
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Finet Group Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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: 8317)

**CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Subscription is set out on pages 21 to 22 of this circular. A letter from Gram Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice and recommendation in connection with the Subscription, is set out on pages 23 to 36 of this circular.

A notice convening the special general meeting of the Company to be held on Thursday, 5 November 2015 at 11:00 a.m. at 30/F, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purposes only*

14 October 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

“Announcements”	the announcements of the Company dated 27 July 2015, 4 September 2015, 8 September 2015 and 29 September 2015 in relation to the First Subscription Agreement, the supplemental agreement to the First Subscription Agreement, the termination agreement to the First Subscription Agreement, the Subscription Agreement and the supplemental agreement to the Subscription Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Finet Group Limited (Stock Code: 8317), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the GEM of the Stock Exchange
“Completion”	collectively Completion — First Batch, Completion — Second Batch, Completion — Third Batch and Completion — Fourth Batch
“Completion — First Batch”	completion of the subscription of the First Batch CB
“Completion — Second Batch”	completion of the subscription of the Second Batch CB
“Completion — Third Batch”	completion of the subscription of the Third Batch CB
“Completion — Fourth Batch”	completion of the subscription of the Fourth Batch CB
“Completion Date”	collectively Completion Date — First Batch, Completion Date — Second Batch, Completion Date — Third Batch and Completion Date — Fourth Batch
“Completion Date — First Batch”	within 14 Business Days from the day on which all the conditions precedent to the Subscription Agreement are satisfied and fulfilled

DEFINITIONS

“Completion Date — Second Batch”	within one month from Completion Date — First Batch
“Completion Date — Third Batch”	within one month from Completion Date — Second Batch
“Completion Date — Fourth Batch”	within one month from Completion Date — Third Batch
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Period”	the period commencing from the date of issue of Convertible Bonds and ending on the day which falls on the 2nd anniversary of the date of issue of Convertible Bonds
“Conversion Price”	HK\$0.396 per Conversion Share (subject to reset mechanism and adjustments mechanism)
“Conversion Share(s)”	up to 176,000,000 new Share(s) to be allotted and issued by the Company to the Bondholders upon the exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the 3% interest bearing convertible bonds in an aggregate principal amount of HK\$69,696,000 in four separate batches of HK\$17,424,000 each to be issued by the Company under the Specific Mandate to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“First Stage”	the period from October 2015 to September 2016, during which the proceeds raised from the Subscription shall be applied according to the details as set out in the subsection headed “USE OF PROCEED”
“First Subscription Agreement”	the first subscription agreement dated 25 July 2015 (as amended and supplemented by the supplemental agreement dated 4 September 2015) entered into between the Company and the Subscriber in respect of the subscription of the convertible bonds of the Company in the aggregate principal amount of HK\$69,696,000 in four separate batches, which has later been terminated by the termination agreement dated 8 September 2015 entered into between the Company and the Subscriber
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

DEFINITIONS

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Subscription and the transactions contemplated under the Subscription Agreement
“Independent Shareholders”	shareholders other than the Subscriber, Ms. Lo Yuk Yee and their associates and other Shareholders who are interested or involved in the Subscription of Convertible Bonds, and are required to abstain from voting on the resolutions at SGM
“Last Trading Day”	8 September 2015, the date of the Subscription Agreement
“Latest Practicable Date”	9 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Long Stop Date”	30 November 2015, or such later date as the Company and the Subscriber may mutually agree in writing
“Maturity Date”	2nd anniversary of the date of issue of the Convertible Bonds (or if that is not a Business Day, the first Business Day thereafter)
“Ms. LO”	Ms. Lo Yuk Yee, indirectly holds 100% shareholding of the Subscriber and is a controlling Shareholder of the Company, holding 278,439,784 Shares, representing approximately 61.14% of the total issued share capital of the Company. Further, Ms. Lo Yuk Yee is the chairman and an executive Director of the Company. Accordingly, the Subscriber and Ms. Lo Yuk Yee are connected persons of the Company under the GEM Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Price Reset Date”	means the date falling on 6 months from the date of issue of the Convertible Bonds and thereafter on the last day of each successive half-yearly period up to the Maturity Date
“Second Stage”	the period from October 2016 to September 2017, during which the proceeds raised from the Subscription shall be applied according to the details as set out in the subsection headed “USE OF PROCEED”
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder including among other things, the allotment and issue of the Conversion Shares under the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“Specific Mandate”	the specific mandate to be granted to the Directors by the Independent Shareholders at the SGM for the allotment and issue of up to a maximum of 176,000,000 Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Maxx Capital International Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder of the Company, which is ultimately controlled by Ms. Lo Yuk Yee, the chairman and an executive Director of the Company
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 8 September 2015 as supplemented and amended by the supplemental agreement dated 29 September 2015 entered into between the Company and the Subscriber in respect of the Subscription
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent



財華社
FINET

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: 8317)

Executive Directors:

Ms. Lo Yuk Yee (*Chairman*)
Mr. Chow Wing Chau
Mr. Yiu Wing Hei

Independent non-executive Directors:

Mr. Wong Wai Kin
Mr. Siu Siu Ling, Robert
Mr. Leung Chi Hung

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office:

Room C, 11/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

*Principal place of business
in Hong Kong:*

30/F, Fortis Tower
77-79 Gloucester Road
Wanchai, Hong Kong

14 October 2015

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements of the Company dated 27 July 2015, 4 September 2015, 8 September 2015 and 29 September 2015 respectively.

* For identification purposes only

LETTER FROM THE BOARD

On 25 July 2015 and 4 September 2015 respectively, the Company and the Subscriber entered into the First Subscription Agreement and the supplemental agreement to the First Subscription Agreement respectively pursuant to which the Company had conditionally agreed to issue and the Subscriber had conditionally agreed to subscribe for the convertible bonds of the Company in the aggregate principal amount of HK\$69,696,000 in four separate batches.

In order to avoid the breach of GEM Listing Rule 5.56 in relation to the dealing of securities by the Directors of the Company preceding the publication of the financial results of the Company, the Company and the Subscriber mutually agreed to terminate the First Subscription Agreement (as amended and supplemented by the supplemental agreement dated 4 September 2015) pursuant to a termination agreement entered into between the Company and the Subscriber on 8 September 2015.

On 8 September 2015, the Company and the Subscriber entered into the conditional Subscription Agreement pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$69,696,000 in four separate batches of HK\$17,424,000 each with a Conversion Price of HK\$0.396 per Conversion Share. A total of 176,000,000 Conversion Shares (representing approximately 38.65% of the issued share capital of the Company and approximately 27.87% of the issued share capital as enlarged by the issue of the Conversion Shares) will be issued upon full conversion of the Convertible Bonds.

On 29 September 2015 (after trading hours), the Company and the Subscriber entered into the supplemental agreement to the Subscription Agreement to amend certain terms and conditions of the Subscription Agreement, in particular, (i) the lowest possible conversion price of the Convertible Bonds; and (ii) the manner of the Subscription.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; (iv) the notice convening the SGM; and (v) other information as required under the GEM Listing Rules.

