



財華社
FINET

Finet Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08317)



Interim Report

2010/2011

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This report, for which the directors of (the “Directors”) Finet Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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\$16,164,000 for the six months ended 30 September 2010, representing a decrease of 1% from approximately HK\$16,319,000 for the same period in 2009.
- The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2010 was approximately HK\$15,387,000.
- The Board does not recommend the payment of dividend for the six months ended 30 September 2010.

The board of Directors (the "Board") of 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 30 September 2010, together with the comparative unaudited figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2010

	Notes	Unaudited For the three months ended 30 September 2010		Unaudited For the six months ended 30 September 2010	
		2009 HK\$'000 (restated)	2009 HK\$'000 (restated)	2010 HK\$'000	2009 HK\$'000 (restated)
Revenue	2	8,864	7,556	16,164	16,319
Cost of sales		(2,748)	(2,550)	(4,838)	(4,853)
Gross profit		6,116	5,006	11,326	11,466
Other operating income	2	1,085	284	2,015	568
Development costs		(1,204)	(1,067)	(2,419)	(2,392)
Selling expenses		(904)	(838)	(1,714)	(1,420)
General and administrative expenses		(15,621)	(9,608)	(25,653)	(19,110)
Other operating expenses		–	(11)	–	(125)
Operating loss	4	(10,528)	(6,234)	(16,445)	(11,013)
Finance cost	5	(52)	(54)	(103)	(107)
Loss before income tax expenses		(10,580)	(6,288)	(16,548)	(11,120)
Income tax expenses	6	(15)	(14)	(30)	(28)
Loss for the period		(10,595)	(6,302)	(16,578)	(11,148)
Attributable to:					
Owners of the Company		(9,937)	(5,803)	(15,387)	(10,153)
Minority interests		(658)	(499)	(1,191)	(995)
		(10,595)	(6,302)	(16,578)	(11,148)

	Notes	Unaudited For the three months ended 30 September		Unaudited For the six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000 (restated)	2010 HK\$'000	2009 HK\$'000 (restated)
Loss for the period		(10,595)	(6,302)	(16,578)	(11,148)
Other comprehensive income:					
Fair value gain/(loss) on available-for-sale financial assets		397	(139)	333	(37)
Currency translation differences		178	(4)	167	(14)
		<hr/>	<hr/>	<hr/>	<hr/>
Other comprehensive income for the period		575	(143)	500	(51)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period		(10,020)	(6,445)	(16,078)	(11,199)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Attributable to:					
Owners of the Company		(9,467)	(5,944)	(14,992)	(10,201)
Minority interests		(553)	(501)	(1,086)	(998)
		<hr/>	<hr/>	<hr/>	<hr/>
		(10,020)	(6,445)	(16,078)	(11,199)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Loss per share for loss attributable to the owners of the Company					
– Basic (<i>in HK cent</i>)	8(a)	(2.70)	(4.17)	(4.18)	(7.29)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
– Diluted (<i>in HK cent</i>)	8(b)	N/A	N/A	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		7,005	7,841
Investment properties		14,000	14,000
Intangible assets		5,066	2,250
Available-for-sale financial assets		601	268
Other assets		405	–
		<hr/> 27,077	<hr/> 24,359
Current assets			
Financial assets at fair value through profit or loss		4,957	–
Accounts receivable	9	23,562	997
Prepayments, deposits and other receivables		44,199	37,725
Client trust bank balances		20,654	–
Cash and cash equivalents		9,461	33,681
		<hr/> 102,833	<hr/> 72,403
Current liabilities			
Accounts payable	10	44,431	1,389
Accruals and other payables		9,508	4,549
Deferred income		4,542	3,103
Finance lease payables – due within one year		444	533
Borrowings – due within one year	11	240	240
		<hr/> 59,165	<hr/> 9,814
Net current assets		<hr/> 43,668	<hr/> 62,589
Total assets less current liabilities		<hr/> 70,745	<hr/> 86,948

