



財華社
FINET

Finet Group Limited

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

• BEIJING • SHENZHEN • HONG KONG

MOVING FORWARD

FIRST QUARTERLY REPORT 2020/2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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 companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Finet Group Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this report misleading.

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$5,579,000 for the three months ended 30 June 2020, representing an increase of approximately 29.3% from approximately HK\$4,314,000 for the same period in 2019.
- The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2020 was approximately HK\$2,781,000.
- The Board does not recommend the payment of dividend for the three months ended 30 June 2020.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months ended 30 June 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2020

	Notes	For the three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	5,579	4,314
Cost of sales		(178)	(918)
Gross profit		5,401	3,396
Other income and other losses	3	1,367	499
Selling and marketing expenses		(115)	(361)
General and administrative expenses		(8,647)	(11,473)
Finance costs		(111)	(147)
Loss before income tax		(2,105)	(8,086)
Income tax expense	4	(33)	(10)
Loss for the period		(2,138)	(8,096)
Loss for the period attributable to:			
— Owners of the Company		(2,781)	(8,432)
— Non-controlling interests		643	336
		(2,138)	(8,096)
Loss per share for loss attributable to owners of the Company during the period			
— Basic and diluted (in HK cents)	6	(0.42)	(1.27)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Notes	For the three months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Loss for the period		(2,138)	(8,096)
Other comprehensive income/(expense):			
Currency translation differences		325	(515)
Other comprehensive income/(expense) for the period, net of tax		325	(515)
Total comprehensive expense for the period		(1,813)	(8,611)
Total comprehensive expense for the period attributable to:			
— Owners of the Company		(2,456)	(8,947)
— Non-controlling interests		643	336
		(1,813)	(8,611)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. 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 parent company is Maxx Capital International Limited, which is wholly owned by Pablos International Limited. The ultimate controlling party is Ms. LO Yuk Yee, the chairman and executive director of the Company, through her ownership in Pablos International Limited.

The Company’s shares have been listed on 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 11 August 2020.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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 2020.

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 investments, which are carried at fair value, as appropriate.

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 2020.

In the current reporting period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2020.

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 June	
	2020	2019
	HK\$'000	HK\$'000
Revenue		
Service income from provision of financial information service	98	33
Advertising and investor relationship service income	4,704	3,872
Brokerage commission and service income from securities business	449	—
Rental income from investment properties	328	409
	5,579	4,314
Other income and other losses		
Fair value change on financial assets at fair value through profit or loss	237	(111)
Income from sharing of administrative expenses	720	606
Government subsidies	408	—
Interest income	2	2
Sundry income	—	2
	1,367	499

4. Income Tax Expense

No Hong Kong profits tax has been provided for the three months ended 30 June 2020 (2019: 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\$33,000 was paid/payable during the three months ended 30 June 2020 (2019: HK\$41,000) for the net rental income from the investment properties of the Company in the PRC.

5. Dividend

The Board does not recommend the payment of dividend for the three months ended 30 June 2020 (2019: Nil).

6. Loss Per Share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the three months ended 30 June 2020 of approximately HK\$2,781,000 (2019: HK\$8,432,000) by the number of 666,538,774 (2019: 666,538,774) ordinary shares in issue during the period.

(b) Diluted

The computation of diluted loss per share for the three months ended 30 June 2020 and 2019 did not assume the exercise of the Company's outstanding share options during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

7. Movement of Reserves

For the three months ended 30 June 2020 (Unaudited)

