



財華社
FINET

Finet Group Limited

(Continued in Bermuda with limited liability)
(Stock Code: 08317)

MOVING FORWARD 2018/19

Hong Kong
Shenzhen
Beijing

INTERIM
REPORT



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

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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\$7,851,000 for the six months ended 30 September 2018, representing a decrease of approximately 7.5% from approximately HK\$8,490,000 for the same period in 2017.
- The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2018 was approximately HK\$16,988,000.
- The Board does not recommend the payment of dividend for the six months ended 30 September 2018.



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 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2018

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	3	4,275	3,259	7,851	8,490
Cost of sales		(412)	(1,259)	(1,386)	(1,631)
Gross profit		3,863	2,000	6,465	6,859
Other income and other losses	3	745	7,679	(1,247)	7,527
Selling and marketing expenses		(65)	(10)	(70)	(11)
General and administrative expenses		(10,214)	(13,974)	(21,697)	(26,393)
Finance costs	5	(136)	(2,357)	(251)	(5,152)
Loss before income tax	6	(5,807)	(6,662)	(16,800)	(17,170)
Income tax expense	7	(153)	(37)	(195)	(70)
Deferred tax credit		200	396	399	570
Loss for the period		(5,760)	(6,303)	(16,596)	(16,670)
Loss attributable to:					
Owners of the Company		(6,514)	(5,402)	(16,988)	(14,534)
Non-controlling interests		754	(901)	392	(2,136)
		(5,760)	(6,303)	(16,596)	(16,670)
Loss per share for loss attributable to the owners of the Company during the period	9				
— Basic and diluted (in HK cent)		(0.98)	(1.02)	(2.55)	(2.75)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

Notes	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss for the period	(5,760)	(6,303)	(16,596)	(16,670)
Other comprehensive income/ (expense)				
Currency translation differences	69	1,240	(1,486)	1,893
Other comprehensive income/ (expense) for the period	69	1,240	(1,486)	1,893
Total comprehensive expense for the period	(5,691)	(5,063)	(18,082)	(14,777)
Attributable to:				
Owners of the Company	(6,445)	(4,163)	(18,474)	(12,641)
Non-controlling interests	754	(900)	392	(2,136)
	(5,691)	(5,063)	(18,082)	(14,777)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		56,924	58,561
Investment properties		32,500	32,500
Intangible assets		950	950
Statutory deposits and other assets		656	656
		91,030	92,667
Current assets			
Accounts receivable	10	2,161	14,329
Prepayments, deposits and other receivables		10,722	10,335
Financial assets at fair value through profit or loss	11	3,188	5,813
Amount due from related companies		1,720	2,186
Client trust bank balances		144	126
Cash and cash equivalents		17,904	20,331
		35,839	53,120
Total assets		126,869	145,787

	Notes	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current liabilities			
Accounts payable	12	1,779	2,036
Accruals and other payables		12,338	11,216
Deferred income		532	693
Borrowings	13	15,705	16,846
Tax payables		257	257
		30,611	31,048
Net current assets			
		5,228	22,072
Total assets less current liabilities			
		96,258	114,739
Non-current liabilities			
Deferred tax liabilities		10,888	11,287
		85,370	11,287
Net assets			
		85,370	103,452
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	6,665	6,665
Reserves		87,590	106,064
		94,255	112,729
Non-controlling interests		(8,885)	(9,277)
Total equity			
		85,370	103,452

