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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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

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

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

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

RESULTS HIGHLIGHTS

- The Group reported a turnover of approximately HK\$12,545,000 for the nine months ended 31 December 2017, representing a decrease of approximately 4.3% from approximately HK\$13,102,000 for the same period in 2016.
- The Group's unaudited consolidated loss attributable to owners of the Company for the nine months ended 31 December 2017 was approximately HK\$24,983,000.
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2017.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Group for the three months and nine months ended 31 December 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 31 December 2017

		For the three months ended 31 December		For the nine months ended 31 December	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	4,055	1,513	12,545	13,102
Cost of sales		<u>(340)</u>	<u>(468)</u>	<u>(1,971)</u>	<u>(2,947)</u>
Gross profit		3,715	1,045	10,574	10,155
Other income and gains	3	571	298	9,598	754
Selling and marketing expenses		—	(26)	(11)	(827)
General and administrative expenses		(13,350)	(11,469)	(41,243)	(34,204)
Finance costs	5	(1,750)	(2,869)	(6,902)	(7,051)
Loss before income tax		(10,814)	(13,021)	(27,984)	(31,173)
Income tax expense	6	(37)	(35)	(107)	(195)
Deferred tax credit		<u>268</u>	<u>312</u>	<u>838</u>	<u>837</u>
Loss for the period		<u>(10,583)</u>	<u>(12,744)</u>	<u>(27,253)</u>	<u>(30,531)</u>
Loss for the period attributable to:					
Owners of the Company		(10,449)	(11,589)	(24,983)	(28,702)
Non-controlling interests		<u>(134)</u>	<u>(1,155)</u>	<u>(2,270)</u>	<u>(1,829)</u>
		<u>(10,583)</u>	<u>(12,744)</u>	<u>(27,253)</u>	<u>(30,531)</u>
Loss per share for loss attributable to the owners of the Company during the period					
— Basic and diluted (in HK cents)	8	<u>(1.88)</u>	<u>(2.49)</u>	<u>(4.65)</u>	<u>(6.17)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

	For the three months ended 31 December		For the nine months ended 31 December	
	2017	2016	2017	2016
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	<u>(10,583)</u>	<u>(12,744)</u>	<u>(27,253)</u>	<u>(30,531)</u>
Other comprehensive income/(expense):				
Fair value loss on available-for-sale financial assets	—	(29)	—	(36)
Currency translation differences	<u>224</u>	<u>218</u>	<u>2,117</u>	<u>(452)</u>
Other comprehensive income/(expense) for the period	<u>224</u>	<u>189</u>	<u>2,117</u>	<u>(488)</u>
Total comprehensive expense for the period	<u>(10,359)</u>	<u>(12,555)</u>	<u>(25,136)</u>	<u>(31,019)</u>
Total comprehensive expense for the period, attributable to:				
Owners of the Company	(10,225)	(11,401)	(22,866)	(29,190)
Non-controlling interests	<u>(134)</u>	<u>(1,154)</u>	<u>(2,270)</u>	<u>(1,829)</u>
	<u>(10,359)</u>	<u>(12,555)</u>	<u>(25,136)</u>	<u>(31,019)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The Company’s parent is Maxx Capital International Limited, which is wholly owned by Pablos International Limited. The ultimate controlling party is Ms. LO Yuk Yee, the chairman and executive director of the Company, through her ownership in Pablos International Limited.

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors on 14 February 2018.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

The principal accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the annual report of the Company for the year ended 31 March 2017.

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

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual report, and should be read in conjunction with the Group’s annual report for the year ended 31 March 2017.

In the current reporting period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2017. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior year.

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

3. REVENUE AND OTHER INCOME AND GAINS

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

	Unaudited			
	For the three months		For the nine months	
	ended 31 December		ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue				
Service income from provision of financial information services	144	296	822	916
Advertising, investor relationship and branding promotion and communication services income	3,087	518	8,933	5,875
Brokerage commission and service income from securities and futures business	—	—	4	3,675
Loan interest income	216	341	756	1,555
Rental income	608	358	2,030	1,081
	<u>4,055</u>	<u>1,513</u>	<u>12,545</u>	<u>13,102</u>
Other income and gains				
Gain on a bargain purchase	—	—	4,000	—
Gain on disposal of subsidiaries	—	296	—	431
Gain on early redemption of convertible bonds	—	—	558	—
Interest income	2	2	5	4
Incomes from sharing of administrative expenses	565	—	2,120	—
Realised gain on disposal of financial assets at fair value through profit or loss	—	—	75	—
Reversal of provision for impairment loss of loan receivable	—	—	2,750	—
Sundry income	4	—	90	319
	<u>571</u>	<u>298</u>	<u>9,598</u>	<u>754</u>
Total income	<u><u>4,626</u></u>	<u><u>1,811</u></u>	<u><u>22,143</u></u>	<u><u>13,856</u></u>

