



財華社
FINET

Finet Group Limited

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 08317)



First Quarterly Report
2011/2012

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 (the “Directors”) of Finet Group Limited (the “Company” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$6,366,000 for the three months ended 30 June 2011, representing a decrease of approximately 12.78% from approximately HK\$7,299,000 for the same period in 2010.
- The Group's unaudited consolidated profit attributable to the owners of the Company for the three months ended 30 June 2011 was approximately HK\$1,152,000.
- The Board does not recommend the payment of dividend for the three months ended 30 June 2011.

The board of Directors (the "Board") is pleased to present the unaudited results of the Group for the three months ended 30 June 2011, together with the comparative unaudited figures for the corresponding period in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2011

		For the three months ended 30 June	
		2011	2010
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i> (restated)
Continuing operations			
Revenue	2	6,366	7,299
Cost of sales		(2,289)	(2,090)
		<hr/>	<hr/>
Gross profit		4,077	5,209
Other income and gains	2	5,851	907
Selling and marketing expenses		(90)	(90)
General and administrative expenses		(8,641)	(8,212)
Finance costs		(30)	(51)
		<hr/>	<hr/>
Profit/(Loss) before income tax		1,167	(2,237)
Income tax expense	3	(15)	(15)
		<hr/>	<hr/>
Profit/(Loss) for the period from continuing operations		1,152	(2,252)
Discontinued operation			
Loss for the period from discontinued operation		–	(3,731)
		<hr/>	<hr/>
Profit/(Loss) for the period		1,152	(5,983)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		1,152	(5,450)
Non-controlling Interests		–	(533)
		<hr/>	<hr/>
		1,152	(5,983)
		<hr/> <hr/>	<hr/> <hr/>

		For the three months ended 30 June	
	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 (restated)
Profit/(Loss) for the period		1,152	(5,983)
Other comprehensive income:			
Fair value gain/(loss) on available-for-sale financial assets		10	(64)
Currency translation differences		23	(11)
Other comprehensive income for the period		1,185	(75)
Total comprehensive income for the period		1,185	(6,058)
Attributable to:			
Owners of the Company		1,185	(5,525)
Non-controlling interests		–	(533)
		1,185	(6,058)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period			
From continuing operations			
– Basic and diluted (in HK cent)	5	0.37	(1.10)
From discontinued operation			
– Basic and diluted (in HK cent)	5	–	(1.83)
		0.37	(2.93)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 report of the Company for the year ended 31 March 2011.

The unaudited consolidated results of the Group for the three months ended 30 June 2011 have been reviewed by the audit committee of the Company.

2. REVENUE AND OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue and other income and gains recognised during the period is as follows:

	Continuing operations		Discontinued operation		Total	
	For the three months		For the three months		For the three months	
	ended 30 June		ended 30 June		ended 30 June	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Service income from provision of financial information services	5,646	6,310	-	-	5,646	6,310
Advertising income	332	389	-	-	332	389
Online games income	-	-	-	1	-	1
Brokerage commission and service income	388	600	-	-	388	600
	6,366	7,299	-	1	6,366	7,300
Other income and gains						
Recycling of gain from equity on disposal of available-for-sale financial asset	-	71	-	-	-	71
Fair value gain on held for trading investments	5,425	-	-	-	5,425	-
Gross rental income from investment properties	287	282	-	-	287	282
Interest income	-	476	-	23	-	499
Others	139	78	-	-	139	78
	5,851	907	-	23	5,851	930
Total incomes	12,217	8,206	-	24	12,217	8,230

3. INCOME TAX EXPENSE

The Company and one of its former subsidiaries were incorporated in the Cayman Islands as exempted companies and, accordingly, are exempted from payment of Cayman Islands income tax. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 16 June 2011. Accordingly, the Company is now exempted from payment of Bermuda income tax. The Company's subsidiary established in the British Virgin Islands was exempted from payment of the British Virgin Islands income tax. A former subsidiary of the Company 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 30 June 2011 (2010: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The People's Republic of China ("PRC") income tax of approximately HK\$15,000 was paid during the three months ended 30 June 2011 (2010: HK\$15,000) for the net rental income from the investment properties of the Company in the PRC.

4. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2011 (2010: Nil).

5. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share from continuing operations is calculated by dividing the profit attributable to owners of the Company from continuing operations for the three months ended 30 June 2011 of approximately HK\$1,152,000 (2010: HK\$2,252,000 loss) by the weighted average number of approximately 310,062,463 (2010 (restated): 204,240,380) ordinary shares in issue during the period.

Basic earnings/(loss) per share from discontinued operation is calculated by dividing the profit attributable to owners of the Company from discontinued operation for the three months ended 30 June 2011 of HK\$Nil (2010: HK\$3,731,000 loss) by the weighted average number of approximately 310,062,463 (2010 (restated): 204,240,380) ordinary shares in issue during the period.

The weighted average numbers of ordinary shares in 2010 have been retrospectively adjusted for the five-to-one share consolidation which took place in May 2011 and for the open offer completed in June 2011.