	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	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2019	6,665	320,095	4,870	—	1,776	(1,701)	9,989	(264,811)	76,883	(8,541)	68,342
Loss for the period	—	—	—	—	—	—	—	(8,432)	(8,432)	336	(8,096)
Other comprehensive expenses											
Currency translation differences	—	—	—	—	—	(515)	—	—	(515)	—	(515)
Total other comprehensive expenses	—	—	—	—	—	(515)	—	—	(515)	—	(515)
Total comprehensive expenses	—	—	—	—	—	(515)	—	(8,432)	(8,947)	336	(8,611)
Employee compensation reserves	—	—	—	309	—	—	—	—	309	—	309
Balance at 30 June 2019	6,665	320,095	4,870	309	1,776	(2,216)	9,989	(273,243)	68,245	(8,205)	60,040
Balance at 1 April 2020	6,665	320,095	4,870	360	3,757	3,014	9,989	(285,103)	63,647	(7,536)	56,111
Loss for the period	—	—	—	—	—	—	—	(2,781)	(2,781)	643	(2,138)
Other comprehensive income											
Currency translation differences	—	—	—	—	—	325	—	—	325	—	325
Total other comprehensive income	—	—	—	—	—	325	—	—	325	—	325
Total comprehensive expenses	—	—	—	—	—	325	—	(2,781)	(2,456)	643	(1,813)
Employee compensation reserves	—	—	—	90	—	—	—	—	90	—	90
Balance at 30 June 2020	6,665	320,095	4,870	450	3,757	3,339	9,989	(287,884)	61,281	(6,893)	54,388

8. 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 June	
	2020 HK\$'000	2019 HK\$'000
Income from sharing of administrative expenses received from International Links Limited (<i>Note i</i>)	300	135
Income from sharing of administrative expenses received from Maxx Capital Finance Limited (<i>Note i</i>)	420	471
Rental expenses paid to Cyber Feel Limited (<i>Note i</i>)	1,014	991

Note:

- (i) International Links Limited, Maxx Capital Finance Limited and Cyber Feel Limited are beneficially owned by Ms. LO, the chairman and the executive director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

We are an integrated platform hosting news media, public relationship and social networking services for listed companies and investors. We have 5 operation units, Finet.hk, FinTV.hk, Fin.com.cn, FinTV APP and Finet Finance APP which are formed by 3 websites and 2 mobile applications. Our primary focus of our operations is in Financial P R and branding for listed companies. Through an array of new media facilities we controlled our operating costs and improved our operation efficiency. Through the distribution of high quality contents we have obtained a general recognition of our services in the market.

Financial Information, Advertising and Investor Relationship Service Business

The income from the advertising and investor relationship service business recorded substantial growth over past few years. Though there is adverse impact of COVID-19, the revenue still record a growth of 21.5% in this financial period due to continuous effort of our Group.

Service income from provision of financial information service remained at a relatively low level during this financial period as this revenue stream has scaled down in recently years.

Property Investment Business

The investment properties in the PRC continued to provide stable income to the Group. The moderate decrease in revenue during the period is due to tenants have requested for and we have granted rental reduction for a few months during the period of COVID-19 pandemic.

Securities Business

Due to the keen competition within the market, the Group's securities business is still a challenging task in this period. Revenue during the period is mainly arising from services rendered for securities transaction.

Money Lending Business

No loan interest income from the money lending business was generated during the three months ended 30 June 2020 (2019: Nil).

Financial Review

The Group reported a turnover of approximately HK\$5,579,000 for the three months ended 30 June 2020, representing an increase of approximately 29.3% from approximately HK\$4,314,000 for the same period in 2019.

Other income and other losses for the three months ended 30 June 2020 was a gain of approximately HK\$1,367,000 (2019: HK\$499,000), which represented an increase of approximately 173.9% compared to that of last year. The increase was mainly due to: (i) the increase of fair value gain/loss on financial assets at fair value through profit or loss of approximately HK\$348,000 and (ii) government subsidies of approximately HK\$408,000, mainly from the Employment Support Scheme in Hong Kong.

During the three months ended 30 June 2020, the Group recorded cost of sales amounting to approximately HK\$178,000 representing a decrease of 80.6% from approximately HK\$918,000 for the same period in 2019, mainly due to decrease in event organisation costs.

General and administrative expenses for the three months ended 30 June 2020 was approximately HK\$8,647,000 (2019: approximately HK\$11,473,000), which represented a decrease of approximately 24.6% compared to that of last year mainly due to decrease in staff costs and professional fee.

Finance cost for the three months ended 30 June 2020 were the interest expenses on bank borrowings of approximately 97,000 (2019: HK\$126,000) and the interest expenses on lease liabilities of approximately 14,000 (2019: HK\$21,000).

The Group's unaudited consolidated loss attributable to the owners of the Company for the three months ended 30 June 2020 was approximately HK\$2,781,000 (2019: HK\$8,432,000).