4. MOVEMENT OF RESERVES

For the nine months ended 31 December 2017 (Unaudited)

	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee compensation reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 April 2016	4,654	233,644	4,870	393	1,776	281	3,490	9,989	—	1,271	(168,651)	91,717	(5,198)	86,519
Loss for the period	—	—	—	—	—	—	—	—	—	—	(28,702)	(28,702)	(1,829)	(30,531)
Other comprehensive expenses														
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	—	—	(36)	—	—	(36)	—	(36)
Currency translation differences	—	—	—	—	—	(452)	—	—	—	—	—	(452)	—	(452)
Total other comprehensive expenses	—	—	—	—	—	(452)	—	—	(36)	—	—	(488)	—	(488)
Total comprehensive expenses	—	—	—	—	—	(452)	—	—	(36)	—	(28,702)	(29,190)	(1,829)	(31,019)
Transactions with owners														
Issue of convertible bonds	—	—	—	—	—	—	11,757	—	—	—	—	11,757	—	11,757
Deferred tax liabilities on recognition of equity components of convertible bonds	—	—	—	—	—	—	(1,940)	—	—	—	—	(1,940)	—	(1,940)
Total transactions with owners	—	—	—	—	—	—	9,817	—	—	—	—	9,817	—	9,817
Balance at 31 December 2016	4,654	233,644	4,870	393	1,776	(171)	13,307	9,989	(36)	1,271	(197,353)	72,344	(7,027)	65,317
	Attributable to owners of the Company												Non-controlling interests	Total equity
	Share Capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee compensation reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 April 2017	5,290	259,831	4,870	393	1,776	(1,582)	13,307	9,989	—	—	(197,773)	96,101	(8,223)	87,878
Loss for the period	—	—	—	—	—	—	—	—	—	—	(24,983)	(24,983)	(2,270)	(27,253)
Other comprehensive income														
Currency translation differences	—	—	—	—	—	2,117	—	—	—	—	—	2,117	—	2,117
Total other comprehensive income	—	—	—	—	—	2,117	—	—	—	—	—	2,117	—	2,117
Total comprehensive income/(expenses)	—	—	—	—	—	2,117	—	—	—	—	(24,983)	(22,866)	(2,270)	(25,136)
Transactions with owners														
Early redemption of convertible bonds	—	—	—	—	—	—	(3,490)	—	—	—	2,037	(1,453)	—	(1,453)
Conversion of convertible bonds	1,376	58,332	—	—	—	—	(11,757)	—	—	—	—	47,951	—	47,951
Released of deferred tax liabilities upon conversion of convertible bonds	—	—	—	—	—	—	1,940	—	—	—	—	1,940	—	1,940
Total transactions with owners	1,376	58,332	—	—	—	—	(13,307)	—	—	—	2,037	48,438	—	48,438
Balance at 31 December 2017	6,666	318,163	4,870	393	1,776	535	—	9,989	—	—	(220,719)	121,673	(10,493)	111,180

5. FINANCE COSTS

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Interest expenses on bank borrowings	105	380	536	564
— not wholly repayable within five years				
Effective interest expense on convertible bonds	1,645	2,489	6,366	6,487
	<u>1,750</u>	<u>2,869</u>	<u>6,902</u>	<u>7,051</u>

6. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, was exempted from payment of Cayman Islands income tax. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 16 June 2011. Accordingly, the Company is now exempted from payment of Bermuda income tax. The Company's subsidiaries established in the British Virgin Islands were exempted from payment of the British Virgin Islands income tax.

No Hong Kong profits tax has been provided for the three months and nine months ended 31 December 2017 (2016: Nil) as the Group had no assessable profit arising in or derived from Hong Kong for the period.

The PRC income tax of approximately HK\$107,000 during the nine months ended 31 December 2017 (2016: HK\$195,000) was mainly attributable to the net rental income from the investment properties of the Company in the PRC.

7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 December 2017 (2016: Nil).

8. LOSS PER SHARE

(i) Basic

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months and nine months ended 31 December 2017 of approximately HK\$(10,449,000) and HK\$(24,983,000) respectively (three months and nine months ended 31 December 2016: approximately HK\$(11,589,000) and HK\$(28,702,000) respectively) and on the weighted average number of 554,399,187 ordinary shares and 537,484,459 ordinary shares in issue during the three months and nine months ended 31 December 2017 respectively (three months and nine months ended 31 December 2016: 465,418,880 ordinary shares).