(b) Diluted

The computation of diluted earnings/(loss) per share for the three months ended 30 June 2011 and 2010 did not assume the exercise of the Company's share options (if any) and warrants outstanding during the period ended 30 June 2011 and 2010 since their exercise would be anti-dilutive.

6. MOVEMENT OF RESERVES

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee compensation reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
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 loss on available-for-sale financial assets	-	-	-	-	-	-	(64)	-	(64)	-	(64)
Issue of shares on exercise of bonus warrants	13	105	-	-	-	-	-	-	105	-	118
Issue of shares upon exercise of share options	3	33	-	-	-	-	-	-	33	-	36
Currency translation differences	-	-	-	-	(11)	-	-	-	(11)	-	(11)
Loss for the period	-	-	-	-	-	-	-	(5,450)	(5,450)	(533)	(5,983)
	<u>18,389</u>	<u>199,531</u>	<u>4,870</u>	<u>1,745</u>	<u>2,462</u>	<u>9,989</u>	<u>(1,128)</u>	<u>(158,421)</u>	<u>59,048</u>	<u>667</u>	<u>78,104</u>
At 1 April 2011	22,041	226,081	4,870	-	109	9,989	(848)	(190,994)	49,207	-	71,248
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	10	-	10	-	10
Issue of shares on exercise of bonus warrants	-	2	-	-	-	-	-	-	2	-	2
Issue of shares upon open offer	88,164	-	-	-	-	-	-	-	-	-	88,164
Share issue costs	-	(2,574)	-	-	-	-	-	-	(2,574)	-	(2,574)
Currency translation differences	-	-	-	-	23	-	-	-	23	-	23
Profit for the period	-	-	-	-	-	-	-	1,152	1,152	-	1,152
	<u>110,205</u>	<u>233,509</u>	<u>4,870</u>	<u>-</u>	<u>132</u>	<u>9,989</u>	<u>(838)</u>	<u>(189,842)</u>	<u>47,820</u>	<u>-</u>	<u>158,025</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

To better execute the Group's Internet, Mobile and Media sectors growth strategy in the PRC and, at the same time, to strengthen the Group's business fundamentals in the existing business lines of financial information services and securities and futures business, the Group has enlarged its financial resources base. The completion of the open offer of new shares in June 2011 has raised approximately HK\$88.2 million (before expenses) as to enable the Group to both invest in its existing business lines and to seize strategic business opportunities (if such opportunities arise in the future) through mergers and acquisitions.

Financial Information Business

During the period under review, changes in market and appetite of clients have supported the business model of the Group by providing one-stop shop solution to investors that includes transaction services in addition to pure data, news and analytics. The Board believed that the growing sophistication in today's information technology with powerful hedge funds, algo-trading technologies and cross-market arbitrage opportunities, the market would demand technologically advanced one-stop solution providers.

The Group has been carefully examining the ways to improve its competitive advantages and operational efficiency amid the deteriorating business environment. The Group is determined to improve and make changes in its information provision business. On one hand, the Group has continued to promote the brand name of Finet as a leading news provider and to expand its financial news distribution channels and introduced value-added services in press release, media monitoring and investor relations to its clients which so far have been appreciated by the market. On the other hand, the Group has been expanding its mobile distribution channels for financial content. The Group has been chosen as the exclusive daily financial e-magazine provider in 139-Mailbox operated by China Mobile in the Guangdong Province, the PRC, through a tender process. The services will be extended to other areas in the PRC. By leveraging China Mobile's massive user base, this will help the Group to tap into the PRC's lucrative business-to-consumer market that has been growing at astonishing speed.

The Group has been providing mobile solution to existing clients with encouraging results and has identified several mobile platform providers to distribute financial information in both the PRC and Hong Kong.

Securities and Futures Business

The completion of acquisition of Finet Securities Limited was a significant step forward to achieve the business model of the Group to provide one-stop shop solutions that seamlessly embed transaction services with information services. The Group has been consolidating the securities and futures business segment and is taking steps to tap into margin financing and asset management business to fit into the one-stop shop solutions model.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$6,366,000 for the three months ended 30 June 2011, representing a decrease of approximately 12.78% from approximately HK\$7,299,000 for the same period in 2010.

During the three months ended 30 June 2011, the Group recorded cost of sales amounting to approximately HK\$2,289,000, representing an increase of 9.52% to the same period in 2010, which was mainly resulted in the increase in cost to the information providers in connection with the provision of relevant services.

General and administrative expenses of the Group for the three months ended 30 June 2011 was increased by approximately 5.22% to approximately HK\$8,641,000 (2010: HK\$8,212,000), which was mainly due to increase in the staff and directors' costs.

The Group's unaudited consolidated profit attributable to the owners of the Company for the three months ended 30 June 2011 was approximately HK\$1,152,000 (2010: loss of HK\$5,450,000).

CHANGE OF DOMICILE

The Company announced in its announcement dated 28 June 2011 that on 16 June 2011, the Company had been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda.

