



Interim 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 higher 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\$13,115,000 for the six months ended 30 September 2012, representing an increase of approximately 2.90% from approximately HK\$12,746,000 for the same period in 2011.
- The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2012 was approximately HK\$2,052,000.
- The Board does not recommend the payment of dividend for the six months ended 30 September 2012.

The board of Directors (the “**Board**”) is pleased to present the unaudited results of the Group for the three months and six months ended 30 September 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 and six months ended 30 September 2012

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000 (restated)	2012 HK\$'000	2011 HK\$'000 (restated)
Revenue	2	6,767	6,380	13,115	12,746
Cost of sales		(2,639)	(2,288)	(5,029)	(4,577)
Gross profit		4,128	4,092	8,086	8,169
Other income and gains	2	13,346	908	15,030	1,379
Selling and marketing expenses		(90)	(515)	(180)	(605)
General and administrative expenses		(9,850)	(16,192)	(20,065)	(19,453)
Other operating expenses	4	(4,000)	—	(4,000)	—
Finance costs	5	(181)	(43)	(365)	(73)
Development cost	6	(108)	—	(447)	—
Profit/(Loss) before income tax expenses	7	3,245	(11,750)	(1,941)	(10,583)
Income tax expenses	8	(35)	(15)	(111)	(30)
Profit/(Loss) for the period		3,210	(11,765)	(2,052)	(10,613)

Notes	For the three months ended 30 September		For the six months ended 30 September		
	2012	2011	2012	2011	
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	
Profit/(loss) attributable to:					
Owners of the Company	3,210	(11,765)	(2,052)	(10,613)	
Profit/(Loss) for the period	3,210	(11,765)	(2,052)	(10,613)	
Other comprehensive income:					
Fair value (loss)/gain on available-for-sale financial assets	(47)	(319)	(68)	(309)	
Currency translation differences	(20)	(38)	—	(15)	
Other comprehensive income for the period	(67)	(357)	(68)	(324)	
Total comprehensive income/ (expenses) for the period	3,143	(12,122)	(2,120)	(10,937)	
Total Comprehensive income attributable to Owners of the Company	3,143	(12,122)	(2,120)	(10,937)	
Earnings/(Loss) per share for profit/loss attributable to the owners of the Company during the period					
— Basic (in HK Cent)	10	0.73	(2.67)	(0.47)	(2.34)
— Diluted (in HK Cent)		0.60	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,278	4,405
Investment properties		82,900	82,900
Intangible assets		950	950
Statutory deposits and other assets		405	405
Available-for-sale financial assets		43	112
		88,576	88,772
Current assets			
Accounts receivable	11	15,005	6,375
Prepayments, deposits and other receivables		8,647	8,697
Tax Recoverable		31	31
Held for trading investments		44,220	33,259
Client trust bank balances		3,930	6,832
Cash and cash equivalents		17,766	41,136
		89,599	96,330
Current liabilities			
Accounts payable	12	7,087	10,389
Accruals and other payables		7,569	8,109
Deferred income		2,229	2,285
Finance lease payables — due within one year		109	146
Borrowings — due within one year	13	15,349	16,055
		32,343	36,984
Net current assets		57,256	59,346
Total assets less current liabilities		145,832	148,118

		Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
	Notes		
Non-current liabilities			
Finance lease payables — due after one year		—	37
Borrowings — due after one year	13	2,125	2,254
Deferred tax liabilities		8,042	8,042
		<hr/>	<hr/>
Net assets		135,665	137,785
		<hr/>	<hr/>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	4,408	4,408
Reserves		131,257	133,377
		<hr/>	<hr/>
Total equity		135,665	137,785
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Unaudited									
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Translation reserve	Property revaluation reserves	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total equity
	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	—	110	9,989	(848)	—	(190,995)	71,248
Fair value gain:										
— Available-for-sales financial assets	—	—	—	—	—	—	(309)	—	—	(309)
Issue of shares upon exercise of bonus warrants	—	2	—	—	—	—	—	—	—	2
Issue of shares upon exercise of open offer	88,164	(2,574)	—	—	—	—	—	—	—	85,590
Capital reduction	(105,797)	—	—	—	—	—	—	—	105,797	—
Currency translation differences	—	—	—	—	(15)	—	—	—	—	(15)
Equity settled share option arrangement	—	—	—	429	—	—	—	—	—	429
Loss for the period	—	—	—	—	—	—	—	—	(10,613)	(10,613)
At 30 September 2011	4,408	223,509	4,870	429	95	9,989	(1,157)	—	(95,811)	146,332
At 1 April 2012	4,408	223,509	4,870	536	(319)	9,989	(1,220)	1,763	(105,751)	137,785
Fair value gain:										
— Available-for-sales financial assets	—	—	—	—	—	—	(68)	—	—	(68)
Issue of shares upon exercise of bonus warrants	—	—	—	—	—	—	—	—	—	—
Issue of shares upon open offer	—	—	—	—	—	—	—	—	—	—
Capital reduction	—	—	—	—	—	—	—	—	—	—
Currency translation differences	—	—	—	—	—	—	—	—	—	—
Equity settled share option arrangement	—	—	—	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	—	—	(2,052)	(2,052)
At 30 September 2012	4,408	223,509	4,870	536	(319)	9,989	(1,288)	1,763	(107,803)	135,665

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000
Net cash outflow from operating activities	(21,001)	(11,847)
Net cash outflow from investing activities	(1,460)	(745)
Net cash (outflow)/inflow from financing activities	(909)	85,183
Net (decrease)/increase in cash and cash equivalents	(23,370)	72,591
Cash and cash equivalents, at beginning of period	41,136	20,106
Effect of foreign exchange rate changes, net	—	(65)
Cash and cash equivalents, at end of period	17,766	92,632
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	17,766	92,632

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 six months ended 30 September 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:

	For the three months ended 30 September		For the six months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	5,262	5,472	10,332	11,118
Advertising income	668	383	1,338	715
Income derived from money lending business and services rendered	600	—	1,080	—
Brokerage commission and service income	237	525	365	913
	6,767	6,380	13,115	12,746
Other income and gains				
Fair value gain on held for trading investments	11,845	—	11,845	45
Gross rental income from investment properties	717	287	1,435	574
Dividend income	—	200	433	200
Net foreign exchange gains	293	—	319	—
Management fee income	488	372	941	501
Interest income	2	1	10	1
Others	1	48	47	58
	13,346	908	15,030	1,379
Total incomes	20,113	7,288	28,145	14,125

3. SEGMENT INFORMATION

As at 30 September 2012, the Group was 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 Hong Kong and the People's Republic of China ("PRC");
- (ii) securities and futures business that specializes in the provision of online securities and futures trading; and
- (iii) money lending business.

Segment information for the six months ended 30 September 2012 about these businesses is as follows:

	Unaudited			
	Financial information services business HK\$'000	Securities and futures business HK\$'000	Income derived from money lending business HK\$'000	Group HK\$'000
Revenue	11,669	366	1,080	13,115
Segment results	(10,562)	(1,525)	(72)	(12,159)
Other income and gains				15,030
Other operating expenses				(4,000)
Finance costs				(365)
Development cost				(447)
				(1,941)
Loss before income tax expenses				
Income tax expenses				(111)
Loss for the period				(2,052)

Segment information for the six months ended 30 September 2011 about these businesses is as follows:

	Unaudited			Group HK\$'000
	Financial information services business HK\$'000	Securities and futures business HK\$'000	Income derived from money lending business HK\$'000	
Revenue	11,833	913	—	12,746
Segment results	(10,972)	(917)	—	(11,889)
Other income and gains				1,379
Finance costs				(73)
Loss before income tax expenses				(10,583)
Income tax expenses				(30)
Loss for the period				(10,613)

4. OTHER OPERATING EXPENSES

Other operating expenses represent the sum of HK\$4,000,000 paid for full settlement of a litigation of the Company.

5. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest expenses on bank borrowings — not wholly repayable within five years	173	27	349	55
Interest on finance lease	8	16	16	18
	181	43	365	73

6. DEVELOPMENT COST

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

7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSES

	For the three months ended 30 September		For the six months ended 30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) before income tax expenses is arrived at after charging:				
Operating lease charges				
— rental of office premises	1,365	1,429	2,732	2,254
Depreciation of property, plant and equipment	579	564	1,158	1,168
Staff costs, including directors' emoluments				
— salaries and allowances	5,554	5,541	10,911	10,674

8. INCOME TAX EXPENSES

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 and six months ended 30 September 2012 (2011: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The PRC income tax of approximately HK\$111,000 was paid during the six months ended 30 September 2012 (2011: HK\$30,000) for the net rental income from the investment properties of the Company in the PRC.

9. DIVIDEND

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

10. EARNINGS/(LOSS) PER SHARE

a) Basic

The calculation of basic earnings/(loss) per share from continuing operations is based on the profit/(loss) attributable to owners of the Company for the three months and six months ended 30 September 2012 of approximately HK\$3,210,000 and HK\$(2,052,000) respectively (three months and six months ended 30 September 2011: approximately HK\$(11,765,000) and HK\$(10,613,000) respectively) and on the number of 440,818,880 shares in issue during the three months and six months ended 30 September 2012 (three months and six months ended 30 September 2011: 440,818,880 ordinary shares).

b) Diluted

The computation of diluted earnings/(loss) per share for the three months ended 30 September 2012 is based on the profit attributable to owners of the Company for the three months ended 30 September 2012 of approximately HK\$3,210,000 on the exercise of the Company's outstanding share options and warrants, which will result in issue of 4,000,000 shares and 88,162,000 shares respectively.

No computation of diluted earnings/(loss) per share for the six months ended 30 September 2012 and 2011 and for the three months ended 30 September 2011 since their exercise would result in a decrease in loss per share.

11. ACCOUNTS RECEIVABLE

	Unaudited	Audited
	30 September	31 March
	2012	2012
	HK\$'000	HK\$'000
Accounts receivable from:		
— Clients of money lending business (i)	10,400	—
— Clients of financial information services business (ii)	2,806	2,654
— Clients of securities and futures business; brokers; dealers and clearing houses	1,799	3,721
	15,005	6,375

- (i) The credit terms granted by the Group to its customers of money lending business range from 0–30 days.
- (ii) 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 at the end of the reporting period is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
0–30 days	1,034	1,213
31–60 days	697	524
61–90 days	375	222
Over 90 days	700	695
	<hr/> 2,806 <hr/>	2,654

12. ACCOUNTS PAYABLE

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Accounts payable to:		
— Clients of financial information services business	1,360	1,131
— Clients of securities and futures business, brokers, dealers and clearing houses	5,727	9,258
	<hr/> 7,087 <hr/>	10,389

An aging analysis of accounts payable as at the end of the reporting period is as follows:

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
0–30 days	1,033	467
31–60 days	—	609
61–90 days	35	—
Over 90 days	292	55
	<hr/> 1,360	<hr/> 1,131

13. BANK BORROWINGS

	Unaudited 30 September 2012 HK\$'000	Audited 31 March 2012 HK\$'000
Secured bank loans	17,474	18,309
Less: Amount due within one year shown under current liabilities	(15,349)	(16,055)
Amount due after one year shown under non-current liabilities	<hr/> 2,125	<hr/> 2,254

The bank loans were secured by the investment properties with aggregate carrying values of approximately HK\$82,900,000 as at 30 September 2012.

The bank loan in Hong Kong was repayable on demand.