(ii) **Diluted**

The computation of diluted loss per share for the three months and the nine months ended 31 December 2017 did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during those periods since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

For the three months and the nine months ended 31 December 2016, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during those periods since they are anti-dilutive as their exercise would result in a decrease in loss per share.

9. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:		
At 31 March 2017, 1 April 2017 and 31 December 2017	<u>15,000,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 31 March 2017 and 1 April 2017	528,980,880	5,290
Conversion of convertible bonds	<u>137,557,894</u>	<u>1,376</u>
At 31 December 2017	<u>666,538,774</u>	<u>6,666</u>

On 14 December 2017, the convertible bonds holder, Maxx Capital International Limited, which is beneficially owned by Ms. LO, the chairman and the executive director of the Company, has exercised its conversion rights attached to the convertible bond 2 (the "CB 2"), convertible bond 3 (the "CB 3") and convertible bond 4 (the "CB 4") with an aggregate principal amount of HK\$52,272,000 into 137,557,894 new ordinary shares of nominal value of HK\$1,375,579 in the capital of the Company at the adjusted conversion price of HK\$0.38 per share.

10. RELATED PARTY TRANSACTIONS

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

	Unaudited			
	For the three months ended 31 December		For the nine months ended 31 December	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Rental income received from International Links Limited (<i>note i</i>)	120	—	360	—
Rental income received from Maxx Capital Finance Limited (<i>note i</i>)	120	—	120	—
Incomes from sharing of administrative expenses received from International Links Limited (<i>note i</i>)	205	—	1,019	—
Incomes from sharing of administrative expenses received from Maxx Capital Finance Limited (<i>note i</i>)	360	—	1,101	—
Management fee paid to Maxx Capital Finance Limited (<i>note i</i>)	—	—	—	150
Referral fee in relation to the money lending business paid to Maxx Capital Finance Limited (<i>note i</i>)	—	—	—	120
Rental expenses paid to Avaya Lane Limited (<i>note i</i>)	—	90	138	270
Rental expenses paid to Cyber Feel Limited (<i>note i</i>)	978	922	2,653	2,765
Rental expenses paid to Great Heep International Investment Limited (<i>note i</i>)	87	—	145	—
Rental expenses paid to Maxon Management Limited (<i>note ii</i>)	—	—	594	—
Rental expenses paid to a director (<i>note iii</i>)	81	69	219	207

Notes:

- (i) Maxx Capital Finance Limited, Avaya Lane Limited, Great Heep International Investment Limited, Cyber Feel Limited and International Links Limited are beneficially owned by Ms. LO, the chairman and the executive director of the Company.
- (ii) Maxon Management Limited was beneficially owned by Ms. LO, the chairman and the executive director of the Company before 24 August 2017. The acquisition of Maxon Management Limited (the “Acquisition”) was completed on 24 August 2017 and Maxon Management Limited became an indirectly wholly-owned subsidiary of the Company.
- (iii) Rental expenses paid to Ms. LO, the chairman and the executive director of the Company.

11. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Media Business

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

Property Investment Business

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

Money Lending Business

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

Financial Information Service Business

Taking into consideration of the adverse market situation, the Group has decided to gradually scale down the provision of financial information services and technology platform to our customers. The major reason of the scale down was the decreasing in profit margin within this business segment in recent years. As a result of our downsizing exercise, our data center cost and information supplier cost will continue to decrease in this financial period.

Securities and Futures Business

The revenue generated from securities and futures business decreased because of decrease in special administration service income from handling of stock.

Financial Review

The Group reported a turnover of approximately HK\$12,545,000 for the nine months ended 31 December 2017, representing a decrease of approximately 4.3% from approximately HK\$13,102,000 for the same period in 2016.

During the nine months ended 31 December 2017, the Group recorded cost of sales amounting to approximately HK\$1,971,000, representing a decrease of 33.1% from approximately HK\$2,947,000 for the same period in 2016.

Other income and gains of the Group for the nine months ended 31 December 2017 was approximately HK\$9,598,000 (2016: HK\$754,000), which represented an increase of approximately 1,172.9% when compared to that of last year. The increase was mainly due to: (i) gain on a bargain purchase arising from the acquisition of Maxon Management Limited of approximately HK\$4,000,000; (ii) reversal of provision of impairment loss of loans receivable of approximately HK\$2,750,000; and (iii) incomes from sharing of administrative expenses of approximately HK\$2,120,000.

General and administrative expenses of the Group for the nine months ended 31 December 2017 was approximately HK\$41,243,000 (2016: HK\$34,204,000), which represented an increase of approximately 20.6% when compared to that of last year and included an unrealised loss on financial assets at fair value through profit or loss of approximately HK\$2,750,000 (2016: Nil).

Finance costs for the nine months ended 31 December 2017 was approximately HK\$6,902,000, which included effective interest expenses on convertible bonds of approximately HK\$6,366,000, and interest expenses on bank borrowings of approximately HK\$536,000 (2016: effective interest expenses on convertible bond was HK\$6,487,000 and interest expenses on bank borrowings was approximately HK\$564,000).

The Group's unaudited condensed consolidated loss attributable to the owners of the Company for the nine months ended 31 December 2017 was approximately HK\$24,983,000 (2016: loss of HK\$28,702,000).

Significant Investments Held

At 31 December 2017, the Group held financial assets at fair value through profit or loss of approximately HK\$3,750,000 (At 31 March 2017: HK\$10,400,000) representing highly liquid equity securities listed in the Stock Exchange of Hong Kong Limited. The equity investment as at 31 December 2017 consists solely of 12,500,000 shares (At 31 March 2017: 20,000,000 shares) of equity securities of Daisho Microline Holdings Limited (SEHK: 567) which were acquired through placement in March 2017. At 31 December 2017, the investment represented approximately 2.17% (At 31 March 2017: 3.47%) of shareholding in Daisho Microline Holdings Limited. As at 31 December

2017, based on the fair value of HK\$0.30 per share (At 31 March 2017: HK\$0.52 per share), the fair value and carrying amount of the equity investment was approximately HK\$3,750,000 (At 31 March 2017: HK\$10,400,000).

During the nine months ended 31 December 2017, the Group recognized a gain on disposal of financial assets at fair value through profit or loss of HK\$75,000 (2016: Nil) by disposal of 7,500,000 equity shares of Daisho Microline Holdings Limited at HK\$0.53 per share. The Group had an unrealized loss on financial assets at fair value through profit or loss of approximately HK\$2,750,000 (2016: Nil) for nine months ended 31 December 2017.

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

Exposure to Fluctuation in Exchange Rates

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

Contingent Liabilities

At 31 December 2017, the Group had no significant contingent liabilities (At 31 March 2017: Nil).

Employee Information

At 31 December 2017, the Group had 126 (At 31 March 2017: 124) full-time employees in Hong Kong and the PRC.

The total staff costs (including Directors’ remuneration) for the nine months ended 31 December 2017 was approximately HK\$21,582,000 (2016: HK\$20,480,000). Other benefits provided by the Group to the employees include contribution to the mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance and medical coverage.

Material Acquisition and Disposal of Subsidiaries

a) Disposal of a subsidiary

On 14 March 2017, Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company, has entered into the provisional agreement with an independent third party to dispose of the sale shares representing the entire issued share capital of Pink Angel Investments Limited (“Disposal Company”) together with the sale debt at a disposal consideration of HK\$68,000,000 (subject to adjustment). The principal assets held by Disposal Company were the commercial properties located in Hong Kong. The disposal constituted a major transaction of the Company under the GEM Listing Rules and approved by the independent shareholders of the Company by way of poll at the special general meeting on 11 July 2017. The disposal of a subsidiary was completed on the same date for a cash consideration of HK\$67,430,000.

For details, please refer to the Company’s announcements dated 14 March 2017, 13 April 2017, 13 May 2017, 23 May 2017, 26 June 2017 and 11 July 2017.

b) Acquisition of a subsidiary

On 24 August 2017, the Group completed the acquisition of entire interests in Maxon Management Limited (the “Acquisition”) at a net consideration, HK\$36,233,000. The principal asset held by Maxon Management Limited was a commercial property located in Hong Kong, which has been leased to the Company for its securities and futures business since January 2017. The Acquisition constituted a major and connected transaction of the Company under the GEM Listing Rules and approved by the independent shareholders of the Company by way of poll at the special general meeting on 24 August 2017. The Acquisition was completed on the same date. Following the completion of the Acquisition, Maxon Management Limited became an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

For details, please refer to the Company’s announcements dated 24 April 2017, 11 May 2017, 21 June 2017, 13 July 2017, 21 July 2017, 7 August 2017 and 24 August 2017.