		Unaudited	Audited
		30 September	31 March
		2010	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Finance lease payables – due after one year		–	178
Borrowings – due after one year	11	2,645	2,762
		<hr/>	<hr/>
		2,645	2,940
		<hr/>	<hr/>
Net assets		68,100	84,008
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	12	18,391	18,373
Reserves		49,672	64,435
		<hr/>	<hr/>
		68,063	82,808
		<hr/>	<hr/>
Minority interests		37	1,200
		<hr/>	<hr/>
		68,100	84,008
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share capital	Share premium	Employee		Unaudited		Investment revaluation reserve	Accumulated losses	Total reserves	Minority interests	Total equity
			Merger reserve	compensation reserve	Translation reserve	Property revaluation reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2009	5,994	134,436	4,870	1,748	2,394	9,989	(919)	(117,419)	35,099	11,998	53,091
Fair value loss:											
– Available-for-sales financial assets	-	-	-	-	-	-	(134)	-	(134)	-	(134)
Issue of shares on open offer	2,997	11,987	-	-	-	-	-	-	11,987	-	14,984
Issue of shares upon exercise of bonus warrants	4	37	-	-	-	-	-	-	37	-	41
Transaction cost related to open offer with bonus warrants	-	(2,145)	-	-	-	-	-	-	(2,145)	-	(2,145)
Currency translation differences	-	-	-	-	(11)	-	-	-	(11)	(3)	(14)
Transfer to income statement on disposal of available-for-sale financial assets	-	-	-	-	-	-	97	-	97	-	97
Loss for the period	-	-	-	-	-	-	-	(10,153)	(10,153)	(995)	(11,148)
At 30 September 2009	8,995	144,315	4,870	1,748	2,383	9,989	(956)	(127,572)	34,777	11,000	54,772
At 1 April 2010	18,373	199,393	4,870	1,745	2,473	9,989	(1,064)	(152,971)	64,435	1,200	84,008
Fair value gain:											
– Available-for-sales financial assets	-	-	-	-	-	-	333	-	333	-	333
Issue of shares upon exercise of bonus warrants	15	119	-	-	-	-	-	-	119	-	134
Issue of shares upon exercise of share options	3	33	-	-	-	-	-	-	33	-	36
Currency translation differences	-	-	-	-	139	-	-	-	139	28	167
Vested share options lapsed/cancelled	-	-	-	(1,745)	-	-	-	1,745	-	-	-
Loss for the period	-	-	-	-	-	-	-	(15,387)	(15,387)	(1,191)	(16,578)
At 30 September 2010	18,391	199,545	4,870	-	2,612	9,989	(731)	(166,613)	49,672	37	68,100

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2010

	Unaudited	
	For the six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(15,250)	(11,944)
Net cash (outflow)/inflow from investing activities	(8,880)	82
Net cash (outflow)/inflow from financing activities	(257)	12,499
Net (decrease)/increase in cash and cash equivalents	(24,387)	637
Cash and cash equivalents, at beginning of period	33,681	7,444
Effect of foreign exchange rate changes, net	167	154
Cash and cash equivalents, at end of period	9,461	8,235
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	9,461	8,235

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE ACCOUNTS

The unaudited interim condensed 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”).

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, 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 31 March 2010.

(a) Standards, amendments and interpretations to existing standards effective in 2010 but not affecting the Group

- HKAS17 (amendment) – Leases
- HKAS 27 (amendment) – Consolidated and separate financial statements
- HKAS 39 (amendment) – Eligible hedged items
- HKFRS 1 (amendment) – Additional exemptions for first-time adopters
- HKFRS 2 (amendment) – Group cash-settled share-based payment transactions
- HKFRS 3 (revised) – Business combinations
- HKFRS 5 (amendment) – Non-current assets held for sale and discontinued operations
- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners
- Second improvements to HKFRS (2009)

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2010 and have not been early adopted:

- HKAS 24 (revised) – Related party disclosures
- HKAS 32 (amendment) – Classification of rights issues
- HKFRS 1 (amendment) – Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
- HKFRS 9 – Financial instruments
- HK(IFRIC) – Int 14 (amendment) – Prepayments for a minimum funding requirement
- HK(IFRIC) – Int 19 – Extinguishing financial liabilities with equity instruments
- Third improvements to HKFRS (2010)