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee compensation reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity component HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 April 2017	5,290	289,831	4,870	393	1,776	(1,582)	13,307	9,989	(197,773)	96,101	(8,223)	87,878
Loss for the period	—	—	—	—	—	—	—	—	(14,534)	(14,534)	(2,136)	(16,670)
Other comprehensive income												
Currency translation differences	—	—	—	—	—	1,893	—	—	—	1,893	—	1,893
Total other comprehensive income	—	—	—	—	—	1,893	—	—	—	1,893	—	1,893
Total comprehensive income/(expense)	—	—	—	—	—	1,893	—	—	(14,534)	(12,641)	(2,136)	(14,777)
Early redemption of convertible bonds	—	—	—	—	—	—	(3,491)	—	2,038	(1,453)	—	(1,453)
As at 30 September 2017	5,290	289,831	4,870	393	1,776	311	9,816	9,989	(210,269)	82,007	(10,359)	71,648
As at 1 April 2018	6,665	320,095	4,870	—	1,776	274	—	9,989	(230,940)	112,729	(9,277)	103,452
Loss for the period	—	—	—	—	—	—	—	—	(16,988)	(16,988)	392	(16,596)
Other comprehensive expense												
Currency translation differences	—	—	—	—	—	(1,486)	—	—	—	(1,486)	—	(1,486)
Total other comprehensive expense	—	—	—	—	—	(1,486)	—	—	—	(1,486)	—	(1,486)
Total comprehensive (expense)/income	—	—	—	—	—	(1,486)	—	—	(16,988)	(18,474)	392	(18,082)
As at 30 September 2018	6,665	320,095	4,870	—	1,776	(1,212)	—	9,989	(247,238)	94,235	(8,885)	85,370

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Net cash inflow/(outflow) from operating activities	36	(13,128)
Net cash (outflow)/inflow from investing activities	(107)	34,197
Net cash outflow from financing activities	(1,141)	(44,544)
Net decrease in cash and cash equivalents	(1,212)	(23,475)
Cash and cash equivalents, at beginning of the period	20,331	57,016
Effect of foreign exchange rate changes, net	(1,215)	70
Cash and cash equivalents, at end of the period	17,904	33,611
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	17,904	33,611



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activity of Finet Group Limited (the “Company”) is investment holding. The Company and its subsidiaries (together the “Group”) are principally engaged in (i) the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and Greater China; (ii) media business; (iii) the securities and futures business that specializes in the provision of online securities and futures trading; (iv) money lending business; and (v) property investments.

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 24 June 2002. On 16 June 2011, the Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The Company’s registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company’s principal place of business is situated at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong.

The Company’s immediate and ultimate holding company is Maxx Capital International Limited incorporated in the British Virgin Islands (“BVI”) with limited liability and Pablos International Limited incorporated in the BVI with limited liability, respectively. The ultimate controlling party is Ms. LO Yuk Yee, who controls Pablos International Limited and is also the Chairman and executive Director of the Company.

The Company’s shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 7 January 2005.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 13 November 2018.



2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 2018.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets, which are carried at fair values.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, certain new standards, amendments to standards and interpretations issued by the HKICPA that are mandatorily effective for the current interim period. Consequently, certain of the Group’s accounting policies have been changed to comply with these new standards including HKFRS 9 and HKFRS 15.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 11 “Construction Contracts” (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs. The Group has adopted HKFRS 15 since 1 April 2018 and has elected to use the modified retrospective approach, with the cumulative effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. The adoption of HKFRS 15 in the current period does not result in any material impact on the Group’s financial position and result of operations. Therefore, the Group considered no adjustment is necessary.

The adoption of other standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

The Group has not yet applied new or revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a material impact on its results of operations.



3. REVENUE AND OTHER INCOME AND OTHER LOSSES

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

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue				
Service income from provision of financial information services	46	485	427	678
Advertising, investor relationship and branding promotion and communication services income	3,807	1,789	6,350	5,846
Brokerage commission and service income from securities and futures business	3	—	3	4
Loan interest income	27	327	263	540
Rental income	392	658	808	1,422
	4,275	3,259	7,851	8,490
Other income and other losses				
Gain on a bargain purchase	—	4,000	—	4,000
Gain on early redemption of convertible bonds	—	558	—	558
Interest income	3	2	5	3
Income from sharing of administrative expenses	573	1,555	1,342	1,555
Fair value change on financial assets at fair value through profit or loss	144	(1,250)	(2,619)	(1,425)
Reversal of provision for impairment loss of loan receivables	—	2,750	—	2,750
Sundry income	25	64	25	86
	745	7,679	(1,247)	7,527



4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company (the “executive Directors”). The executive Directors have reviewed the Group’s internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on these reports. The executive Directors have further considered the business from product perspective and have assessed the performance of four main business segments: (i) Financial information services business; (ii) Securities and futures business; (iii) Money lending business; and (iv) Property investment.

