same period in 2007.



Development costs of the Group for the six months ended 30th September, 2008 was approximately HK\$3,431,000 (2007: HK\$1,179,000), which mainly included the depreciation of property, plant and equipment; and employment benefit expenses of the research and development team.

Selling expenses of the Group for the six months ended 30th September, 2008 was decreased to approximately HK\$1,492,000 compared with approximately HK\$2,460,000 in 2007.

General and administrative expenses of the Group for the six months ended 30th September, 2008 was approximately HK\$22,943,000 (2007: HK\$17,380,000), that mainly comprised the staff costs (including directors' emoluments) of approximately HK\$12,754,000 (2007: HK\$10,787,000) that represented approximately 56% (2007: 62%) of the general and administrative expenses. The increase in staff costs resulted from the workforce expansion in the PRC for the financial information services and online game business.

The Group's unaudited consolidated profit attributable to equity holders for the six months ended 30th September, 2008 was approximately HK\$10,744,000 (2007: HK\$9,546,000). The profit for the period was mainly derived from the gain on disposal of interest in the Hangzhou Tianchang Network Technology Company Limited during the period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September, 2008, the net current assets of the Group was approximately HK\$42,203,000 (31st March, 2008: HK\$9,641,000); the total equity of the Group was approximately HK\$131,564,000 (31st March, 2008: HK\$113,933,000); the cash and bank deposits of the Group was approximately HK\$1,342,000 (31st March, 2008: HK\$7,556,000).

## **CAPITAL STRUCTURE**

As at 30th September, 2008, the Company had total outstanding bank borrowings of approximately of HK\$4,898,000 (31st March, 2008: HK\$3,452,000).

## **CHARGES OF ASSETS**

As at 30th September, 2008, the investment properties and some equipment with an aggregate carrying value of approximately HK\$18,675,000 (31st March 2008: HK\$17,155,000) 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 3.7% as at 30th September, 2008 (31st March, 2008: approximately 3.0%).

## **SIGNIFICANT INVESTMENTS HELD**

As at 30th September, 2008, the Group held financial assets at fair value through profit or loss of approximately HK\$3,000 (31st March, 2008: HK\$3,056,000) and available-for-sale financial assets of approximately HK\$1,007,000 (31st March, 2008: HK\$1,098,000).

## **ACQUISITION AND DISPOSALS OF SUBSIDIARIES**

The Group had the following disposal during the six months ended 30th September, 2008:

The Group disposed the 100% equity interest in Hangzhou Tianchang Network Technology Company Limited (杭州天暢網絡科技有限公司) (“Tianchang”) for a total consideration of RMB20,000,000 (approximately HK\$23,000,000) in cash. The principal asset of Tianchang is its interest in the land after restructuring before completion of the disposal. The disposal allowed the Group to focus its financial resources on its core business.

Save as disclosed above, the Group had no other acquisitions and disposals of subsidiaries during the six months ended 30th September, 2008.

## **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**

As at 30th September, 2008, the Group had no significant contingent liabilities.

## **EMPLOYEE INFORMATION**

As at 30th September, 2008, the Group had 292 (31st March, 2008: 268) full-time employees, of which 29 (31st March, 2008: 37) are based in Hong Kong and 263 (31st March, 2008: 231) 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, 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)		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	-	183,337,456	17,126,000	-	1	200,463,456	33.45%
<b>Independent Non-executive Directors:</b>							
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		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 200,463,456 shares in the Company. These shares were held in the following capacity:
  - (a) 183,337,456 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, 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 September, 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			
<b>Substantial shareholder:</b>					
Opulent Oriental International Limited	183,337,456	–		183,337,456	30.59%
<b>Other persons:</b>					
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:*

- 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.
- 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:-
  - 30,280,000 shares were held by Stellar as beneficial owners; and
  - 9,180,000 shares were held by OA System Plaza Co., Ltd. of which Stellar controlled 41.64% of the total voting rights.
- 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, 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 September, 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 September, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Number of share options				Balance as at 30th September, 2008
			Balance as at 1st April, 2008	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	12,126,000	-	-	-	12,126,000
<b>Employees:</b>							
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 September, 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 September, 2008 are as follows:

Name of grantee	Date of grant	Exercise price per share	Balance as at 1st April, 2008	Granted during the period	Number of share options		Reclassified during the period	Balance as at 30th September 2008
					Exercised during the period	Cancelled or lapsed during the period		
<b>Executive Director:</b>								
Yu Gang, George	6th December, 2006	HK\$0.668	5,000,000	-	-	-	-	5,000,000
<b>Non-executive Director:</b>								
Kwan Pun Fong, Vincent (Note 1)	29th September, 2005	HK\$0.365	400,000	-	-	-	(400,000)	-
	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
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>								
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
			24,530,000	-	-	-	-	24,530,000

*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.

## **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, 2008 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, 2008, except for the following deviations:

- (1) Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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, 2008. 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, 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 six months ended 30th September, 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 has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th September, 2008.

By Order of the Board

**Yu Gang, George**  
*Chairman*

Hong Kong, 11th November, 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 are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. William Hay.*