PENDING LITIGATION

References were made to the announcements of the Company dated 16 May 2011, 20 May 2011 and 28 June 2011. The Company has received various letters in April and May 2011 from two minority shareholders of China Game & Digital Entertainment Limited (a former subsidiary of the Company, "China Game"), namely The Pride of Treasure Fund and The Pride Venture Capital Fund (collectively, the "Claimants"), through their legal advisers. The Claimants claimed that the Company has, through its then chairman and Director, Dr. Yu Gang, George, made certain misrepresentations and has breached certain terms of the agreements between the Company and each of the Claimants in connection with their

investments in China Game totaling USD5,000,000 in 2007 and the Claimants indicated that they may seek damages against the Company for no less than USD5,000,000 plus interest and costs. Dr. Yu Gang, George ceased to be a Director from 30 September 2010.

On 20 May 2011, the Company received a writ of summons (High Court Action number 849 of 2011) (“Writ”) from the Claimants, claiming against the Company for damages for breach of the alleged share subscription agreement in 2007 made between the Company and The Pride of Treasure Fund, the alleged share subscription agreement in 2007 made between the Company and The Pride Venture Capital Fund, an alleged shareholders’ agreement made orally between the Claimants and the Company and misrepresentation on the value of the East Treasure Limited business made through Dr. Yu Gang, George, plus interest and costs.

On 27 June 2011, the Company received an amended writ of summons (“Amended Writ”) (High Court Action number 849 of 2011) and a statement of claim (“Statement of Claim”) from the Claimants (i.e. The Pride of Treasure Fund (“First Plaintiff”) and The Pride Venture Capital Fund (“Second Plaintiff”). Pursuant to the Amended Writ, it was claimed against the Company for, inter alia, damages for breach of (i) the alleged share subscription agreement in 2007 made between the Company and the First Plaintiff; (ii) the alleged share subscription agreement in 2007 made between the Company and the Second Plaintiff; and (iii) the alleged misrepresentation made through Dr. Yu Gang, George, plus interest and costs.

The Claimants further, alleged, in the Statement of Claim, inter alia, that certain representations given by the Company in the above share subscription agreements were false and untrue or recklessly not caring whether they were true or false and there was breach of implied terms of the above share subscription agreements, and claimed against the Company for (i) damages to be assessed; (ii) interest; (iii) costs; and (iv) further or other relief.

The Board has been conducting investigation on such alleged breaches and possible claims and in the meantime, is seeking legal advice from the legal adviser to the Company in this respect. Based on the preliminary advice of the legal adviser to the Company, the Company has reasonable grounds to defend such claims. The Company is planning to file a defence against such claims in due course.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of the Directors and the chief executive 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 Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company and its associated corporations

Name of Director	Name of Group member/ associated corporation	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue (note 2)
		Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Director:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	-	268,552,984 (Note 1)	-	-	268,552,984	60.92%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") (Note 3)	-	2 shares of US\$1 each	-	-	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") (Note 3)	1,000 shares of US\$1 each	-	-	-	1,000 shares of US\$1 each	100%

Notes:

- 268,552,984 ordinary shares of HK\$0.25 each were held by Maxx Capital which was wholly-owned by Pablos, and Pablos was wholly owned by Ms. LO. Accordingly, Pablos and Ms. LO were deemed by virtue of the SFO to be interested in 268,552,984 ordinary shares of HK\$0.25 each held by Maxx Capital.
- As at 30 June 2011, the Company had 440,818,880 ordinary shares of HK\$0.25 each in issue.
- Each of Maxx Capital and Pablos is a holding company of the Company and is thus an associated corporation (within the meaning of part XV of the SFO) of the Company.

Save as disclosed above, as at 30 June 2011, 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 OF THE COMPANY

As at 30 June 2011, so far as the Directors are aware, persons other than Directors or chief executives of the Company who 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, were as follows:

Name of substantial shareholder	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue (note 2)
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Substantial shareholders:						
Maxx Capital (Note 1)	268,552,984	–	–	–	268,552,984	60.92%
Pablos (Note 1)	–	268,552,984	–	–	268,552,984	60.92%

Notes:

- 268,552,984 ordinary shares of HK\$0.25 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly owned by Ms. LO. Accordingly, Pablos and Ms. LO were deemed by virtue of the SFO to be interested in 268,552,984 ordinary shares of HK\$0.25 each held by Maxx Capital. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 30 June 2011, the Company had 440,818,880 ordinary shares of HK\$0.25 each in issue.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 30 June 2011, 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.

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 30 June 2011.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee of the Company comprises three members who are independent non-executive directors, namely, Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung with Mr. WONG Wai Kin as the chairman thereof.

The principal duties of the audit committee of the Company 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 30 June 2011 have been reviewed by the audit committee of the Company.

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 30 June 2011.

By Order of the Board

LO Yuk Yee

Chairman

Hong Kong, 11 August 2011

As at the date of this report, the executive Directors are Ms. LO Yuk Yee, Mr. CHOW Wing Chau and Mr. YIU Wing Hei; and the independent non-executive Directors are Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung.