

**First Quarterly Report
2012 / 2013**



財華社
FINET

Finet Group Limited

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

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\$5,868,000 for the three months ended 30 June 2012, representing a decrease of approximately 7.83% from approximately HK\$6,366,000 for the same period in 2011.
- The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2012 was approximately HK\$5,256,000.
- The Board does not recommend the payment of dividend for the three months ended 30 June 2012.

The board of Directors (the "Board") is pleased to present the unaudited results of the Group for the three months ended 30 June 2012, together with the comparative unaudited figures for the corresponding period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

		For the three months ended 30 June	
	Notes	2012 HK\$'000	2011 HK\$'000 (restated)
Continuing Operations			
Revenue	2	5,868	6,366
Cost of sales		(2,390)	(2,289)
		<hr/>	<hr/>
Gross profit		3,478	4,077
Other income and gains	2	2,164	5,851
Selling and marketing expenses		(90)	(90)
General and administrative expenses		(10,209)	(8,641)
Finance costs		(184)	(30)
Development Cost	3	(339)	—
		<hr/>	<hr/>
(Loss)/Profit before income tax		(5,180)	1,167
Income tax expense	4	(76)	(15)
		<hr/>	<hr/>
(Loss)/Profit for the period		(5,256)	1,152
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		(5,256)	1,152
		<hr/>	<hr/>
(Loss)/Profit for the year		(5,256)	1,152
Other comprehensive income:			
Fair value gain on available-for-sale financial assets		(22)	10
Currency translation differences		19	23
		<hr/>	<hr/>
Other comprehensive income for the period		(5,259)	1,185
		<hr/>	<hr/>
Total comprehensive income for the period		(5,259)	1,185
		<hr/>	<hr/>

	Notes	For the three months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (restated)
Attributable to:			
Owners of the Company		(5,259)	1,185
Non-controlling interests		—	—
		<u>(5,259)</u>	<u>1,185</u>
(Loss)/Earnings per share for (loss)/ profit attributable to the owners of the Company during the period			
— Basic and diluted (in HK cent)	6	<u>(0.01)</u>	<u>0.37</u>

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 2012.

The unaudited consolidated results of the Group for the three months ended 30 June 2012 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:

	Total	
	For the three months	
	ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Revenue		
Service income from provision of financial information services	5,069	5,646
Advertising income	670	332
Brokerage commission and service income	129	388
	5,868	6,366
Other income and gains		
Loan interest income	480	—
Dividend income	433	—
Fair value gain on held for trading investments	—	5,425
Gross rental income from investment properties	718	287
Exchange gains	26	—
Management fee income	453	—
Interest income	8	—
Others	46	139
	2,164	5,851
Total incomes	8,032	12,217

3. Development Cost

Development costs incurred during the period represents the amortised costs on system development and configuration of “Fin TV” Project.

4. 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 2012 (2011: 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\$76,000 was paid during the three months ended 30 June 2012 (2011: HK\$15,000) for the net rental income from the investment properties of the Company in the PRC.

5. Dividend

The Board does not recommend the payment of dividend for the three months ended 30 June 2012 (2011: Nil).

6. (Loss)/Earnings Per Share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company for the three months ended 30 June 2012 of approximately HK\$5,256,000 (2011: HK\$1,152,000 profit) by the number of 440,818,880 (2011: 440,818,880) ordinary shares in issue during the period.

(b) Diluted

The computation of diluted earnings/(loss) per share for the three months ended 30 June 2012 and 2011 did not assume the exercise of the Company’s share options and warrants outstanding during the period ended 30 June 2012 and 2011 since their exercise would result in a decrease in loss per share.

7. Movement of Reserves

	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total reserves	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 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
At 30 June 2011	110,205	223,509	4,870	—	132	9,989	(838)	—	(189,842)	47,820	158,025
At 1 April 2012	4,408	223,509	4,870	536	(319)	9,989	(1,220)	1,763	(105,751)	133,377	137,785
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(22)	—	—	(22)	(22)
Issue of shares on exercise of bonus warrants	—	—	—	—	—	—	—	—	—	—	—
Issue of shares upon exercise of share options	—	—	—	—	—	—	—	—	—	—	—
Currency translation differences	—	—	—	—	19	—	—	—	—	19	19
Loss for the period	—	—	—	—	—	—	—	—	(5,256)	(5,256)	(5,256)
At 30 June 2012	4,408	223,509	4,870	536	(300)	9,989	(1,242)	1,763	(111,007)	128,118	132,526

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

In order to reduce our general and administrative expenses, we relocated our PRC offices which has reduced the Group's overall rent commitments in coming years.

This year marked a new phase for Finet's group. In order to execute the Group's Internet, Mobile and Media ("IMM") growth strategy, our Group has focused on media business in financial sector through the establishment of Xian Dai TV Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Group. This company is engaged in the production of programmes regarding financial news. It has also traded as "FIN TV" and a studio has been launched in Admiralty in June 2012. The management has moved further step towards the IMM concepts in respect of the provision of services through multiple and mobile portals and endorsing the growth strategy.