LETTER FROM THE BOARD

Subscription Agreement

On 8 September 2015 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, a substantial shareholder of the Company, of which is indirectly controlled by Ms. Lo Yuk Yee, who is a controlling Shareholder of the Company and is the chairman and an executive Director of the Company, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$69,696,000 in four separate batches of HK\$17,424,000 each.

Date : 8 September 2015

Parties : Issuer : The Company

Subscriber : Maxx Capital International Limited

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$0.396 per Conversion Share (subject to reset mechanism and adjustments mechanism). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.396 per Conversion Share, 176,000,000 Conversion Shares will fall to be issued to the Bondholders representing approximately 38.65% of the issued capital of the Company as at the Latest Practicable Date and approximately 27.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Conditions Precedent

The Subscription Agreement is conditional upon:

1. No takeover implications nor obligations having been triggered under Takeovers Codes;
2. No breach of public float requirements under the GEM Listing Rules;
3. The passing of resolution(s) by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including, among other things, the allotment and issue of the Conversion Shares concerning the Subscription Agreement under the Specific Mandate at the SGM;
4. The Listing Committee of the Stock Exchange shall have approved the issue of the Convertible Bonds either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall object without reasonable grounds and the satisfaction of such conditions;

LETTER FROM THE BOARD

5. The Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall object without reasonable grounds) the listing of, and permission to deal in, the Conversion Shares which fall to be allotted and issued upon the conversion of the Convertible Bonds;
6. No material adverse change in the business or in the financial or trading position of the Group;
7. The relevant monetary authority approving the issue of the Conversion Shares (if required);
8. Any other approval(s) as may be required for the Subscription;
9. All necessary approvals, consents or waivers required by the Subscriber for the consummation of the transactions contemplated under the Subscription Agreement having been obtained; and
10. All representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and correct at all times as from the signing of the Subscription Agreement up to Completion, as if they were made on and as of Completion.

If the conditions above are not fulfilled on or before the Long Stop Date, the obligations of the Company and the Subscriber under the Subscription Agreement shall forthwith cease and terminate and neither the Company nor the Subscriber shall have a claim against the other party, save for any antecedent breach thereof.

Manner of the Subscription

Pursuant to the Subscription Agreement, subject to the fulfillment of the conditions set out in subsection “Conditions Precedent”, the Company shall on Completion create and issue the Convertible Bonds in an aggregate principal amount of HK\$69,696,000 in four separate batches in the following manners:

1. the Convertible Bonds in the principal amount of HK\$17,424,000 shall be issued by the Company to the Subscriber upon Completion — First Batch, being within 14 Business Days from the day on which all the conditions precedent to the Subscription Agreement are satisfied and fulfilled (the “**First Batch CB**”);
2. the Convertible Bonds in the principal amount of HK\$17,424,000 shall be issued by the Company to the Subscriber upon Completion — Second Batch, being within one month from the allotment and issue of the First Batch CB (the “**Second Batch CB**”);

LETTER FROM THE BOARD

3. the Convertible Bonds in the principal amount of HK\$17,424,000 shall be issued by the Company to the Subscriber upon Completion — Third Batch, being within one month from the allotment and issue of the Second Batch CB (the “**Third Batch CB**”); and
4. the Convertible Bonds in the principal amount of HK\$17,424,000 shall be issued by the Company to the Subscriber upon Completion — Fourth Batch, being within one month from the allotment and issue of the Third Batch CB (the “**Fourth Batch CB**”).

Completion

Subject to the fulfillment of the conditions set out in subsection “Conditions Precedent”, completion of the four batches of Convertible Bonds shall take place at or before 5:00 p.m. (Hong Kong time) on Completion Date — First Batch, Completion Date — Second Batch, Completion Date — Third Batch, and Completion Date — Fourth Batch respectively at the office of the Company.

Termination

If at any time prior to 9:00 a.m. (Hong Kong time) on the Completion Date, there develops, occurs or comes into force:

- (1) The introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) which may in the fair and reasonable opinion of the Subscriber materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
- (2) Any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date thereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the fair and reasonable opinion of the Subscriber will, or may be expected to, have a material adverse effect on the Subscription; or
- (3) Any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the fair and reasonable opinion of the Subscriber has or may have a material adverse effect on the Subscription; or
- (4) Any breach of any of the warranties which in the fair and reasonable opinion of the Subscriber is material in the context of the Subscription, comes to the knowledge of the Subscriber or there has been a breach by the Company of any other provision of the Subscription Agreement which in the fair and reasonable opinion of the Subscriber is material in the context of the Subscription; or

LETTER FROM THE BOARD

- (5) There is any material adverse change in the business or in the financial or trading position of the Group taken as a whole which the Subscriber is unaware of and which in the fair and reasonable opinion of the Subscriber is material in the context of the Subscription;

then and in any such case, the Subscriber may, in its fair and reasonable opinion (and after consultation with the Company) terminate the Subscription Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to the relevant Completion Date.

In the event that the Subscription Agreement is terminated, all obligations of each of the parties thereunder shall cease and determine and none of the Company and the Subscriber shall have any claim against any other in respect of any matter arising out of or in connection with the Subscription Agreement, save for any antecedent breaches thereof.

Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and the Subscriber and are summarised as follows:

Aggregate Principal Amount:	the principal amount of HK\$69,696,000
Issue Price:	100% of the principal amount of the Convertible Bonds
Maturity Date:	2nd anniversary of the date of issue of the Convertible Bonds (or if that is not a Business Day, the first Business Day thereafter)
Interest:	3% per annum, payable on an annual basis
Conversion Price:	the Conversion Price is HK\$0.396 per Conversion Share, subject to reset mechanism and adjustments mechanism as set out and in accordance with the terms and conditions in the relevant instrument concerning the Convertible Bonds
Reset Mechanism and Adjustments Mechanism:	<ol style="list-style-type: none">1. Conversion Price is subject to the reset mechanism on the Price Reset Date whereby the Conversion Price will be adjusted to the lower of:<ol style="list-style-type: none">(i) the Conversion Price at the Price Reset Date, for which the Price Reset Date means the date falling on 6 months from the date of issue of the Convertible Bonds and thereafter on the last day of each successive half-yearly period up to the Maturity Date; and

LETTER FROM THE BOARD

(ii) the average closing price per Share as quoted on the Stock Exchange for the last thirty (30) trading days immediately prior to and including the Price Reset Date, subject to adjustments as set out in subparagraphs (2) to (9) below, but the Conversion Price in any event shall not be lower than the par value of the Shares.

2. Consolidation or sub-division of Shares;
3. Capitalisation of profits;
4. Capital distribution;
5. Issue of Shares by way of rights, options and warrants at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant;
6. Issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares at an effective price which is less than 80% of the market price at the date of the announcement of the terms of issue of such securities;
7. Modification of rights of conversion or exchange or subscription attaching to any such securities so that the effective price will be less than 80% of the market price at the date of the announcement of the proposal to modify such rights of conversion or exchange or subscription;
8. Issue of Shares wholly for cash at more than 20% discount to the market price of such Shares; and
9. Issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares.

- Conversion Shares:
1. Based on the initial Conversion Price of HK\$0.396, a maximum number of 176,000,000 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to Convertible Bonds.
 2. The Conversion Shares upon exercise of the conversion rights attaching to Convertible Bonds shall be allotted and issued under the Specific Mandate to be granted to the Directors by the Independent Shareholders at the SGM.