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:

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue				
Service income from provision of financial information services	6,694	7,184	13,004	15,737
Advertising income	288	346	677	508
Online game income	–	26	1	74
Brokerage commission, dealing and service income	1,882	–	2,482	–
	8,864	7,556	16,164	16,319
Other operating income				
Fair value gain on financial assets/liabilities at fair value through profit or loss	719	–	790	–
Gross rental income from investment property	282	282	564	564
Interest income	4	2	503	4
Dividend income	40	–	40	–
Others	40	–	118	–
	1,085	284	2,015	568
Total income	9,949	7,840	18,179	16,887

3. SEGMENT INFORMATION

At 30 September 2010, the Group is organized into three main business segments:

- (i) Financial information services business – the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China.
- (ii) Online game business – the development and operations of online games in Mainland China.
- (iii) Securities and futures business – dealing and broking in securities and futures.

Segment information for the six months ended 30 September 2010 about these businesses is as follows:

	Financial information services business HK\$'000	Unaudited Online game business HK\$'000	Securities and futures business HK\$'000	Group HK\$'000
Revenue	13,681	1	2,482	16,164
Segment results	(9,044)	(8,357)	(1,059)	(18,460)
Other income				2,015
Finance costs				(103)
Loss before income tax expenses				(16,548)
Income tax expenses				(30)
Loss for the period				(16,578)

Segment information for the six months ended 30 September 2009 about these businesses is as follows:

	Financial information services business <i>HK\$'000</i>	Unaudited Online game business <i>HK\$'000</i>	Securities and futures business <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue	16,245	74	–	16,319
Segment results	(4,642)	(6,967)	–	<u>(11,581)</u>
Other income				568
Finance costs				(107)
Loss before income tax expenses				(11,120)
Income tax expenses				<u>(28)</u>
Loss for the period				<u><u>(11,148)</u></u>

4. OPERATING LOSS

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss is arrived at after charging:				
Operating lease charges				
– rental of office premises	1,360	1,364	2,611	2,761
Amortization of intangible assets	212	1	396	2
Depreciation of property, plant and equipment	1,040	1,083	2,045	2,210
Staff costs, including directors' emoluments				
– salaries and allowances	5,670	5,395	11,171	11,078
	<u>5,670</u>	<u>5,395</u>	<u>11,171</u>	<u>11,078</u>

5. FINANCE COST

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank borrowings				
– not wholly repayable within five years	30	33	60	64
Interest on a finance lease	22	21	43	43
	<u>52</u>	<u>54</u>	<u>103</u>	<u>107</u>

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 the 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 30 September 2010 (2009: nil) as the Group had no assessable profit arising in Hong Kong for the period.

The income tax of the People's Republic of China (the "PRC") of approximately HK\$30,000 was paid during the six months ended 30 September 2010 (2009: HK\$28,000) for the net rental income from the investment properties of the Company in the PRC.

7. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2010 (2009: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 September 2010 approximately of HK\$9,937,000 and HK\$15,387,000 respectively (three months and six months ended 30 September 2009: approximately HK\$5,803,000 and HK\$10,153,000 respectively) and on the weighted average number of 367,808,082 shares and 367,742,743 shares respectively in issue during the three months and six months ended 30 September 2010 (three months and six months ended 30 September 2009: 139,215,390 ordinary shares (restated)).

(b) Diluted loss per share

Diluted loss per share for the three months and six months ended 30 September 2010 and 2009 have not been disclosed as the warrants and options have an anti-dilutive effect on the basic loss per share.

