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FINET GROUP LIMITED
財華社集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 08317)

UPDATE ON INTERNAL CONTROL REVIEW

Reference is made to the announcement of Finet Group Limited (the “Company”) dated 4 July 2014 in relation to, amongst other, the engagement of ONC Lawyers to conduct a thorough review of and to make recommendations on how to improve the Company’s internal control and compliance system to ensure the Company’s compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and other obligations, regulatory and otherwise. As agreed by the Directors and the Company, the key scope of work carried out by ONC Lawyers were as follows:

- (a) reviewing and assessing the Company’s structure, in particular, the Company’s internal control and compliance systems, the personnel involved and their respective duties and experiences;
- (b) identifying the reasons for the Company’s failure to comply with the relevant rules of Chapter 17 and Chapter 19 of the GEM Listing Rules (the “Breaches”); and
- (c) recommending solutions in order to improve the internal control and compliance weakness and deficiencies identified with the purpose of avoiding future occurrence of incidents in breach of the GEM Listing Rules.

ONC Lawyers has completed its review and has made report (the “Report”) to the Company. The Report was submitted to The Stock Exchange of Hong Kong Limited. In the Report, ONC Lawyers reported that the reasons for the Breaches were: (a) overreliance on the financial controller/assistant financial controller of the Company in relation to compliance issues; and (b) insufficient training in relation to requirements under Rules 19.22 to 19.23 of the GEM Listing Rules.

ONC Lawyers recommended that:

- (a) the Company creates and implements detailed internal workflows and checklist. The workflows should specify the duties of each officer in each and every stage before a loan is granted. At each stage of the workflows there should be a checklist listing out conditions precedents, documents to be delivered and/or clearance to be signed off by authorized officers before any loan is granted;

- (b) in order to rectify the situation of overreliance on the financial controller/assistant financial controller of the Company in relation to compliance issues and to enhance the internal control and compliance system, there should be an additional officer to cross-check and confirm the decision of the financial controller/assistant financial controller of the Company on compliance issues;
- (c) the Company should consult its legal advisors or other professional such as financial advisors on the Company's disclosure obligations and other compliance issues in relation to a transaction; and
- (d) all the officers involved in the different stages of the loan transactions should undergo proper training provided by accredited trainers on compliance issues.

The Company has since adopted the recommendations of ONC Lawyers in full by:

- (a) implementation of detailed internal workflows and checklist. The workflows adopted specify the duties of each officer in each and every stage before a loan is granted. At each stage of the workflows the checklist list out conditions precedents, documents to be delivered and/or clearance to be signed off by authorized officers before any loan is granted;
- (b) appointment of Mr. Yiu Wing Hei ("Mr. Yiu") as compliance officer to cross-check and confirm the decision of the financial controller/assistant financial controller on the compliance issues. Mr. Yiu joined the Company on 26 August 2010 and has been a director of Finet Finance Limited ("FFL") since 26 April 2011. Mr. Yiu graduated from the University of Hong Kong with a Bachelor degree, majoring in Economics and Finance. Mr. Yiu is the Investment Director of General Nice Resources (Hong Kong) Limited and the Investment Consultant of Abterra Limited, a company listed in the Singapore Exchange Securities Trading Limited. Mr. Yiu is also experienced in securities trading, asset management and financial investment;
- (c) establishing a policy that in future the legal advisors or other professionals such as financial advisors must be consulted on the Company's disclosure obligations and other compliance issues in relation to all transactions that fall within the definition of Rule 19.04(1) of the GEM Listing Rules and to all loan transactions undertaken by FFL; and
- (d) providing periodic training to all the officer including the financial controller/assistant financial controller and all directors of the Company on compliance issues including the GEM Listing Rules. The first training on compliance with the GEM Listing Rules was organized by a legal firm and was held on 18 August 2014. The Company will organize update course to all the directors and the financial controller/assistant financial controller on a recurring basis.

ONC Lawyers has conducted a follow up review in September 2014 and was satisfied that the Company has adopted recommendations set out in the Report in full.

By Order of the Board
Lo Yuk Yee
Chairman and Executive Director

Hong Kong, 14 October 2014

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement 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 this announcement misleading or deceptive.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its posting and on the website of the Company at www.finet.hk