LETTER FROM THE BOARD

Conversion
Right(s):

1. Each holder of Convertible Bonds shall have the right, exercisable during the Conversion Period to convert the whole or any part (in multiples of HK\$5,000,000 unless the amount remaining on exercise of the Convertible Bonds or in consequence of any adjustment shall be less than HK\$5,000,000) of the outstanding principal amount of Convertible Bonds held by such Bondholder(s) into such number of Conversion Shares as will be determined by dividing the principal amount of Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.
2. No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion
Restriction(s):

1. Any conversion of Convertible Bonds shall be made in amounts of not less than a whole multiple of HK\$5,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of such Convertible Bonds is less than HK\$5,000,000, the whole (but not part only) of the outstanding principal amount of such Convertible Bonds may be converted.
2. Upon exercise of the conversion rights, the Bondholders and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
3. Upon exercise of the conversion rights, the public float of the Company will not be unable to meet the relevant requirements under the GEM Listing Rules.

Conversion Period: The period commencing from the date of issue of Convertible Bonds and ending on the day which falls on the 2nd anniversary of the date of issue of the Convertible Bonds.

Early Redemption: Subject to the consent by the Bondholder(s), the Company may, by giving not less than 30 Business Days notice to the Bondholder(s), to redeem all or part of the outstanding Convertible Bonds at an amount equal to 100% of the principal amount of the said outstanding Convertible Bonds at any time from the date of issue of Convertible Bonds together with interest accrued to the date fixed for redemption.

LETTER FROM THE BOARD

Redemption on Maturity Date:	The principal amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed by the Company together with interest accrued thereon.
Ranking:	Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to Convertible Bonds shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
Transferability:	Any transfer of Convertible Bonds shall be in respect of the whole or any part (in multiples of HK\$5,000,000 unless the amount remaining on exercise of the Convertible Bonds or in consequence of any adjustment shall be less than HK\$5,000,000) of the principal amount of Convertible Bonds.
Application for Listing:	No application will be made by the Company to the Stock Exchange for listing of Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
Notice of Conversion by Other Bondholders:	The Company may, upon request by the Bondholder(s) in writing, notify the Bondholder(s) about the conversion of the Convertible Bonds of the Company by other Bondholders within 7 Business Days from the date of receipt of the relevant conversion notice.

Conversion Price:

The Conversion Price of HK\$0.396 per Conversion Share, represents:

- a discount of approximately 34.00% to the closing price of HK\$0.6 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 24.14% to the average closing price of approximately HK\$0.522 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;
- a discount of approximately 23.85% to the average closing price of approximately HK\$0.52 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day; and
- a discount of approximately 38.13% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market prices of the Shares as shown above. The Directors (other than the independent non-executive Directors who will form an opinion after taken the recommendation from Gram Capital) consider the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable and on normal commercial terms based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 455,418,880 Shares in issue. The shareholding interests of the Company as at (i) the Latest Practicable Date; (ii) immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK0.396 per Share; and (iii) immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the minimum reset price of HK0.2 per Share are as follows:

Substantial Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK0.396 per Share		(iii) Immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the minimum reset price of HK0.2 per Share ⁽²⁾	
	% of the entire		% of the entire		% of the entire	
	No. of Shares	issued share capital	No. of Shares	issued share capital	No. of Shares	issued share capital
Maxx Capital International Limited ⁽¹⁾	278,439,784	61.14%	454,439,784	71.97%	626,919,784	77.98%
Other public shareholder	176,979,096	38.86%	176,979,096	28.03%	176,979,096	22.02%
Total	455,418,880	100.00%	631,418,880	100.00%	803,898,880	100.00%

Note:

- (1) 278,439,784 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited, which was wholly-owned by Pablos International Limited and Pablos International Limited was wholly owned by Ms. LO. Accordingly, Pablos International Limited and Ms. LO were deemed by virtue of the Securities and Futures Ordinance to be interested in 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital International Limited. Ms. LO is a director of each of Maxx Capital International Limited and Pablos International Limited.
- (2) This scenario (scenario (iii)) is for illustrative purpose only and shall never occur. Pursuant to the terms and conditions under the relevant bond instrument, upon exercise of the conversion right, the public float of the Company will not be unable to meet the public float requirement under the GEM Listing Rules.

The lowest possible conversion price shall be the par value of the Shares. For illustrative purpose only, if immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the lowest possible conversion price as par value of the Shares, the number of Conversion Shares shall be 6,969,600,000, represents (i) approximately 1,530.37% of the entire issued Shares as at the Latest Practicable Date; and (ii) approximately 93.87% of the entire issued Shares immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the lowest possible conversion price as HK0.01 per Share.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION

The Company is listed on the GEM of the Stock Exchange. The principal activities of the Company are development, production and provision of financial information services and technology solutions, media and investors' relationship business, securities and futures business and money lending.

The Company set the Conversion Price by a discount of 10% to the average mid-price of the Shares of the Company between August 2014 and March 2015. Mid-price is calculated as the average of the highest and lowest price of the month.

The average mid-price of the Shares of the Company between August 2014 and March 2015 is approximately HK\$0.437. After 10% discount the Conversion Price is set as HK\$0.396.

The Company did not consider and discard the Share price from April to July 2015 as the Company considered the Share price is unreasonably and exceptionally high during that period.

The reset mechanism and adjustments mechanism serve as protection for the Bondholders in exchange for a lower interest rate than the Group's bank loans which is in the range of 3.7% to 3.8% per annum according to 2014/2015 annual report of the Company.

The Company has taken into account the current market condition, financial position, market position of the Company and the market sentiment of the industry that the Company is involved in, as the bases of determining the 3% interest rate.

According to the 2014/2015 annual report of the Company, the Company recorded net loss of HK\$39,420,000 and net negative cash flow of HK\$25,936,000 in the financial year ended 31 March 2015. The Company had on an ongoing basis sought out for and meet with four potential subscribers of the Convertible Bonds on a best endeavor basis for the last three months prior to the date of the Subscription Agreement, but given the said difficult recent market conditions and the poor performances, the Company was not able to confirm any agreement of terms with any potential subscribers. As such, the Company was able to locate only the Subscriber within a short period of time with no other parties be available for consideration as the Subscriber has confidence in the future business of the Company and is considered a suitable party for the Subscription.

Having considered the current market condition, financial position of the Company and the amount of funding required to finance the growth and development of the Company, the Company holds the view that they have already strived for the best terms for the Company.

LETTER FROM THE BOARD

In addition, the Board considers that the benefit from the growth of the Company funded by the proceeds raised from the Subscription outweighs the potential dilution impact and is in the best interest of the Shareholders of the Company.

The Board considers that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEED

The Board considers that the Subscription represents a good opportunity to raise additional funds as an aggregate of HK\$69,696,000 for the Group.

The aggregate proceeds raised from the Subscription shall be applied in two stages as follows in the period from October 2015 to September 2017. The First Stage is from October 2015 to September 2016 and the Second Stage is from October 2016 to September 2017.

- i) Invest in and develop of Internet finance platform in China, it is expected that approximately 16.2% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:
 - (a) to develop mobile and Internet applications; and
 - (b) to enhance and maintain the database of financial data, news, videos and the content management system.

Investment in the said Internet finance platform shall be divided into two stages, investments in the First Stage and the Second Stage shall be approximately 8.9% and 7.3% of the aggregate proceeds raised from the Subscription respectively, subject to the said 5% variation.

As at the Latest Practicable Date, the Company has invested approximately RMB162,000 (HK\$197,000) in the said development of mobile and Internet applications.

- ii) Invest in and develop of the big data platform, it is expected that approximately 22.4% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:
 - (a) to develop hardware and software for the big data platform in private clouds; and
 - (b) to maintain the said big data platform.

Investment in big data platform shall be divided into two stages, investments in the First Stage and the Second Stage shall be approximately 8.6% and 13.8% of the aggregate proceeds raised from the Subscription respectively, subject to the said 5% variation.

LETTER FROM THE BOARD

The said investment and development of big data platform is expected to commence in the First Stage.

- iii) Expand China operations in Beijing and Shenzhen, it is expected that approximately 29.1% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:

- (a) to renovate and expand Beijing office; and
- (b) to increase the number of staff.

Expansion in PRC operations is divided into two stages, investments in the First Stage and the Second Stage shall be approximately 13.4% and 15.7% of aggregate proceeds raised from the Subscription respectively, subject the said 5% variation,

The Company has established a new Beijing office in the middle of September 2015, rental expense incurred shall be approximately RMB60,000 per month. The Company is in the process of recruiting staff for the Beijing office.

- iv) Expand marketing force for promotion of mobile Internet platform in PRC, it is expected that approximately 17.9% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:

- (a) to promote the said mobile applications.

Expansion in marketing force is divided into two stages, investment in the First Stage and the Second Stage shall be approximately 7.1% and 10.8% of aggregate proceeds raised from the Subscription respectively, subject to said 5% variance.

The said expansion of marketing force is expected to commence in the First Stage.

- v) Strengthen general working capital, it is expected that approximately 14.4% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated as general working capital.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE LATEST PRACTICABLE DATE

The Company did not conduct any other fundraising on issue of equity securities in the last 12 months immediately preceding the Latest Practicable Date.

INFORMATION ON THE COMPANY

The principal activities of the Company are development, production and provision of financial information services and technology solutions, media and investors' relationship business, securities and futures business and money lending.

LETTER FROM THE BOARD

INFORMATION ON THE SUBSCRIBER

The Subscriber is an investment holding company incorporated in the British Virgin Islands. The Subscriber is indirectly wholly-owned by Ms. Lo Yuk Yee, a controlling Shareholder of the Company, holding 278,439,784 Shares, representing approximately 61.14% of the total issued share of the Company. Further, Ms. Lo Yuk Yee is the chairman and executive Director of the Company. Therefore, the Subscriber, Ms. Lo Yuk Yee and their respective associates shall abstain from voting at the SGM.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ms. Lo Yuk Yee indirectly holds 100% shareholding of the Subscriber and is a controlling Shareholder of the Company, holding 278,439,784 Shares, representing approximately 61.14% of the total issued share capital of the Company. Further, Ms. Lo Yuk Yee is the chairman and an executive Director of the Company. Accordingly, the Subscriber and Ms. Lo Yuk Yee are connected persons of the Company under the GEM Listing Rules. Therefore, the Subscription constitutes a non-exempt connected transaction of the Company subject to reporting, announcement, and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules by way of poll at the SGM.

The Subscriber, Ms. Lo Yuk Yee and their respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate.

Ms. Lo Yuk Yee has also abstained from voting on the resolutions passed by the Board to approve the Subscription Agreement, and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for the Subscriber, Ms. Lo Yuk Yee and their respective associates, no other parties have any material interest (which is different from other Shareholders) in relation to the Subscription and the grant of the Specific Mandate.

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Subscription and the transactions contemplated thereunder. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the issue of the Convertible Bonds are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour

LETTER FROM THE BOARD

of the ordinary resolution as set out in the notice of the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the issue of the Convertible Bonds and the Conversion Shares.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 21 to 22 of this circular. The Independent Board Committee, having taken into account the advice of the Gram Capital, the text of which is set out on pages 23 to 36 of this circular, considers that the terms of the issue of the Convertible Bonds to the Subscriber who is a connected person, under the Subscription Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.

SPECIFIC MANDATE

The Subscription Agreement and the transactions contemplated thereunder, among other things, the allotment and issue of the Conversion Shares under the Specific Mandate, are subject to the approval of the Independent Shareholders at the SGM.

Application will be made by the Company to the Stock Exchange for the grant of, listing of, and permission to deal in the Conversion Shares.

SGM

A notice of the SGM to be held at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Thursday, 5 November 2015, at 11:00 a.m., is set out on pages 43 to 45 of this circular. At the SGM, an ordinary resolution will be proposed to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder.

The ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder will be determined by way of poll by the Independent Shareholders in accordance with the GEM Listing Rules.

A form of proxy for use in connection with the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event by not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending the voting in person at the SGM (or any adjourned meeting thereof) should you so wish.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of
Finet Group Limited
Lo Yuk Yee
Chairman and executive Director



財華社
FINET

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: 8317)

14 October 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE**

We refer to the circular dated 14 October 2015 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription is (i) fair and reasonable; (ii) on normal commercial terms; and (iii) in the interest of the Company and the Shareholders as a whole. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 20 of the Circular which contains, among other things, information about the Subscription, and the “Letter from Gram Capital” set out on pages 23 to 36 of the Circular which contains Gram Capital’s advice in respect of the Subscription.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (i) the reasons for and the benefits of the Subscription as set out in the “Letter from the Board”; and (ii) the principal factors and reasons taken into account by Gram Capital in arriving at its opinion regarding the Subscription set out in the “Letter from Gram Capital”, we consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM in respect of the Subscription.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Wong Wai Kin
*Independent Non-executive
Director*

Mr. Siu Siu Ling, Robert
*Independent Non-executive
Director*

Mr. Leung Chi Hung
*Independent Non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

14 October 2015

*To: The independent board committee and the independent shareholders
of Finet Group Limited*

Dear Sirs,

CONNECTED TRANSACTION PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 October 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 July 2015 and 4 September 2015, the Company and the Subscriber entered into the First Subscription Agreement and the supplemental agreement to the First Subscription Agreement respectively, pursuant to which the Company had conditionally agreed to issue and the Subscriber had conditionally agreed to subscribe for the convertible bonds of the Company in the aggregate principal amount of HK\$69,696,000 in four separate batches. In order to avoid the breach of Rule 5.56 of the GEM Listing Rules in relation to the dealing of securities by the Directors preceding the publication of the financial results of the Company, the Company and the Subscriber mutually agreed to terminate the First Subscription Agreement pursuant to a termination agreement entered into between the Company and the Subscriber on 8 September 2015.

On 8 September 2015, the Company and the Subscriber entered into the conditional Subscription Agreement pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$69,696,000 in four separate batches of HK\$17,424,000 each with the initial Conversion Price of HK\$0.396 per Conversion Share, subject to the

LETTER FROM GRAM CAPITAL

reset mechanism and adjustments mechanism (the “**Reset and Adjustments Mechanisms**”) as set out under the section headed “Principal terms of the Convertible Bonds” of the Board Letter.