At 30 September 2018, the Group is organized into four main operating segments:

- (i) Financial information, advertising and investor relationship services business — the development, production and provision of financial information services and technology solutions to corporate and retail clients in Hong Kong and the PRC, this segment also includes results of the media business, providing advertising, investor relationship and branding promotion and communication service;
- (ii) Securities and futures business that specializes in the provision of online securities and futures trading;
- (iii) Money lending business; and
- (iv) Property investment business.

Segment results for the six months ended 30 September 2018 about these businesses are as follows:

	Unaudited				Group HK\$'000
	Financial information, advertising and investor relationship services business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	
Revenue	6,777	3	263	808	7,851
Segment results	(12,210)	(1,935)	258	(1,415)	(15,302)
Other income and other losses					(1,247)
Finance costs					(251)
Loss before income tax					(16,800)
Income tax credit, net					204
Loss for the period					(16,596)

Segment results for the six months ended 30 September 2017 about these businesses are as follows:

	Unaudited				Group HK\$'000
	Financial information, advertising and investor relationship services business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	
Revenue	6,524	4	540	1,422	8,490
Segment results	(16,126)	(4,269)	551	299	(19,545)
Other income and other losses					7,527
Finance costs					(5,152)
Loss before income tax					(17,170)
Income tax credit, net					500
Loss for the period					(16,670)

The segment assets and liabilities at 30 September 2018 are as follows:

	Unaudited				Group HK\$'000
	Financial information, advertising and investor relationship services business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	
Assets	80,151	14,563	2,028	30,127	126,869
Liabilities	(31,094)	(303)	(257)	(9,845)	(41,499)



The segment assets and liabilities at 31 March 2018 are as follows:

	Audited				Group HK\$'000
	Financial information, advertising and investor relationship services business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	
Assets	81,838	13,427	16,764	33,758	145,787
Liabilities	30,053	240	913	11,129	42,335

5. FINANCE COSTS

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Interest expenses on bank borrowings	136	260	251	431
Effective interest expense on convertible bonds	—	2,097	—	4,721
	136	2,357	251	5,152

6. LOSS BEFORE INCOME TAX

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Loss before income tax is arrived at after charging/(crediting):				
Operating lease charges				
— rental of office premises	1,781	2,156	3,770	4,695
Depreciation of property, plant and equipment	713	817	1,480	1,513
Loss on disposal of a subsidiary	—	226	—	226
Fair value change on financial assets at fair value through profit or loss	(144)	1,250	2,619	1,425
Staff costs, including directors' emoluments — salaries and allowances	6,543	7,244	13,906	14,204

7. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, was 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 subsidiaries established in the British Virgin Islands were exempted from payment of the British Virgin Islands income tax.

The provision for Hong Kong Profits Tax is calculated at 16.5% during the six months ended 30 September 2018 (2017: 16.5%) of the estimated assessable profits. No Hong Kong profits tax has been provided for the six months ended 30 September 2018 (2017: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%. The Enterprise Income Tax for the PRC subsidiary was HK\$114,000 during the six months ended 30 September 2018 (2017: Nil).

The PRC income tax of approximately HK\$81,000 during the six months ended 30 September 2018 (2017: HK\$70,000) was mainly attributable to the net rental income from the investment properties of the Company in the PRC.



8. DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 September 2018 (2017: Nil).

9. LOSS PER SHARE

a) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and six months ended 30 September 2018 of approximately HK\$(6,514,000) and HK\$(16,988,000) respectively (three months and six months ended 30 September 2017: loss of approximately HK\$(5,402,000) and HK\$(14,534,000) respectively) and on the weighted average number of 666,538,774 shares in issue during the three months and six months ended 30 September 2018 (three months and six months ended 30 September 2017: weighted average number of 528,980,880 shares in issue).

b) Diluted

The computation of diluted loss per share for the three months and six months ended 30 September 2018 and 2017 did not assume the exercise of the Company's outstanding share options and convertible bonds during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

10. ACCOUNTS RECEIVABLE

		Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Loans receivables	(i)	—	12,773
Accounts receivables arising from securities dealing — Broker	(ii)	500	—
Trade receivables	(iii)	1,661	1,556
		2,161	14,329

(i) Loans receivables are unsecured, interests bearing at rates ranging from 7% per annum to 1% per month, and have a term of not more than one year.

(ii) The ageing of account receivables from the broker which represents cash and deposits balances at the broker, are within one month and are not past due.

- (iii) 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 trade receivables as at the end of the reporting period is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
0-30 days	853	798
31-60 days	232	618
61-90 days	312	43
Over 90 days	264	97
	1,661	1,556

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Equity securities listed in Hong Kong, at fair value:		
Daisho Microline Holdings Limited (SEHK: 0567)	255	5,813
Tencent Holdings Limited (SEHK: 0700)	1,519	—
Xiaomi Corporation (SEHK: 1810)	1,414	—
	3,188	5,813

The fair value of all equity securities are based on their current market prices in an active market. At 30 September 2018, the Group held listed equity securities with a total market value of approximately HK\$3,188,000 (At 31 March 2018: HK\$5,813,000).

During the six months ended 30 September 2018, the realized (loss)/gain and unrealized loss on financial assets at fair value through profit or loss were approximately HK\$(2,415,000) (2017: HK\$75,000) and HK\$(204,000) (2017: HK\$(1,500,000)) respectively.



12. ACCOUNTS PAYABLE

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Accounts payable arising from securities broking		
— Clients	131	113
Accounts payable arising from futures broking		
— Clients	13	13
Other accounts payable	1,635	1,910
	<u>1,779</u>	<u>2,036</u>

An aging analysis of accounts payable to suppliers of financial information services business as at the end of the reporting period is as follows:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
0–30 days	68	363
31–60 days	—	43
61–90 days	28	8
Over 90 days	1,539	1,496
	<u>1,635</u>	<u>1,910</u>

13. BORROWINGS

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Secured bank loans	15,705	16,846

At 30 September 2018, the borrowings of approximately HK\$3,205,000 (31 March 2018: approximately HK\$3,846,000) carried at floating rate of Hong Kong Interbank Offer Rate ("HIBOR") plus 1.25% per annum (31 March 2018: at floating rate of HIBOR plus 1.25% per annum). At 30 September 2018, the borrowings of approximately HK\$12,500,000 (31 March 2018: approximately HK\$13,000,000) carried at floating rate of HIBOR plus 1.75% per annum (31 March 2018: at floating rate of HIBOR plus 1.75% per annum). The carrying amounts of the borrowings are denominated in Hong Kong dollars.

The borrowings was pledged by certain land and buildings of the Group and a personal guarantee was given by the chairman of the Company for the Group's certain borrowings as at 30 September 2018 and 31 March 2018 respectively.

The bank borrowings are classified as current liabilities because the related loan agreement contains a repayment on demand clause which gives the lender the unconditional right to call the loan at any time.