14. SHARE CAPITAL

	For the six months ended 30 September 2012		For the twelve months ended 31 March 2012	
	Number of shares	Amount (HK\$'000)	Number of shares	Amount (HK\$'000)
Ordinary shares of HK\$0.01 (2011: HK\$0.05) each				
Authorized:				
At beginning of the period/year	15,000,000,000	150,000	1,000,000,000	50,000
Increase in authorized share capital (Note (a))	—	—	2,000,000,000	100,000
	15,000,000,000	150,000	3,000,000,000	150,000
Share consolidation (Note (b))	—	—	(2,400,000,000)	—
	15,000,000,000	150,000	600,000,000	150,000
Capital reduction				
— reduction in nominal value (Note (d)(i))	—	—	—	(144,000)
— subdivision (Note (d)(iii))	—	—	14,400,000,000	144,000
At end of the period/year	15,000,000,000	150,000	15,000,000,000	150,000
Issued and fully paid:				
At beginning of the period/year	440,818,880	4,408	440,813,053	22,041
Issue of shares upon exercise of bonus warrants (Note (e))	—	—	5,829	—
	440,818,880	4,408	440,818,882	22,041
Share consolidation (Note (b))	—	—	(352,655,106)	—
	440,818,880	4,408	88,163,776	22,041
Issue of shares upon open offer (Note (c))	—	—	352,655,104	88,164
	440,818,880	4,408	440,818,880	110,205
Capital reduction				
— reduction in nominal value (Note (d)(i) & (iii))	—	—	—	(105,797)
At end of the period/year	440,818,880	4,408	440,818,880	4,408

Notes:

- (a) Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company on 19 May 2011, the authorized share capital of the Company was increased from HK\$50,000,000, divided into 1,000,000,000 ordinary shares of HK\$0.05 each to HK\$150,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.05 each by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.05 each of the Company.
- (b) Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 19 May 2011, and upon the share consolidation (on the basis that every five issued and unissued ordinary shares of HK\$0.05 each in the capital of the Company were consolidated into one share of HK\$0.25 each (each a "Consolidated Share") in the capital of the Company) becoming effective on 20 May 2011, the authorized share capital of the Company became HK\$150,000,000 divided into 600,000,000 Consolidated Shares of HK\$0.25 each; and the issued share capital of the Company became approximately HK\$22,041,000 divided into 88,163,776 Consolidated Shares of HK\$0.25 each.
- (c) Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 19 May 2011, the Company on 14 June 2011 issued 352,655,106 new ordinary shares of HK\$0.25 each (each an "Offer Share") at the subscription price of HK\$0.25 per Offer Share under an open offer on the basis of four Offer Shares for every one then existing Consolidated Share of HK\$0.25 each.
- (d) Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 19 May 2011 and, *inter alia*, upon the change of domicile of the Company from the Cayman Islands to Bermuda by way of continuation of the Company into Bermuda as an exempted company under the laws of Bermuda and de-registration as a company in the Cayman Islands under the laws of the Cayman Islands becoming effective:
 - (i) the paid-up capital of each Consolidated Share be reduced from HK\$0.25 to HK\$0.01 by cancelling HK\$0.24 on each of the issued Consolidated Shares such that the nominal value of each Consolidated Share be reduced from HK\$0.25 to HK\$0.01 so as to form a new share with nominal value of HK\$0.01 each (each an "Adjusted Share") (the "Capital Reduction");
 - (ii) each of authorized but unissued Consolidated Shares of HK\$0.25 each including the authorized unissued shares of HK\$0.25 each arising out of the Capital Reduction, be sub-divided into 25 new Adjusted Shares of HK\$0.01 each (such that the authorized share capital of the Company became HK\$150,000,000 divided into 15,000,000,000 Adjusted Shares of HK\$0.01 each); and
 - (iii) the credit arising from the Capital Reduction of approximately HK\$105,797,000 be applied to set off against the accumulated losses of the Company.
- (e) For the year ended 31 March 2012, approximately 5,829 bonus warrants were exercised in May 2011 at a subscription price of HK\$0.45 per ordinary share, resulting in the issue of 5,829 ordinary shares of HK\$0.05 each.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

Media Business

In response to the market structure and based on the overall planning of the Group, the Group has continued the development of media business in financial sector by implementation of the Group's Internet, Mobile and Media ("IMM") growth strategy 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 Group believes that this business would have fruitful return in the coming future.