On 29 September 2015 (after trading hours), the Company and the Subscriber entered into a supplemental agreement to the Subscription Agreement to amend certain terms and conditions of the Subscription Agreement, in particular, (i) the lowest possible conversion price of the Convertible Bonds; and (ii) the manner of the Subscription.

With reference to the Board Letter, the Subscription constitutes a non-exempt connected transaction of the Company subject to reporting, announcement, and the Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules by way of poll at the SGM.

The Independent Board Committee comprising Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription Agreement and the respective transactions contemplated thereunder at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors’ representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules.

LETTER FROM GRAM CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in development, production and provision of financial information services and technology solutions, media and investors' relationship business; securities and futures business and money lending.

LETTER FROM GRAM CAPITAL

Set out below are the audited consolidated financial information of the Group for the two years ended 31 March 2015 as extracted from the Company's annual report for the year ended 31 March 2015 (the "2015 Annual Report"):

	For the year ended 31 March 2015	For the year ended 31 March 2014	Change from 2014 to 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	19,292	23,880	(19.21)
— <i>Service income from provision of financial information service</i>	8,434	15,557	(45.79)
— <i>Advertising, investor relationship and branding promotion and communication service income</i>	7,236	3,465	108.83
— <i>Brokerage commission and service income from securities and futures business</i>	46	11	318.18
— <i>Loan interest income</i>	639	1,938	(67.03)
— <i>Rental income from investment properties</i>	2,937	2,909	0.96
Gross profit	8,635	11,576	(25.41)
General and administrative expenses	(45,805)	(40,611)	12.79
Loss for the year	(39,420)	(22,294)	76.82
	As at 31 March 2015	As at 31 March 2014	Change from 2014 to 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Cash and cash equivalents	43,650	69,701	(37.38)
Net assets	113,481	146,403	(22.49)

According to the above table, the Group recorded a decrease of approximately 19.21% in revenue for the year ended 31 March 2015 ("FY2015") as compared to the year ended 31 March 2014 ("FY2014"), which was mainly due to the substantial decrease in service income from provision of financial information service. Together with the increase in general and administrative expenses, the Group recorded a substantial increase in loss for FY2015 as compared to FY2014.

With reference to the 2015 Annual Report and as confirmed by the Directors, because of implementation of Shanghai-Hong Kong Stock Connect, the Group will focus on the securities brokerage business and financial information services business in Hong Kong and the People's Republic of China (the "PRC"). The Group will further develop online advertising and finance public relation business to diversify the sources of income.

LETTER FROM GRAM CAPITAL

Information on the Subscriber

The Subscriber is a controlling Shareholder which is indirectly controlled by Ms. LO, the chairman and executive Director of the Company.

Financing alternatives available to the Group

According to the Board Letter, the Company did not conduct any other fund raising on issue of equity securities in the last 12 months immediately preceding the Latest Practicable Date.

Upon our enquiry with the Directors, we understand that apart from the Subscription, the Directors have also considered other fund raising alternatives for the Group, including both debt and equity financing. In relation to debt financing, the Directors advised us that as compared to bank borrowings, the Subscription would not require any pledge of assets of the Company (as at 31 March 2015, (i) the Group's total assets was amounted to approximately HK\$149.53 million; (ii) the cash and cash equivalents of the Group was amounted to approximately HK\$43.65 million; (iii) the carrying value of the Group's investment properties was approximately HK\$89 million; and (iv) the Group's investment properties with an aggregate carrying value of approximately HK\$58.20 million was pledged as security for the borrowing facilities of the Group).

As for equity financing, the Directors considered that the market situation immediately prior to the entering into of the Subscription Agreement and the loss making position of the Group for the two years ended 31 March 2015 (i) are unfavourable to equity fund raising exercise such as placing of new Shares, rights issue and open offer; and (ii) posted obstacles for the Company in identifying potential investors.

With reference to the Board Letter and as confirmed by the chairman of the Company, the Company had on an ongoing basis sought out for and meet with four potential subscribers of the Convertible Bonds on a best endeavor basis for the last three months prior to the date of the Subscription Agreement. Nevertheless, the Company was not able to confirm any agreement of terms with any potential subscriber.

Having also taken into account that the Subscription can demonstrate the Subscriber's support and confidence on the Group's future development, the Directors consider the Subscription to be an optimal financing alternative of the Group.

LETTER FROM GRAM CAPITAL

Reasons for the Subscription and use of proceeds

With reference to the Board Letter, the Board considers that the Subscription represents a good opportunity to raise additional funds as an aggregate of HK\$69,696,000 for the Group. The aggregate proceeds raised from the Subscription will be applied in two stages as follows for the period from October 2015 to September 2017 (the “**Intended Use of Proceeds**”). The First Stage is from October 2015 to September 2016 and the Second Stage is from October 2016 to September 2017.

- (i) Invest and develop internet finance platform in the PRC, it is expected that approximately 16.2% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:
 - a. to develop mobile and internet applications; and
 - b. to enhance and maintain the database of financial data, news, videos and the content management system.

Investment in the said Internet finance platform shall be divided into two stages, investments in the First Stage and the Second Stage shall be approximately 8.9% and 7.3% of the aggregate proceeds raised from the Subscription respectively, subject to the said 5% variation.

As at the Latest Practicable Date, the Company has invested approximately RMB162,000 (HK\$197,000) in the said development of mobile and Internet applications.

- (ii) Invest and develop big data platform, it is expected that approximately 22.4% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:
 - a. to develop hardware and software for the big data platform in private clouds; and
 - b. to maintain the said big data platform.

Investment in big data platform shall be divided into two stages, investments in the First Stage and the Second Stage shall be approximately 8.6% and 13.8% of the aggregate proceeds raised from the Subscription respectively, subject to the said 5% variation.

The said investment and development of big data platform is expected to commence in the First Stage.

LETTER FROM GRAM CAPITAL

(iii) Expand the Group's PRC operation in Beijing and Shenzhen, it is expected that approximately 29.1% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:

- a. to renovate and expand Beijing Office; and
- b. to increase the number of staff.

Expansion in PRC operations is divided into two stages, investments in the First Stage and the Second Stage shall be approximately 13.4% and 15.7% of aggregate proceeds raised from the Subscription respectively, subject the said 5% variation.

The Company has established a new Beijing office in the middle of September 2015, rental expense incurred shall be approximately RMB60,000 per month. The Company is in the process of recruiting staff for the Beijing office.

(iv) Expand marketing force for the promotion of mobile internet platform in the PRC, it is expected that approximately 17.9% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated:

- a. to promote the said mobile applications.

Expansion in marketing force is divided into two stages, investment in the First Stage and the Second Stage shall be approximately 7.1% and 10.8% of aggregate proceeds raised from the Subscription respectively, subject to said 5% variance.

The said expansion of marketing force is expected to commence in the First Stage.

(v) Strengthen the Group's working capital, it is expected that approximately 14.4% of the aggregate proceeds raised from the Subscription, subject to 5% variation, shall be allocated as general working capital.

For our due diligence purpose, we have requested and obtained a business development plan from the Company which is consistent and in line with the above Intended Use of Proceeds.

Having considered the above reasons and that the net proceeds from the Subscription can facilitate the business development of the Group, we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

On 8 September 2015, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible

LETTER FROM GRAM CAPITAL

Bonds in the aggregate principal amount of HK\$69,696,000 with the initial Conversion Price of HK\$0.396 per Conversion Share, subject to Reset and Adjustments Mechanisms. The Convertible Bonds carry an interest of 3% per annum (payable on an annual basis) and will mature on the 2nd anniversary of the date of issue of the Convertible Bonds (or if that is not a Business Day, the first Business Day thereafter).

On 29 September 2015 (after trading hours), the Company and the Subscriber entered into a supplemental agreement to the Subscription Agreement to amend certain terms and conditions of the Subscription Agreement, in particular, (i) the lowest possible conversion price of the Convertible Bonds; and (ii) the manner of the Subscription.

The Company shall on Completion create and issue the Convertible Bonds in an aggregate principal amount of HK\$69,696,000 in four separate batches of HK\$17,424,000 each in the manners as set out in the section headed “Manner of the Subscription” under the Board Letter.

As confirmed by the Directors, the principal terms of the Subscription Agreement were arrived at after arm’s length negotiations between the Company and the Subscriber, having considered, amongst others, the market situation immediately prior to the entering into of the Subscription Agreement and the loss making position of the Group for the two years ended 31 March 2015.

Analysis on the Conversion Price

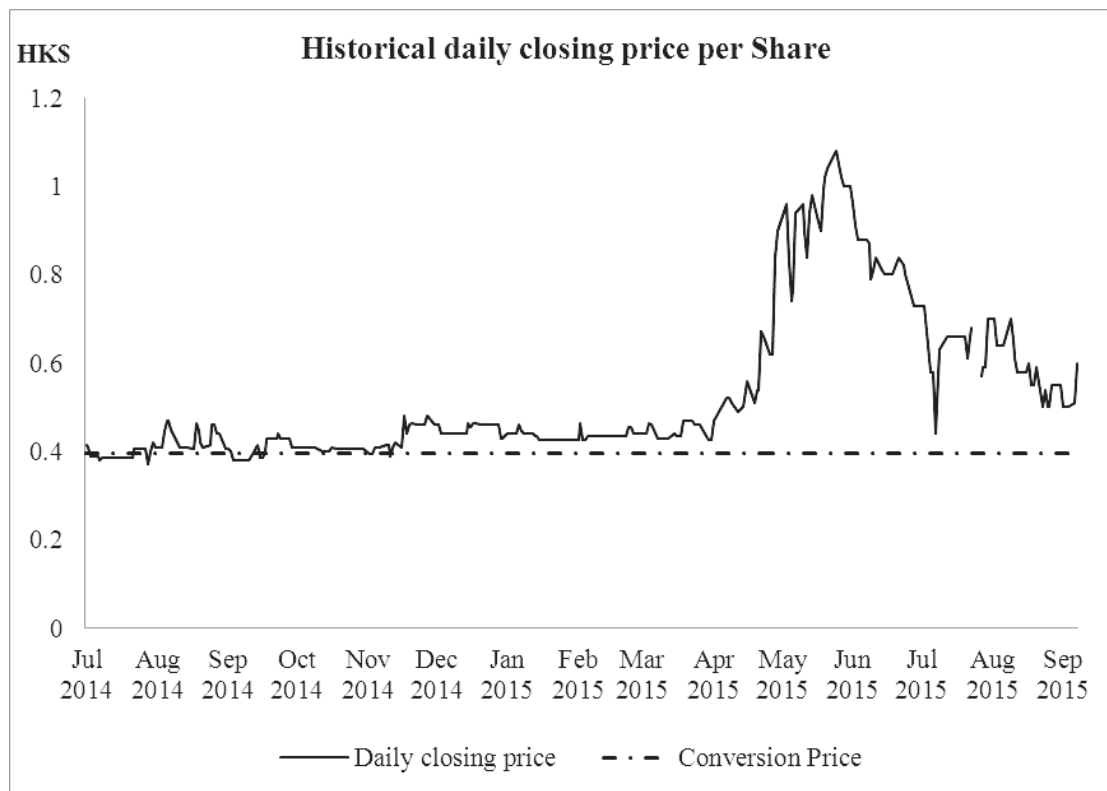
With reference to the Board Letter, the Conversion Price was arrived at after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market prices of the Shares.

The initial Conversion Price of HK\$0.396 per Conversion Share represents:

- (a) a discount of approximately 38.13% to the closing price of the Shares of HK\$0.640 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 34.00% to the closing price of HK\$0.600 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”);
- (c) a discount of approximately 24.14% to the average closing price of approximately HK\$0.522 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (d) a discount of approximately 23.85% to the average closing price of approximately HK\$0.520 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day.

LETTER FROM GRAM CAPITAL

In order to assess the fairness and reasonableness of the initial Conversion Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 July 2014 up to and including the Last Trading Day (the “**Review Period**”), being a period of approximately one year prior to the First Subscription Agreement and up to the Last Trading Day. The comparison of daily closing prices of the Shares and the initial Conversion Price is illustrated as follows:



Source: The Stock Exchange's website

Note: Trading in the Shares was halted on 27 July 2015.

During the period from 2 July 2014 to 1 April 2015, the daily closing prices of the Share had been relatively stable. The daily closing prices of the Share surged since 2 April 2015 until it reached its peak of HK\$1.08 on 26 May 2015. Following the temporary surge in the daily closing prices of the Share, the daily closing prices of the Share fluctuate during the period from 27 May 2015 to the Last Trading Day.

The initial Conversion Price of HK\$0.396 is within the range of the daily closing prices of the Share (i.e. HK\$0.370 to HK\$1.080) during the Review Period and there was a substantial period of time that the daily closing prices of the Share during the Review Period was close to the initial Conversion Price.

LETTER FROM GRAM CAPITAL

As part of our analysis, we have further identified those issue and subscription of convertible notes/bonds exercises under specific mandate which were announced by companies listed on the Stock Exchange from 1 April 2015 up to the Last Trading Day (the “**Comparables**”), being a period of approximately five months prior to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we found 21 transactions which met the said criteria and we considered the sample size to be fair and representative as the Comparables can reflect the latest market practice prior to the Last Trading Day. We consider that the aforesaid sampling period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the Last Trading Day; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