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Nominal value ordinary shares HK\$'000
Authorised:		
At 31 March 2018 and 30 September 2018	15,000,000,000	150,000
Issued and fully paid:		
At 31 March 2018 and 30 September 2018	666,538,774	6,665

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



15. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had the following related party transactions during the period:

	Unaudited			
	For the three months ended 30 September		For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Incomes from sharing of administrative expenses received from International Link Limited <i>(note i)</i>	122	1,054	390	1,054
Incomes from sharing of administrative expenses received from Maxx Capital Finance Limited <i>(note i)</i>	451	741	952	741
Rental expenses paid to Avaya Lane Limited <i>(note i)</i>	—	48	—	138
Rental expenses paid to Cyber Feel Limited <i>(note i)</i>	990	753	1,981	1,675
Rental expenses paid to Great Heep International Investment Limited <i>(note i)</i>	87	58	174	58
Rental expenses paid to Maxon Management Limited <i>(note ii)</i>	—	158	—	594
Loan interest income from the Group's subsidiary director <i>(note iii)</i>	—	—	128	—

Note:

- (i) Maxx Capital Finance Limited, Avaya Lane Limited, Great Heep International Investment Limited, Cyber Feel Limited and International Link Limited are beneficially owned by Ms. LO, the chairman and the executive director of the Company.
- (ii) Maxon Management Limited was beneficially owned by Ms. LO, the chairman and the executive director of the Company before 24 August 2017. The acquisition of Maxon Management Limited ("the Acquisition") was completed on 24 August 2017 and Maxon Management Limited became an indirectly wholly-owned subsidiary of the Company.
- (iii) Finet Finance Limited, a wholly-owned subsidiary of the Company entering into loan agreements with the Borrower, Ms. Chan Kwai Yuet, the Group's subsidiary director, constituted the connected transaction with the Group.

16. FAIR VALUE MEASUREMENT

Financial instruments that are measured in the unaudited condensed consolidated financial statement at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Unaudited 30 September 2018 Level 1 HK\$'000	Audited 31 March 2018 Level 1 HK\$'000
Financial assets at fair value through profit or loss — Equity securities listed in Hong Kong	3,188	5,813

There were no transfer between Level 1, Level 2 and Level 3 during the periods.

17. COMPARATIVE FIGURES

Certain comparative figures have been re-classified in order to conform with the presentation of current period.



MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group continued its Internet, Mobile and Media (“IMM”) growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. Both the broadness and depth of programmes offered by FinTV have continued to multiply. Being the only Cantonese and Chinese bilingual financial TV in Hong Kong, FinTV brings investors and financial elites in Greater China the latest professional report, through television, internet and mobile channels at the same time. The Group believes that the FinTV will be one of the major driver for future growth in business.

Media Business

The Group mainly conducted its media business through the establishment of Xian Dai TV Limited together with a number of subsidiaries (“Xian Dai”). In addition to the production and distribution of programmes through the branding “FinTV”, Xian Dai also engaged in financial public relationship and creative advertising.

Property Investment Business

The investment property in the PRC continued to provide stable income and positive contribution to the financial results of the Group.

Money Lending Business

Due to the keen competition within the market, the improvement in Group’s money lending business is still a challenging task.

Financial Information, Advertising and Investor Relationship Service Business

The Group continued to generate service income from provision of financial information service business. The income from the financial information, advertising and investor relationship service business slightly increased in this financial period.



Securities and Futures Business

Due to the keen competition within the market, the improvement in Group's securities and future business is still a challenging task.

Financial Review

The Group reported a turnover of approximately HK\$7,851,000 for the six months ended 30 September 2018, representing a decrease of approximately 7.5% from approximately HK\$8,490,000 for the same period in 2017.

During the six months ended 30 September 2018, the Group recorded cost of sales amounting to approximately HK\$1,386,000, representing a decrease of 15.0% from approximately HK\$1,631,000 for the same period in 2017.

Other income and other losses of the Group for the six months ended 30 September 2018 was a loss of approximately HK\$1,247,000 (2017: a gain of approximately HK\$7,527,000), which represented a decrease of approximately 116.6% when compared to that of last year. The decrease was mainly due to: (i) a gain on a bargain purchase arising from the acquisition of entire interest in Maxon Management Limited on 24 August 2017 of approximately HK\$4,000,000, which only included for the six months ended 30 September 2017; (ii) a reversal of provision for impairment loss of loans receivable of approximately HK\$2,750,000 which only included for the six months ended 30 September 2017 and (iii) a further increase in fair value loss on financial assets at fair value through profit or loss of approximately HK\$(1,194,000) from a fair value loss of approximately HK\$(1,425,000) for the six months ended 30 September 2017 to a fair value loss HK\$(2,619,000) for the six months ended 30 September 2018.

General and administrative expenses of the Group for the six months ended 30 September 2018 was approximately HK\$21,697,000 (2017: HK\$26,393,000), which represented a decrease of approximately 17.8% when compared to that of last year.

Finance costs for the six months ended 30 September 2018 was approximately HK\$251,000, which represented interest expenses on bank borrowings. Finance costs for the six months ended 30 September 2017 was approximately HK\$5,152,000, which included effective interest expenses on convertible bonds of approximately HK\$4,721,000, and interest expenses on bank borrowings of approximately HK\$431,000.

The Group's unaudited consolidated loss attributable to the owners of the Company for the six months ended 30 September 2018 was approximately HK\$16,988,000 (2017: loss of HK\$14,534,000).



Liquidity and Financial Resources

At 30 September 2018, the net current asset of the Group was approximately HK\$5,228,000 (At 31 March 2018: HK\$22,072,000); the total equity of the Group was approximately HK\$85,370,000 (At 31 March 2018: HK\$103,452,000); the cash and cash equivalents of the Group was approximately HK\$17,904,000 (At 31 March 2018: HK\$20,331,000).

Borrowings

At 30 September 2018, the Group had total outstanding bank borrowings of approximately of HK\$15,705,000 (At 31 March 2018: HK\$16,846,000).

Charges of Assets

At 30 September 2018, certain property, plant and equipment of the Group with aggregate carrying value of approximately HK\$52,740,000 (At 31 March 2018: HK\$53,280,000) 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 18.4% based on total borrowings of approximately HK\$15,705,000 as at 30 September 2018 (At 31 March 2018: approximately 16.3% based on total borrowings of approximately HK\$16,846,000).

Significant Investments Held

At 30 September 2018, the Group held financial assets at fair value through profit or loss of approximately HK\$3,188,000 (At 31 March 2018: HK\$5,813,000) representing highly liquid equity securities listed in the Stock Exchange of Hong Kong Limited. The equity investment as at 30 September 2018 consists of (i) 1,000,000 shares (At 31 March 2018: 12,500,000 shares) of equity securities of Daisho Microline Holdings Limited (SEHK: 567) which were acquired through placement in March 2017, (ii) 4,700 shares (At 31 March 2018: Nil) of equity securities of Tencent Holdings Limited (SEHK: 700) and (iii) 91,200 shares (At 31 March 2018: Nil) of equity securities of Xiaomi Corporation (SEHK: 1810).

During the six months ended 30 September 2018, the Group recognized a loss on disposal of financial assets at fair value through profit or loss of HK\$(2,415,000) (2017: a gain of HK\$75,000) by disposal of 11,500,000 equity shares (2017: 7,500,000 equity shares) of Daisho Microline Holdings Limited. The Group had an unrealized loss on financial assets at fair value through profit or loss of approximately HK\$(204,000) (2017: an unrealized loss of HK\$(1,500,000)) for six months ended 30 September 2018.