9. ACCOUNTS RECEIVABLE

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
Accounts receivable from:		
– Clients of financial information services business	1,205	997
– Clients of securities and futures business; brokers; dealers and clearing houses	22,357	–
	23,562	997
Less: Impairment allowance	–	–
	23,562	997

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

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
0 – 30 days	885	771
31 – 60 days	145	127
61 – 90 days	175	30
Over 90 days	–	69
	1,205	997

10. ACCOUNTS PAYABLE

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
Accounts payable to:		
– Clients of financial information services business	1,494	1,389
– Clients of securities and futures business, brokers, dealers and clearing houses	42,937	–
	44,431	1,389

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

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
0 – 30 days	43,995	798
31 – 60 days	267	486
61 – 90 days	94	26
Over 90 days	75	79
	44,431	1,389

11. BANK BORROWINGS

	Unaudited	Audited
	30 September	31 March
	2010	2010
	HK\$'000	HK\$'000
Secured bank loans	2,885	3,002
Less: Amount due within one year shown under current liabilities	(240)	(240)
Amount due after one year shown under non-current liabilities	2,645	2,762

The bank loans were secured by the investment properties with aggregate carrying values of approximately HK\$14,000,000 as at 30 September 2010.

12. SHARE CAPITAL

Ordinary shares of HK\$0.05 each

	Unaudited		Audited	
	For the six months ended 30 September 2010		For the year ended 31 March 2010	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorized:</i>				
Beginning of period/year	1,000,000,000	50,000	1,000,000,000	10,000
Increase during the period/year (Note (1)(a))	–	–	1,000,000,000	10,000
	<u>1,000,000,000</u>	<u>50,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Share consolidation (Note (1)(b))	–	–	(1,600,000,000)	–
	<u>1,000,000,000</u>	<u>50,000</u>	<u>400,000,000</u>	<u>20,000</u>
Increase during the period/year (Note (1)(c))	–	–	600,000,000	30,000
	<u>1,000,000,000</u>	<u>50,000</u>	<u>1,000,000,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>				
Beginning of period/year	367,457,870	18,373	599,370,000	5,993
Issue of shares under open offers (Note 2)	–	–	1,199,150,189	11,992
Issue of shares upon exercise of bonus warrants (Note 3)	–	–	410,189	4
	<u>367,457,870</u>	<u>18,373</u>	<u>1,798,930,378</u>	<u>17,989</u>
Share consolidation (Note 4)	–	–	(1,439,144,303)	–
	<u>367,457,870</u>	<u>18,373</u>	<u>359,786,075</u>	<u>17,989</u>
Issue of shares upon exercise of share options (Note 5)	59,226	3	50,588	3
Issue of shares upon exercise of bonus warrants (Note 3)	295,957	15	7,621,207	381
	<u>367,813,053</u>	<u>18,391</u>	<u>367,457,870</u>	<u>18,373</u>

Notes:

- (1)
 - (a) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 3 July 2009, the authorized share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.01 each of the Company.
 - (b) Upon the share consolidation (Note 4) becoming effective on 30 November 2009, the authorized share capital of the Company became HK\$20,000,000 divided into 400,000,000 shares of HK\$0.05 each.
 - (c) Pursuant to the resolution passed at the extraordinary general meeting of the Company on 11 February 2010, the authorized share capital of the Company increased to HK\$50,000,000 by the creation of an additional 600,000,000 shares of HK\$0.05 each of the Company.
- (2) Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 3 July 2009, the Company issued 299,685,000 new shares (each a "1st Offer Share") at subscription price of HK\$0.05 per 1st Offer Share under an open offer on the basis of one 1st Offer Share for every two then existing shares held on 3 July 2009 ("1st Open Offer").

Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 30 October 2009, the Company issued 899,465,189 new shares (each a "2nd Offer Share") at subscription price of HK\$0.07 per 2nd Offer Share under an open offer on the basis of one 2nd Offer Share for every then existing share held on 30 October 2009.

- (3) In conjunction with the 1st Open Offer, three bonus warrants for every ten 1st Offer Shares taken up were issued and allotted by the Company under the 1st Open Offer, resulting in HK\$8,990,550 bonus warrants having been issued.

For the year ended 31 March 2010, approximately HK\$41,019 and HK\$3,429,543 bonus warrants were exercised at a subscription price of HK\$0.10 and HK\$0.45 per share, resulting in the issue of 410,189 shares of HK\$0.01 each and 7,621,207 shares of HK\$0.05 each respectively.

For the six months ended 30 September 2010, approximately HK\$134,000 bonus warrants were exercised at a subscription price of HK\$0.45 per share, resulting in the issue of 295,957 shares of HK\$0.05 each.