Company name	Stock code	Date of announcement	Term	Interest rate %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last (full) trading day prior to/ the date of announcement/ agreement in relation to the respective issue/subscription of convertible notes/bonds %
Pacific Basin Shipping Limited	2343	8 April 2015	6	3.25	37.50
			<i>(Note 1)</i>		
Ding He Mining Holdings Limited	705	13 April 2015	2	9.00	(16.32)
United Photovoltaics Group Limited	686	17 April 2015	3	7.50	(13.45)
Media Asia Group Holdings Limited	8075	17 April 2015	3	Nil	7.96
United Photovoltaics Group Limited	686	20 April 2015	3	7.50	(4.63)
China Fortune Investments (Holding) Limited	8116	21 April 2015	2	Nil	0.81
Energy International Investments Holdings Limited	353	18 May 2015	3	5.00	(9.20)
Loudong General Nice Resources (China) Holdings Limited	988	18 May 2015	3	6.00	(74.90)
Sunrise (China) Technology Group Limited	8226	21 May 2015	3	3.00	(70.31)
Asia Resources Holdings Limited	899	21 May 2015	3	4.00	10.77
Focus Media Network Limited	8112	3 June 2015	5	Nil	(85.22)
SinoCom Software Group Limited	299	5 June 2015	2	5.00 to 15.00	(41.04)
				<i>(Note 2)</i>	
China All Access (Holdings) Limited	633	9 June 2015	3	Nil	(22.26)
China Investment Fund Company Limited	612	23 June 2015	3	5.00	(27.50)
China Finance Investment Holdings Limited (formerly known as Cypress Jade Agricultural Holdings Limited)	875	30 June 2015	3	Nil	(1.15)

LETTER FROM GRAM CAPITAL

Company name	Stock code	Date of announcement	Term	Interest rate %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last (full) trading day prior to/ the date of announcement/ agreement in relation to the respective issue/subsorption of convertible notes/bonds %
China Agri-Products Exchange Limited	149	7 July 2015 & 16 July 2015	3	5.00	3.39
Cheung Wo International Holdings Limited	9	12 August 2015	2	8.00 <i>(Note 3)</i>	(8.40)
Loudong General Nice Resources (China) Holdings Limited	988	24 August 2015	3	6.00	(58.20)
Theme International Holdings Limited	990	28 August 2015	10	Nil	(71.43)
Code Agriculture (Holdings) Limited	8153	28 August 2015	3	6.00	(58.85)
Global Bio-Chem Technology Group Company Limited	809	30 August 2015	5	0.01	(33.33)
Minimum				Nil	(85.22)
Maximum				15.00	37.50
Average				4.06	(25.51)
The Company	8317	8 September 2015 & 29 September 2015	2	3.00	(34.00)

Note:

- The maturity date is 23 June 2021.
- Subject to the conversion conditions being fulfilled, the convertible bonds carry an interest rate of 5% per annum for the first year period commencing from its date of issue and an interest rate of 15% per annum for the second year period. For the calculation of the average interest rate of the Comparables, we have adopted an interest rate of 10% for this case. Please refer to the announcement of SinoCom Software Group Limited dated 5 June 2015 for details.
- The interest rate is an annual interest rate of 3% plus the prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited on the date of the relevant subscription agreement (i.e. 12 August 2015) which is 5%.

We noted from the above table that the conversion prices of the Comparables ranged from a discount of approximately 85.22% to a premium of approximately 37.50% to/over (“**Comparable Discounts/Premium**”) the respective closing prices of their shares on the last trading day prior to the release of announcement/date of agreement in relation to the respective issue/subsorption of convertible notes/bonds exercises (the “**Market Range**”). As such, the initial Conversion Price represents a discount of approximately 34.00% over the closing price of the Shares on the Last Trading Day which is deeper than the average of the Comparables but falls within the Market Range. In addition, we noted that seven of the Comparable Discounts are deeper than the LTD Discount. Therefore, we are of the opinion that the Conversion Price is in line with the recent market practice.

LETTER FROM GRAM CAPITAL

As a result of the fact that (i) the initial Conversion Price of HK\$0.396 is within the range of the daily closing prices of the Share during the Review Period; (ii) there was a substantial period of time that the daily closing prices of the Share during the Review Period was close to the initial Conversion Price; and (iii) the initial Conversion Price is in line with the recent market practice, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Analysis on the Reset and Adjustments Mechanisms

With reference to the Board Letter, the Conversion Price is subject to the reset on the Price Reset Date whereby the Conversion Price will be adjusted according to the Reset and Adjustments Mechanisms. Nevertheless, the Conversion Price after reset shall not be lower than the minimum reset price of HK\$0.2 (the “**Minimum Reset Price**”).

Although we are not aware of similar conversion price reset mechanism under the Comparables, we noted from the Board Letter that the Reset and Adjustments Mechanisms serve as protection for the Bondholders in exchange for a lower interest rate as compared to the contractual interest rates on the Group’s floating rate bank loans ranging from 3.7% per annum to 3.8% per annum for the year ended 31 March 2015 (according to the 2015 Annual Report).

The Minimum Reset Price a discount of approximately 66.67% to the closing price of HK\$0.600 per Share as quoted on the Stock Exchange on the Last Trading Day. Such discount is also within Market Range. As such, we are of the view that the Reset and Adjustments Mechanisms are justifiable.

Analysis on the interest rate of the Convertible Bonds

As presented by the table under the above sub-section of this letter, the Comparables carried an annual interest rate of Nil to 15.00%; whereas the Convertible Bonds bear interest of 3% per annum. Hence, the interest rate of the Convertible Bonds with the range of the Comparables. Furthermore, with reference to the 2015 Annual Report and as confirmed by the Directors, the contractual interest rates on the Group’s floating rate bank loans are ranging from 3.7% per annum to 3.8% per annum for the year ended 31 March 2015. Based on the foregoing, we consider that the interest rate of the Convertible Bonds is acceptable.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we consider that the terms of the Convertible Bonds are fair and reasonable. As such, we are of the view that the terms of Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

3. Possible dilution effect on the shareholding interests of the public Shareholders

For illustration purpose only, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after upon full exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.396; and (iii) immediately after upon full exercise of the conversion rights attaching to the Convertible Bonds at the Minimum Reset Price of HK\$0.2:

	As at the Latest Practicable Date		Immediately upon full exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.396		Immediately after upon full exercise of the conversion rights attaching to the Convertible Bonds at the Minimum Reset Price of HK\$0.2 (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Maxx Capital International Limited (Note 1)	278,439,784	61.14	454,439,784	71.97	626,919,784	77.98
Public Shareholders	<u>176,979,096</u>	<u>38.86</u>	<u>176,979,096</u>	<u>28.03</u>	<u>176,979,096</u>	<u>22.02</u>
Total	<u>455,418,880</u>	<u>100</u>	<u>631,418,880</u>	<u>100</u>	<u>803,898,880</u>	<u>100</u>

Note:

- 278,439,784 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited, which was wholly-owned by Pablos International Limited and Pablos International Limited was wholly owned by Ms. LO. Accordingly, Pablos International Limited and Ms. LO were deemed by virtue of the Securities and Futures Ordinance to be interested in 278,439,784 ordinary shares of HK\$0.01 each held by Maxx Capital International Limited. Ms. LO is a director of each of Maxx Capital International Limited and Pablos International Limited.
- This scenario is for illustration purpose only. It is one of the conversion restrictions of the Convertible Bonds that upon exercise of the conversion rights, the public float of the Company will not be unable to meet the relevant requirements under the GEM Listing Rules.