Besides, in order to diversify our business, the Group has applied a money lender licence by setting-up of a new wholly-owned subsidiary namely Finet Finance Limited, which has commenced its business in May 2012.

Financial Information Business

During the fiscal year under review, the business environment in both HK and the PRC is very competitive.

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 Group has been carefully examining the ways to improve its competitive advantages and operational efficiency amid the deteriorating business environment. The Group has continued to promote the brand name of Finet as a leading financial 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. Besides, the Group has been expanding its mobile distribution channels for financial content.

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

With the volatile situation of stock markets, the revenue generated from securities and futures business decreased drastically to approximately HK\$129,000 (2011: HK\$388,000). Such decrease was mainly due to the drop of futures business.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$5,868,000 for the three months ended 30 June 2012, representing a decrease of approximately 7.83% from approximately HK\$6,366,000 for the same period in 2011.

During the three months ended 30 June 2012, the Group recorded cost of sales amounting to approximately HK\$2,390,000, representing an increase of 4.41% to the same period in 2011, 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 2012 was increased by approximately 18.15% to approximately HK\$10,209,000 (2011: HK\$8,641,000), which was mainly due to increase in the staff and directors' costs.

The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2012 was approximately HK\$5,256,000 (2011: profit of HK\$1,152,000). The balance in last year included a fair value gain of HK\$5,425,000 on held for trading investments.

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 2012, 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 <i>(Note 2)</i>
		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 <i>(Note 1)</i>	—	—	268,552,984	60.92%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") <i>(Note 3)</i>	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") <i>(Note 3)</i>	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%
Mr. Chow Wing Chau ("Mr. Chow")	The Company	—	—	500,000	—	500,000	0.11%
Mr. Yiu Wing Hei ("Mr. Yiu")	The Company	—	—	500,000	—	500,000	0.11%

Notes:

1. 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.
2. As at 30 June 2012, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 June 2012, 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 2012, 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:

1. 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.
2. As at 30 June 2012, the Company had 440,818,880 ordinary shares of HK\$0.01 each in issue.

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 16 December 2004 (with its mandate limit refreshed at the annual general meeting of the Company held on 18 August 2011) for the period ended 30 June 2012 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			Balance as at 30 June 2012
			Balance as at 1 April 2012	Granted during the period	Lapsed during the period	
Executive Directors:						
Mr. CHOW	30 September 2011	HK\$0.49	500,000	—	—	500,000
Mr. YIU	30 September 2011	HK\$0.49	500,000	—	—	500,000
Employees	30 September 2011	HK\$0.49	3,000,000	—	—	3,000,000
Distributors	30 September 2011	HK\$0.49	4,000,000	—	(4,000,000)	—
Total			8,000,000	—	(4,000,000)	4,000,000

Validity period: The share options are exercisable for a period of two years commencing from the end of the respective vesting period in the manner as stated below.

Vesting period:	No vesting period:	2,000,000 share options (as to 1,000,000 options have lapsed during the year)
	6 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed during the year)
	12 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed during the year)
	18 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed during the year)
	24 months after 30 September 2011:	1,250,000 share options (as to 250,000 options have lapsed during the year)

PLACING OF UNLISTED WARRANTS ON 30 JANUARY 2012

As set out in the Company's announcement dated 30 January 2012, on 30 January 2012, the Company has issued a total of 88,162,000 warrants conferring the right to subscribe for up to HK\$35,441,124 in aggregate for ordinary shares of HK\$0.01 each in the capital of the Company (i.e. up to 88,162,000 shares), to not less than six placees, who and whose ultimate beneficial owners were parties or parties independent of and not connected with the Company and its connected persons and their respective associates, at the issue price of HK\$0.02 per warrant. Each of such warrants entitle the holder thereof to subscribe in cash for one ordinary share of HK\$0.01 in the capital of the Company at an initial subscription price of HK\$0.402, subject to adjustment at any time for the period commencing on 30 January 2012 to 4:00 p.m. (Hong Kong time) on 29 January 2017 (or if it is not a business day, the business day immediately preceding such day). The initial subscription price of HK\$0.402 represented a discount of approximately 6.51% to the closing price of HK\$0.430 per share of the Company as quoted on the Stock Exchange on 30 January 2012. The offer by way of placing of the warrants was considered by the Directors as an appropriate means of raising additional working capital for the Company as it will not have an immediate dilute effect on the shareholding of the then existing shareholders upon its issue.

The net price of each share to be issued upon the exercise of the warrants, taking into account of the issue price of HK\$0.02 per share warrant after deducting the expenses and based on the full exercise of the warrants, will be approximately HK\$0.42.

The new shares to be allotted and issued upon the exercise of the subscription rights attaching to the warrants in full represent about 20% of the issued capital of the Company as at 30 January 2012 (i.e. 440,818,880 shares) and about 16.67% of the issued capital (i.e. 440,818,880 shares) as enlarged by the allotment and issue of such shares (assuming that there is no other change to the share capital of the company after 30 January 2012). The net proceeds were intended to use as general working capital of the Group.

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 2012, 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 2012.

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 2012 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 2012.

By Order of the Board
LO Yuk Yee
Chairman

Hong Kong, 13 August 2012

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.