- (4) On 30 November 2009, the Company completed the share consolidation on the basis that every five issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was consolidated into one share of HK\$0.05 each in the share capital of the Company, as set out in the announcement of the Company dated 30 September 2009.

Upon the share consolidation becoming effective on 30 November 2009, the issued share capital of the Company became approximately HK\$17,989,000 divided into 359,786,075 shares of HK\$0.05 each.

- (5) Share options were exercised by option holders during the period ended 30 September 2010 to subscribe for the total of 59,226 shares (For the year ended 31 March 2010: 50,588 shares) in the Company by payment of subscription monies of approximately HK\$36,000 (For the year ended 31 March 2010: HK\$31,000) of which approximately HK\$3,000 (For the year ended 31 March 2010: HK\$3,000) was credited to share capital and the balance of approximately HK\$33,000 was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

During the six months ended 30 September 2010, the Group continued to strengthen the market position and future profitability in both financial information business and online game business.

Financial Information Services Business

The Group had implemented a number of ways to improve operational efficiency. We continue to promote the brand name of Finet news and to expand our financial news distribution channels. At the same time, we had introduced our value-added services in press release, media monitoring and investor relations to our clients and so far have been appreciated by the market. In addition, we have been expanding our mobile distribution channels for financial content. We expect to expand our mobile distribution channels through other similar opportunities in the next few quarters. The Group has identified several mobile platform providers to distribute financial information in both China and Hong Kong. Through providing customized, punctual and quality mobile content, Finet will be able to cater to the increasing needs of mobile users in financial information services in China.

Our belief that future successful business model must include trading execution capabilities has led us to acquire an online broker in Hong Kong, Finet Securities Limited (formerly known as Fukoku Investment (Asia) Limited) ("Finet Securities"), and aim to turn it into a leading securities trading platform that is empowered with Finet's rich financial content such as news, data, market analysis, and with advanced algo-trading technologies to access multiple markets in the next few years. We believe this will help the Group to capitalize on Finet's brand-name in the future and to monetize exponential growth of Mainland Chinese investors who are increasingly investing overseas (particularly in Hong Kong and the US financial markets).

Securities and Futures Business

On 19 May 2010, the Group completed the acquisition of the entire issued share capital of Finet Securities for a cash consideration of approximately HK\$10,245,000. Finet Securities is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the Securities and Futures Ordinance ("SFO") to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.

Online Game Business

The Group's online game business made good progress for the six months ended 30 September 2010. The MMORPG jointly developed with Onwind Digital, "Mo Long Zhan Ji" ("魔龍戰紀"), entered the final stage of product development before public testing. In June, the Group tested the market response to the game through the first round of pre-marketing and attained very positive feedback from the media and hardcore gamers particularly regarding the unique style and outstanding graphic quality of the game. Despite the controlled scope of pre-marketing, the game was chosen to be one of the most anticipated games in a mainstream game publication.

In September, "Mo Long Zhan Ji" unfolded its public technical testing, which received overwhelming tester participation over the 7-day testing period. All major media, blogs and microblogs reported the game's debut and it gained high regard from professional media including the reputable game portal, 17173.com. The technical testing assured the stability, reliability and scalability of the game technical infrastructure. With the satisfactory results of the technical testing, we shall anticipate the next round of testing with richer contents and more diverse systems in the coming months to cover a wider scope of users.

In the meantime, Project Ming, the Group's future flagship product through its in-house development, passed two milestones in May and August with significant technical and content upgrades. With its exceptional technologies and graphic standards, the game gained sales interests from overseas game operators and the Group will continue to explore sales in the overseas markets at commercially attractive terms.

The Group had been in discussion with two internationally renowned game studios to explore co-development opportunities although no final contracts were agreed at the date of this half yearly report.

Looking forward, the Group will benefit significantly from the many exciting business opportunities arising from the latest positive market trends: the penetration of 3G services in China, the growing prevalence of mobile Internet combined with China's massive mobile user base and the success of App Store business model; the latest greenlight given to China's Three Network Convergence Plan; the tremendous growth of China's online game market; and not to mention the increasing integration between Hong Kong's and China's financial markets and the internationalization of the RMB.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$16,164,000 for the six months ended 30 September 2010, representing a decrease of approximately 1% from approximately HK\$16,319,000 for the same period in 2009.