As depicted by the above table, the shareholding interests of the public Shareholders in the Company would be diluted by (i) approximately 10.83 percent point as a result of the full exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.396; and (ii) approximately 16.84 percent point as a result of the full exercise of the conversion rights attaching to the Convertible Bonds at the Minimum Reset Price of HK\$0.2 (without taking into account the conversion restrictions). In this regard, taking into account (i) the reasons for the Subscription; (ii) that the net proceeds from the Subscription can facilitate the business development of the Group; and (iii) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the full exercise of the conversion rights attaching to the Convertible Bonds is acceptable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This document, 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 enquiries, confirm that, to the best of their knowledge and belief the information contained in this document 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 document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's interests and short positions in the shares and underlying Shares

As at the Latest Practicable Date, 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	—	278,439,784 <i>(Note 1)</i>	—	—	278,439,784	61.14%
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. Chow Wing Chau ("Mr. CHOW")	The Company	—	—	625,000	—	625,000	0.14%
Mr. Yiu Wing Hei ("Mr. YIU")	The Company	—	—	125,000	—	125,000	0.03%

Notes:

1. 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.
2. As at the Latest Practicable Date, the Company had 455,418,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at the Latest Practicable Date, 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.

(b) Substantial shareholders' interest and short position in the Shares

As at the Latest Practicable Date, so far as the Directors are aware, persons other than Directors or chief executives of the Company who have 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:

Substantial shareholder	Number of Shares and capacity in which the Share were held		Number of Underlying Shares and capacity in which the Share were held		Total of Shares number	% of Shares in issue (Note 2)
	Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Maxx Capital International Limited (Note 1)	278,439,784 (Note 1)	—	—	—	278,439,784	61.14%
Pablos International Limited (Note 1)	—	278,439,784	—	—	278,439,784	61.14%

Notes:

1. 278,439,784 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited which was wholly-owned by Pablos International Limited, and Pablos International Limited was wholly owned by Ms. LO. Accordingly, Pablos International Limited 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 International Limited.
2. As at the Latest Practicable Date, the Company had 455,418,880 ordinary shares of HK\$0.01 each in issue.

(c) Other persons who are required to disclose their interests

Save as disclosed above, the Directors are not aware of other person who, as at the Latest Practicable Date, 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.

3. DIRECTORS' SERVICES CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save and except for the information as disclosed below, no contracts of significance in relation to the Group's business in which any of the Directors had a material interest, whether directly or indirectly, subsisted as of the Latest Practicable Date.

	Unaudited	
	For the three months	
	ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee paid to Maxx Capital Finance Limited (note i)	150	150
Rental paid to Cyber Feel Limited (note i)	<u>819</u>	<u>724</u>

Note:

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

6. LITIGATION

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

In relation to a claim by the Company's indirect wholly-owned subsidiary, Finet Holdings Limited ("**Finet Holdings**"), against Bank of China (Hong Kong) Limited ("**BOC**") for BOC's overdue payment of HK\$1,950,141.60 pursuant to the Service Agreement (as defined below), BOC has responded by issuing a writ on 16 September 2015 on Finet Holdings, claiming for a declaration that the written service contract dated 12 September 2003, the written order form dated 23 June 2004 and the written service contract (addendum) dated 6 December 2006 (collectively, the "**Service Agreement**") entered into between Finet Holdings and BOC had been lawfully terminated on 31 December 2014 (the "**Claim**"). Finet Holdings is now in the process of mediation with BOC in connection with the Claim. As at the Latest Practicable Date, no settlement has been reached by the parties.

7. EXPERTS AND CONSENT

The following are the qualifications of the experts whose letters and reports are contained in this circular:

Name	Qualification
Gram Capital Limited (" Gram Capital ")	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any assets which have been, since 31 March 2015 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

1. the tenancy agreement dated 12 June 2015 and entered into between Finet Holdings Limited, an indirect wholly-owned subsidiary of the Company, and Cyber Feel Limited, a company wholly owned by Ms. Lo Yuk Yee, the controlling Shareholder, the chairman and an executive Director of the Company, in relation to the premise as 30th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong for a term of twenty-four months commencing on 1 July 2015; and
2. the management consultancy and service agreement dated 1 April 2014 entered into between Pink Angel Investments Limited, an indirectly wholly-owned subsidiary of the Company, and Maxx Capital Finance Limited in respect of the monthly management fee of HK\$50,000 for a term of twenty-four months commencing on 1 April 2014.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, the date to which the latest published audited financial statements of the Company were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any business day from the date of this circular up to and including the date of the SGM during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal office of the Company at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong and will also be available on the websites of the Company at www.finet.hk:

- (a) the bye-laws of the Company;
- (b) the annual report of the Company for the two financial years ended 31 March 2015;
- (c) the material contracts disclosed in paragraph under the heading “Material Contracts” in this Appendix;
- (d) the letter from the Board, the text of which is set out on pages 5 to 20 of this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (f) the letter of advice from Gram Capital, the text of which is set out on pages 23 to 36 of this circular;

- (g) the consent letter from Gram Capital referred to the section headed “EXPERTS AND CONSENT” in this Appendix; and
- (h) the Subscription Agreement and the supplemental agreement to the Subscription Agreement.

11. GENERAL

- (a) The registered address of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office of the Company is at Room C, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road Wanchai, Hong Kong and principal place of business of the Company in Hong Kong is at 30/F, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is at Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The company secretary of the Company is Mr. Po Eric. Mr. Po Eric was appointed as the company secretary of the Company with effect from 9 February 2015. Mr. Po is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 13 years of experience in auditing, accounting, and financial management.
- (e) The Company has 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.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.



財華社
FINET

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: 8317)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Finet Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Thursday, 5 November 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments or modifications, the following resolutions which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the subscription agreement dated 8 September 2015 as supplemented and amended by the supplemental agreement dated 29 September 2015 (collectively, the “**Subscription Agreement**”, a copy of which is marked “A” and initialed by the chairman of SGM for identification purpose and tabled at the SGM) entered into between the Company, Finet Group Limited, and the Subscriber, Maxx Capital International Limited, in respect of the subscription (the “**Subscription**”) for the convertible bonds (the “**Convertible Bonds**”) of an aggregate principal amount of HK\$69,696,000 to be issued by the Company, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the creation and issue by the Company of the Convertible Bonds of an aggregate principal amount of HK\$69,696,000 to the Subscriber in accordance with the terms and conditions as set out in the Subscription Agreement and the instrument constituting the Convertible Bonds be and are hereby approved, ratified and confirmed;
- (c) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds (the “**Conversion Shares**”); and

* For identification purposes only

NOTICE OF SGM

- (d) any one director of the Company or, if the affixation of the common seal of the Company is necessary, in accordance with the articles of association of the Company, be and is hereby authorised for and on behalf of the Company to approve and execute all documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Subscription, the issue of the Convertible Bonds, the issue of the Conversion Shares and transactions contemplated thereunder and completion thereof as he may consider necessary, desirable or expedient.”

By Order of the Board

Lo Yuk Yee

Chairman and Executive Director

Hong Kong, 14 October 2015

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office:

Room C, 11/F, Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai Hong Kong

Principal place of business in Hong Kong:

30/F, Fortis Tower
77–79 Gloucester Road
Wanchai Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her/it proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his/her/its behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member.
2. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall be deemed joint holders thereof.

NOTICE OF SGM

3. To be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Whether or not you propose to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person if you so wish. In the event that you attend the meeting after having lodged the form of proxy, the appointment of the proxy will be deemed to have been revoked.
5. In compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the meeting convened by this notice will be voted on by way of poll.