Set out below is a breakdown of the significant investments of the Group as at 30 September 2018 and 31 March 2018:

	Unaudited 30 September 2018 HK\$'000	Audited 31 March 2018 HK\$'000
Current assets		
Financial assets at fair value through profit or loss		
Daisho Microline Holdings Limited (SEHK: 0567)	255	5,813
Tencent Holdings Limited (SEHK: 0700)	1,519	—
Xiaomi Corporation (SEHK: 1810)	1,414	—
	3,188	5,813

At 30 September 2018 (Unaudited)

Name of company	Fair value as at 31 March 2018 HK\$'000	Percentage to the Group's total assets as at 31 March 2018	Investment cost during the period ended 30 September 2018 HK\$'000	Investment cost of disposal of shares during the period ended 30 September 2018 HK\$'000	Fair value change on financial assets at fair value through profit or loss for the period ended 30 September 2018 HK\$'000	Fair value as at 30 September 2018 HK\$'000	Percentage to the Group's total assets as at 30 September 2018
Daisho Microline Holdings Limited (SEHK: 0567)	5,813	4.0%	—	(2,933)	(2,625)	255	0.2%
Tencent Holdings Limited (SEHK: 0700)	—	—	1,458	—	61	1,519	1.2%
Xiaomi Corporation (SEHK: 1810)	—	—	1,469	—	(55)	1,414	1.1%
	5,813	4.0%	2,927	(2,933)	(2,619)	3,188	2.5%



Performance and Prospects of the Financial Assets at Fair Value through Profit or Loss

Daisho Microline Holdings Limited

Daisho Microline Holdings Limited (“Daisho Microline”) and its subsidiaries (together, the “Daisho Microline Group”) are principally engaged in investment holding, the manufacturing and trading of printed circuit boards (“PCB”) and the trading of petroleum and energy products.

Pursuant to the annual report of Daisho Microline for the year ended 31 March 2018, the Daisho Microline Group’s total revenue for the year ended 31 March 2018 was approximately HK\$412 million, representing an increase of 142% as compared with approximately HK\$170 million for the last year. The increase was resulted from the Daisho Microline Group engaging in the trading of petroleum and energy products and related business commenced since June 2017. The Daisho Microline Group’s net loss for the year ended 31 March 2018 was approximately HK\$80 million.

Going forward, the Daisho Microline Group will continue to develop the petroleum trading business in Hong Kong and further expand the Singapore market. The Daisho Microline Group targets to transform its business model in the coming years to more diversified business, PCB manufacturing and the trading of petroleum business.

Tencent Holdings Limited

Tencent Holdings Limited (“Tencent”) and its subsidiaries (together, the “Tencent Group”) are principally engaged in the provision of value-added services (“VAS”) and online advertising services to users in the People’s Republic of China (the “PRC”).

Pursuant to the interim report of Tencent for the period ended 30 June 2018, the Tencent Group’s total revenue for the period ended 30 June 2018 was approximately RMB147,203 million, representing an increase of 39% as compared with approximately RMB106,158 million for the last period. The increase in revenue was driven by payment related services, digital content subscriptions and sales, social and others advertising, and smart phone games. The Tencent Group’s profit attributable to equity holders of the Tencent Group for the period ended 30 June 2018 was approximately RMB41,157 million.

Looking forward, Tencent is seeking to reinvigorate the mobile game revenue growth, via initiatives including deepening engagement with the existing major titles, monetising the proven popularity of tactical tournament games, launching a broader range of games in high-ARPU categories (such as the RPG genre), and increasing contributions from publishing the China-developed games internationally.



Xiaomi Corporation

Xiaomi Corporation (“Xiaomi”) and its subsidiaries, including controlled structured entities (together, the “Xiaomi Group”) are principally engaged in development and sales of smartphones, internet of things (“IoT”) and lifestyle products, provision of internet services and investments holding in the PRC and other countries or regions.

Pursuant to the interim report of Xiaomi for the period ended 30 June 2018, the Xiaomi Group’s total revenue for the period ended 30 June 2018 was approximately RMB79,648 million, representing an increase of 75% as compared with approximately RMB45,411 million for the last period. The increase in revenue was driven by strong sales growth in Smartphones and IoT and lifestyle products segments. The Xiaomi Group’s profit attributable to owners of the Xiaomi Group for the period ended 30 June 2018 was approximately RMB7,646 million.