Investment Holding

As at 30 June 2020, the Group held financial assets at fair value through profit or loss of approximately HK\$1,250,000 (At 31 March 2020: approximately HK\$1,013,000) representing highly liquid equity securities listed in the Stock Exchange. The investment represented approximately 1.1% of the Group total assets as at 30 June 2020 (At 31 March 2020: 0.9%). Net fair value gain on financial assets at fair value through profit or loss for the three months ended 30 June 2020 was approximately HK\$237,000 (2019: loss of HK\$111,000).

Charges of Assets

As at 30 June 2020, the Group's property, plant and equipment with an aggregate carrying value of approximately HK\$50,850,000 (At 31 March 2020: HK\$51,120,000) was pledged as security for the borrowing facilities of the Group.

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.

Contingent Liabilities

At 30 June 2020, the Group had no significant contingent liabilities (At 31 March 2020: Nil).

Employee Information

At 30 June 2020, the Group had 81 (At 31 March 2020: 84) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors' remuneration) for the three months ended 30 June 2020 was approximately HK\$5,297,000 (2019: HK\$7,447,000). 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 June 2020, 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 3)</i>
		Beneficial owner	Interest of controlled corporation	Beneficial owner <i>(Note 2)</i>	Interest of controlled corporation		
Executive Directors:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	43,458,058 (L)	391,597,678 (L)	660,000	—	—	65.37%
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%
Mr. LEE Yu Chung ("Mr. Lee")	The Company	—	—	2,000,000	—	—	0.30%

(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. Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,715,736 ordinary shares of HK\$0.01 each.
2. Ms. LO and Mr. LEE were granted 660,000 and 2,000,000 share options respectively during the three months ended 30 June 2019 under the share option scheme of the Company adopted on 4 September 2014 and deemed to be interested in 660,000 and 2,000,000 respectively underlying in respect of the share options granted.
3. As at 30 June 2020, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITION IN THE SHARES OF THE COMPANY

As at 30 June 2020, 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 Substantial Shareholders	Capacity	Number of Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Pablos (Note 1)	Interest of Controlled Corporation	343,997,678 (L)	343,997,678 (L)	51.61%
Maxx Capital (Note 1)	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%
WANG Yuan	Beneficial Owner	39,000,000 (L)	39,000,000 (L)	5.85%

(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 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.
- As at 30 June 2020, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the share option scheme adopted on 4 September 2014 for the three months ended 30 June 2020 are as follows:

Name of grantee	Date of grant (Note 1)	Exercise price	Number of share options			Balance as at 30 June 2020
			Balance as at 1 April 2020	Granted during the period	Lapsed during the period	
Executive Directors:						
Ms. LO	17 April 2019	HK\$0.49	660,000	—	—	660,000
Mr. LEE	17 April 2019	HK\$0.49	2,000,000	—	—	2,000,000
Employee	17 April 2019	HK\$0.49	6,500,000	—	—	6,500,000
Total			9,160,000	—	—	9,160,000

Note:

1. For share options granted on 17 April 2019

Validity period: From 17 April 2019 ("Date of grant") to 3 September 2024 (both days inclusive)

Vesting period: 3 years after 17 April 2019 100%

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 30 June 2020, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the three months ended 30 June 2020.

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 of the Group for the three months ended 30 June 2020 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality board, sound internal control and transparency and accountability to all shareholders.

The Board has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the provisions set out in the Corporate Governance Code ("CG Code"), contained in Appendix 15 to the GEM Listing Rules throughout the three months ended 30 June 2020, 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 was the chairman of the Company since 25 January 2011. Mr. LUM Chor Wah, Richard was appointed as an executive Director and chief executive officer of the Company on 30 September 2010 until 28 June 2011. Thereafter, the post of chief executive officer was vacant and its roles and responsibilities were shared amongst the members of the Board. The Board is presently identifying a suitable candidate to be appointed as the chief executive officer and will make an announcement upon the appointment.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 8 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 three months ended 30 June 2020 or at any time during such period (2019: 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 three months ended 30 June 2020. 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 three months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 30 June 2020.

By Order of the Board

LO Yuk Yee

Chairman and Executive Director

Hong Kong, 11 August 2020

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