Money Lending Business

In order to diversify the Group's business, the Group has successfully applied for 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

With the rapidly changing business environments in Hong Kong and the PRC together with the high requirement of the investors, the Group has continued to provide investors with one-stop shop solution 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, expand its financial news distribution channels and introduce 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\$365,000 during the period under review (2011: HK\$913,000). Such decrease was mainly due to the drop of futures business.

FINANCIAL REVIEW

The Group reported a turnover of approximately HK\$13,115,000 for the six months ended 30 September 2012, representing an increase of approximately 2.90% from approximately HK\$12,746,000 for the same period in 2011.

During the six months ended 30 September 2012, the Group recorded cost of sales amounting to approximately HK\$5,029,000, representing an increase of 9.88% from approximately HK\$4,577,000 for the same period in 2011.

Other income and gains for the six months ended 30 September 2012 included a fair value gain on held for trading investments of approximately HK\$11,845,000, gross rental income derived from investment properties in both Hong Kong and the PRC of approximately HK\$1,435,000, net foreign exchange gains of approximately HK\$319,000, dividend income of approximately HK\$433,000 and management fee income of approximately HK\$941,000.

General and administrative expenses of the Group for the six months ended 30 September 2012 was approximately HK\$20,065,000 (2011: HK\$19,453,000), which represented a slight increase of approximately 3.1% when compared to that of last year. During the period under review, additional staff were recruited for the production team on producing the programmes of financial news.

Finance costs for the six months ended 30 September 2012 was approximately of HK\$365,000, which included additional mortgage loan interest on the properties acquired after the acquisition of Pink Angel Investments Limited in October 2011.

The Group's unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 September 2012 was approximately HK\$2,052,000 (2011: loss of HK\$10,613,000).

Other operating expenses represent the sum of HK\$4,000,000 paid for full settlement of the litigation of the Company as mentioned in the paragraph headed "Litigation" below.

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**"). The Claimants claimed that the Company has, through its former chairman and Director, 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 not less than USD5,000,000 plus interest and costs. 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) 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 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 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 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.

As disclosed in the announcement of the Company dated 10 September 2012, upon the agreement of the First Plaintiff and the Second Plaintiff ("**Plaintiffs**") and the Company, the mediation in relation to the relevant disputes was held in July 2012. Subsequent to such mediation, the parties filed the consent summons with the High Court of the Hong Kong Special Administrative Region ("**Court**"). In August 2012, the Court granted the order ("**Order**") pursuant to which, among others, (i) the Company shall pay the Plaintiffs an agreed sum of HK\$4,000,000 ("**Agreed Sum**") on or before 10 September 2012 in full and final settlement of the Plaintiffs' claims against the Company in the relevant action; and (ii) upon payment of the Agreed Sum, the relevant action will be dismissed

and the parties shall be debarred from bringing any subsequent action against each other in respect of the matters arising in the relevant action. The Company settled the claim by paying the Agreed Sum to the Claimants on 10 September 2012.

LEGAL ACTION AGAINST A FORMER CHAIRMAN AND DIRECTOR OF THE COMPANY

On 14 June 2012, the Group issued a statement of claim against YU Gang, the former chairman and director of the Group, for breaches of the fiduciary duties during his directorship, (i) without any or any proper authorization, YU Gang embezzled a total sum of RMB3,238,015.30 from certain subsidiaries of the Company; and (ii) unlawfully caused the transfer of money from the Company's PRC subsidiary to his own bank account, a total sum of RMB721,000, which was meant to be made payable to a client of the subsidiary. The Company claims for (i) repayment of RMB3,238,015.30 and RMB721,000; (ii) account to the Company for all profits made or benefits received; (iii) damages; (iv) interest; (v) costs; and (vi) further or other relief.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the net current assets of the Group was approximately HK\$57,256,000 (31 March 2012: HK\$59,346,000); the total equity of the Group was approximately HK\$135,665,000 (31 March 2012: HK\$137,785,000); the cash and bank deposits of the Group was approximately HK\$17,766,000 (31 March 2012: HK\$41,136,000).

CAPITAL STRUCTURE

As at 30 September 2012, the Group had total outstanding bank borrowings of approximately of HK\$17,474,000 (31 March 2012: HK\$18,309,000). Details of changes in share capital are set out in Note 14 of the financial statements contained in this report.