Xiaomi continued to expand the efficient offline channels to more rural parts of China while maintaining the online channels in the second quarter of 2018. Xiaomi has recently established strategic partnerships with several leading companies to further strengthen its business.

The board of Directors (the “Board”) acknowledges that the performances of the equity investments may mainly be affected by worldwide economy and the degree of volatility in the PRC and Hong Kong stock markets, and susceptible to other external factors that may affect its value. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performances of the equity investments and the changes of market condition.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the reporting period.

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties in Renminbi. 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

At 30 September 2018, the Group had no significant contingent liabilities (At 31 March 2018: Nil).



Employee Information

At 30 September 2018, the Group had 109 (At 31 March 2018: 128) full-time employees (including directors) in Hong Kong and the PRC.

The total staff costs (including Directors' remuneration) for the six months ended 30 September 2018 was approximately HK\$13,906,000 (2017: HK\$14,204,000). 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.

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

As at 30 September 2018, 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 corporations	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	43,458,058 (L)	391,597,678 (L)	—	—	—	65.27%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") <i>(Note 1)</i>	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") <i>(Note 1)</i>	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital which was wholly-owned by Pablos International Limited ("Pablos"), and Pablos was wholly owned by Ms. LO Yuk Yee, ("Ms. LO"). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,055,736 ordinary shares of HK\$0.01 each.

2. As at 30 September 2018, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 September 2018, 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 2018, 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:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding
Substantial shareholders					
Ms. LO <i>(Note 1)</i>	Beneficial Owner	43,458,058 (L)	—	435,055,736 (L)	65.27%
	Interest of Controlled Corporation	391,597,678 (L)	—	—	—
Pablos <i>(Note 1)</i>	Interest of Controlled Corporation	343,997,678 (L)	—	343,997,678 (L)	51.61%
Maxx Capital <i>(Note 1)</i>	Beneficial Owner	343,997,678 (L)	—	343,997,678 (L)	51.61%
Broadgain International Limited	Beneficial Owner	43,800,000 (L)	—	43,800,000 (L)	6.57%
Li Wenjun	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	5.85%

(L) denotes long positions



Notes:

1. 343,997,678 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, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
2. As at 30 September 2018, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.

PUBLIC FLOAT

The Directors will not repurchase the Shares on GEM if the repurchase would result in the number of the listed securities which are in the hands of the public falling below 25%, being the relevant minimum prescribed percentage for the Company as required by the GEM Listing Rules.

OUTSTANDING OPTIONS

As at 30 September 2018, the Company did not have any outstanding options.

OUTSTANDING UNLISTED WARRANTS

As at 30 September 2018, the Company did not have any outstanding warrants.

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 2018, 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 six months ended 30 September 2018.



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 condensed consolidated financial statements results of the Group for the six months ended 30 September 2018 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 15 to the unaudited condensed consolidated financial statements, 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 2018 or at any time during such period (2017: 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 2018. 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 2018.

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 six months ended 30 September 2018.



CHANGE OF DIRECTOR AND COMPLIANCE OFFICER

With effect from 5 October 2018 Mr. Yiu Wing Hei (“Mr. Yiu”), resigned from the position as the executive Director and compliance officer of the Company. The reason for his resignation is to avoid any potential conflict of interests arising from his future ownership and/or commitments in relation to a business, which is in the same industry of the Company. Mr. Yiu confirmed that there is no disagreement with the Board and there is no matter which is required to draw the attention of the shareholders of the Company in relation to his resignation.

Ms. Lo Yuk Yee, chairman of the Board and executive Director, has been appointed as the compliance officer of the Company with effect from 5 October 2018

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 2018, 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. Ms. Lo Yuk Yee is the chairman of our Board and she has been managing the Group’s business and supervising the overall operations of the Group since 2011. The Directors consider that vesting the roles of the chairman of the Board and the chief executive officer of the Company in Ms. Lo is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider separating the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

By Order of the Board

LO Yuk Yee

Chairman and executive Director

Hong Kong, 13 November 2018

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