During the six months ended 30 September 2010, the Group recorded cost of sales amounting to approximately HK\$4,838,000 (2009: HK\$4,853,000).

Development costs of the Group for the six months ended 30 September 2010 was approximately HK\$2,419,000 (2009: HK\$2,392,000), which mainly included the depreciation of property, plant and equipment, amortization of intangible assets and employment benefit expenses of the research and development team of the online game business.

Selling expenses of the Group for the six months ended 30 September 2010 increased to approximately HK\$1,714,000 compared with approximately HK\$1,420,000 in 2009.

General and administrative expenses of the Group for the six months ended 30 September 2010 was approximately HK\$25,653,000 (2009: HK\$19,110,000), that mainly comprised the staff costs (including directors' emoluments) of approximately HK\$11,171,000 (2009: HK\$11,078,000).

The Group's unaudited consolidated loss attributable to owners for the six months ended 30 September 2010 was approximately HK\$15,387,000 (2009: HK\$10,153,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2010, the net current assets of the Group was approximately HK\$43,668,000 (31 March 2010: HK\$62,589,000); the total equity of the Group was approximately HK\$68,100,000 (31 March 2010: HK\$84,008,000); the cash and bank deposits of the Group was approximately HK\$9,461,000 (31 March 2010: HK\$33,681,000).

CAPITAL STRUCTURE

As at 30 September 2010, the Company had total outstanding bank borrowings of approximately of HK\$2,885,000 (31 March 2010: HK\$3,002,000).

CHARGES OF ASSETS

As at 30 September 2010, the investment properties and some equipment with an aggregate carrying value of approximately HK\$14,000,000 and approximately HK\$880,000 respectively (31 March 2010: HK\$14,000,000 and HK\$1,040,000 respectively) were pledged as securities for the borrowing facilities of the Group.

GEARING RATIO

The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 4.9% as at 30 September 2010 (31 March 2010: approximately 4.4%).

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2010, the Group held available-for-sale financial assets of approximately HK\$601,000 (31 March 2010: HK\$268,000) and financial assets at fair value through profit or loss of approximately HK\$4,957,000 (31 March 2010: Nil).

ACQUISITION AND DISPOSALS OF SUBSIDIARIES

On 19 May 2010, the Group completed the acquisition of the entire issue share capital of Finet Securities for a cash consideration of approximately HK\$10,245,000. Finet Securities is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. During the six months ended 30 September 2010, the Group included the financial results of Finet Securities Limited from the date of acquisition up to 30 September 2010.

Save as disclosed above, the Group had no other acquisitions and disposals of subsidiaries during the six months ended 30 September 2010.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group holds investment properties 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 30 September 2010, the Group had no significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2010, the Group had 182 (31 March 2010: 186) full-time employees, of which 32 (31 March 2010: 26) are based in Hong Kong and 150 (31 March 2010: 160) 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 30 September 2010, 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 and 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 Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES

As at 30 September 2010, 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:

	Number of shares and capacity in which the share were held		Number of underlying shares and capacity in which the share were held		Notes	Total number of shares	% of shares in issue
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation			
Substantial shareholders:							
Maxx Capital International Limited ("Maxx")	203,266,790	-	-	-	1	203,266,790	55.26%
Pablos International Limited ("Pablos")	-	203,266,790	-	-	1	203,266,790	55.26%
Wise Capital International Limited ("Wise")	-	-	35,600,000	-	2	35,600,000	9.67%
Lo Yuk Yee ("Ms. Lo")	-	203,266,790	-	53,600,000	1 & 2	256,866,790	69.84%

Notes:

1. According to the information on the shareholders' disclosure of interest, the 203,266,790 shares were held by Maxx, which is wholly-owned by Pablos and Pablos was a wholly-owned company of Ms. Lo. Accordingly, Maxx, Pablos and Ms. Lo were deemed by virtue of the SFO to be interested in 203,266,790 shares in the Company.
2. According to the information on the shareholders' disclosure of interest, the 35,600,000 and 18,000,000 underlying shares were held by Wise and Mass Faith Management Limited ("Mass Faith"), both wholly-owned companies of Ms. Lo. Accordingly, (i) Wise was deemed by virtue of the SFO to be interested in 35,600,000 underlying shares in the Company; (ii) Mass Faith was deemed by virtue of the SFO to be interested in 18,000,000 underlying shares, in the Company; and (iii) Ms. Lo was deemed by virtue of the SFO to be interested in 53,600,000 underlying shares, in the Company.

Save as disclosed above, the Directors are not aware of other person who, as at 30 September 2010, 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.

MOVEMENTS OF OPTIONS

Details of the movements of options granted under the Pre-IPO Share Option Scheme adopted on 23 July 2004 for the six months ended 30 September 2010 are as follows:

Name of grantee	Date of grant	Adjusted exercise price	Number of share options			Balance as at 30 September 2010
			Balance as at 1 April 2010	Exercised during the period	Lapsed during the period	
Director:						
Yu Gang, George (Note 1)	21 September 2004	HK\$0.6080	2,992,384	-	(2,992,384)	-
Employees:						
Employees	21 September 2004	HK\$0.6080	224,565	(59,226)	(165,339)	-
Total			3,216,949	(59,226)	(3,157,723)	-

Details of movements of the options granted under the Post-IPO Share Option Scheme adopted on 16 December 2004 for the six months ended 30 September 2010 are as follows:

Name of grantee	Date of grant	Adjusted exercise price	Number of share options			Balance as at 30 September 2010
			Balance as at 1 April 2010	Cancelled during the period	Lapsed during the period	
Independent Non-executive Directors:						
Lam Lee G.	29 September 2005	HK\$1.4790	246,774	(246,774)	-	-
Wu Tak Lung (Note 2)	29 September 2005	HK\$1.4790	246,774	(246,774)	-	-
Employees:						
Employee	5 September 2005	HK\$1.1345	653,952	-	(653,952)	-
Employee	29 September 2005	HK\$1.4790	98,710	-	(98,710)	-
Employee	6 December 2006	HK\$2.7070	246,774	-	(246,774)	-
Total			<u>1,492,984</u>	<u>(493,548)</u>	<u>(999,436)</u>	<u>-</u>

Notes:

1. Dr. Yu Gang, George retired as an executive Director with effect from 30 September 2010.
2. Mr. Wu Tak Lung ceased to be an independent non-executive Director with effect from 23 September 2010.

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 Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the six months ended 30 September 2010 or at any time during such period (2009: Nil).

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 30 September 2010, except for the following deviation:

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 were performed by the same individual, Dr. Yu Gang, George up to 30 September 2010 when Dr. Yu Gang, George retired. Dr. Lam Lee G., an independent non-executive director of the Company, was appointed as the Chairman of the Company on 30 September 2010 and Mr. Lum Chor Wah was appointed as an executive Director and Chief Executive Officer of the Company on 30 September 2010.

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 ended 30 September 2010. Having made specific enquiry of all Directors, 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.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has reported to the Board that he/she 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 30 September 2010.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely, Mr. Wong Wai Kin (chairman of the audit committee), Dr. Lam Lee G., and Mr. Siu Siu Ling, Robert.

The unaudited consolidated results of the Group for the six months ended 30 September 2010 have been reviewed by the audit committee and recommended to the Board for adoption.

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 30 September 2010.

By Order of the Board

Lam Lee G

Chairman

Hong Kong, 12 November 2010

As at the date of this report, the executive Directors are Mr. Lum Chor Wah, Richard, Ms. Lo Yuk Yee, Mr. Lin Peng, Ben, Mr. Chow Wing Chau, Mr. Yiu Wing Hei and Mr. Wong Po Tin, and the independent non-executive Directors are Dr. Lam Lee G., Mr. Lam Ka Wai, Graham, Mr. Wong Wai Kin and Mr. Siu Siu Ling, Robert.