CHARGES OF ASSETS

As at 30 September 2012, the Group's investment properties and some equipment with an aggregate carrying value of approximately HK\$82,900,000 and approximately HK\$181,000 respectively (31 March 2012: HK\$82,900,000 and HK\$261,000 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 13% as at 30 September 2012 (31 March 2012: approximately 13%).

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2012, the Group held available-for-sale financial assets of approximately HK\$43,000 (31 March 2012: HK\$112,000) and held for trading investments of approximately HK\$44,220,000 (31 March 2012: HK\$33,259,000). During the period under review, with an increase in the market price, securities held for trading investments had resulted in fair value gain of approximately HK\$11,845,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group holds investment properties in Renminbi and available-for-sales financial assets in Japanese Yen. The Group is therefore exposed to currency risks, as the value of the assets will fluctuate due to change in exchange rates. The risk of currency exposure is considered to be insignificant by the Directors and specific hedges may be taken out if necessary in the future.

CONTINGENT LIABILITIES

As at 30 September 2012, the Group had no significant contingent liabilities.

EMPLOYEE INFORMATION

As at 30 September 2012, the Group had 116 (31 March 2012: 103) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors' Remuneration) for the six months ended 30 September 2012 was approximately HK\$10,911,000 (2011: HK10,674,000). Other benefits provided by the Group to the employees include contribution to the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance and medical coverage.

The Group has adopted a share option scheme on 16 December 2004 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.

OUTLOOK

Looking forward, it is believed that the Group's years of efforts to build up its business fundamentals, including continuously upgrading its powerstations and products, and acquiring appropriate companies and expanding carriers of its products in the burgeoning IMM sectors would allow the Group to capitalize on the tremendous growth of the mainstream PRC consumer markets in the coming years. With the Group's securities and futures business, the Group aims to achieve its business model to provide one-stop shop solutions that seamlessly embed transaction services with information services.

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

As at 30 September 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	Name of associated corporations	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the underlying 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	—	—	278,439,784 <i>(note 1)</i>	—	—	278,439,784	63.16%
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:

- 278,439,784 ordinary shares of HK\$0.01 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 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital.

- As at 30 September 2012, the Company had 440,818,880 ordinary shares of HK\$0.01 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 September 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 September 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 <i>(note 2)</i>
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Substantial shareholders:						
Maxx Capital <i>(note 1)</i>	278,439,784	—	—	—	278,439,784	63.16%
Pablos <i>(note 1)</i>	—	278,439,784	—	—	278,439,784	63.16%

Notes:

- 278,439,784 ordinary shares of HK\$0.01 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 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital. Ms. Lo is a director of each of Maxx Capital and Pablos.
- As at 30 September 2012, the Company had 440,818,880 ordinary shares of HK\$0.01 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 September 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.

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 six months ended 30 September 2012 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options				Balance as at 30 September 2012	
			Balance as at 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period		Cancelled 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 and 1,000,000 options have been cancelled)
	6 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed and 1,000,000 options have been cancelled)
	12 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed and 1,000,000 options have been cancelled)
	18 months after 30 September 2011:	3,250,000 share options (as to 1,250,000 options have lapsed and 1,000,000 options have been cancelled)
	24 months after 30 September 2011:	1,250,000 share options (as to 250,000 options have lapsed)

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 2012 or at any time during such period (2011: Nil).

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 2012. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the six months ended 30 September 2012.

COMPETING INTERESTS

None of the Directors 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 30 September 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. As at the date of this report, 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 six months ended 30 September 2012 have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY OR ANY OF ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2012, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. During the six months ended 30 September 2012, as the post of chief executive officer (“**CEO**”) was vacant, the duties of CEO have been undertaken by other executive members of the Board. The Board is in the process of identifying a suitable candidate to be appointed as the CEO and will make further commitment upon the appointment.

By Order of the Board

LO Yuk Yee

Chairman and executive Director

Hong Kong, 12 November 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.