Major Events During the Reporting Period

a) *Early redemption of convertible bond 1*

Convertible bond 1 (the “CB 1”)

On 23 December 2015, the Company issued convertible bonds with the aggregate principal amount of HK\$17,424,000 to the subscriber, Maxx Capital International Limited (“Maxx Capital”), which is beneficially owned by Ms. LO, the chairman and the executive director of the Company. The CB 1 bore an interest at 3% per annum payable on annual basis and have a term of 2 years. The CB 1 carried the right to convert into conversion shares at the initial conversion price of HK\$0.396 per conversion share during the period commencing from the date of issue of convertible bonds and ending on the day which falls on the second anniversary of the date of issue of convertible bonds.

The CB 1 contained liability and equity components. The equity element is presented in equity heading “convertible bonds equity reserve”.

In July 2017, the Company early redeemed the CB 1. The fair value of the liability component on the date of redemption was approximately HK\$16,258,000. The excess of the carrying amount of the liability component of approximately HK\$16,816,000 over its fair value resulted in a gain of approximately HK\$558,000 from the redemption of the CB 1 and was recognised in the unaudited condensed consolidated income statement during the period.

b) *Conversions of convertible bond 2, convertible bond 3 and convertible bond 4*

Convertible bond 2 (the “CB 2”)

On 6 May 2016, the Company issued convertible bonds with the aggregate principal amount of HK\$17,424,000 to Maxx Capital. The CB 2 bore an interest at 3% per annum payable on annual basis and have a term of 2 years. The CB 2 carried the right to convert into conversion shares at the initial conversion price of HK\$0.396 per conversion share during the period commencing from the date of issue of convertible bonds and ending on the day which falls on the second anniversary of the date of issue of convertible bonds.

The CB 2 contained liability and equity components. The equity element is presented in equity heading “convertible bonds equity reserve”.

Convertible bond 3 (the “CB 3”)

On 6 May 2016, the Company issued convertible bonds with the aggregate principal amount of HK\$17,424,000 to Maxx Capital. The CB 3 bore an interest at 3% per annum payable on annual basis and have a term of 2 years. The CB 3 carried the right to convert into conversion shares at the initial conversion price of HK\$0.396 per conversion share during the period commencing from the date of issue of convertible bonds and ending on the day which falls on the second anniversary of the date of issue of convertible bonds.

The CB 3 contained liability and equity components. The equity element is presented in equity heading “convertible bonds equity reserve”.

Convertible bond 4 (the “CB 4”)

On 12 May 2016, the Company issued convertible bonds with the aggregate principal amount of HK\$17,424,000 to Maxx Capital. The CB 4 bore an interest at 3% per annum payable on annual basis and have a term of 2 years. The CB 4 carried the right to convert into conversion shares at the initial conversion price of HK\$0.396 per conversion share during the period commencing from the date of issue of convertible bonds and ending on the day which falls on the second anniversary of the date of issue of convertible bonds.

The CB 4 contained liability and equity components. The equity element is presented in equity heading “convertible bonds equity reserve”.

Conversions of CB 2, CB 3 and CB 4

On 14 December 2017, the convertible bonds holder, Maxx Capital International Limited, which is beneficially owned by Ms. LO, the chairman and the executive director of the Company, has fully exercised its conversion rights attached to the CB 2, CB 3 and CB 4 with an aggregate principal amount of HK\$52,272,000 into 137,557,894 new ordinary shares of the Company at the adjusted conversion price of HK\$0.38 per share.

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

As at 31 December 2017, 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 (Note 2)
		Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Directors:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	43,458,058 (L)	391,597,678 (L)	—	—	—	65.27%
Ms. LO	Maxx Capital International Limited ("Maxx Capital") (Note 1)	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") (Note 1)	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited ("Maxx Capital") which was wholly-owned by Pablos International Limited ("Pablos"), and Pablos was wholly owned by Ms. LO Yuk Yee, ("Ms. LO"). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 435,055,736 ordinary shares of HK\$0.01 each.
- As at 31 December 2017, the Company had 666,538,774 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2017, so far as the Directors are aware, persons other than Directors or chief executives of the Company who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Substantial shareholders					
Ms. LO (Note 1)	Beneficial Owner	43,458,058 (L)	—	435,055,736 (L)	65.27%
	Interest of Controlled Corporation	391,597,678 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	343,997,678 (L)	—	343,997,678 (L)	51.61%
Maxx Capital (Note 1)	Beneficial Owner	343,997,678 (L)	—	343,997,678 (L)	51.61%
Broadgain International Limited	Beneficial Owner	43,800,000 (L)	—	43,800,000 (L)	6.57%
Wang Yuan	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	5.85%

(L) denotes long positions

Notes:

- 343,997,678 ordinary shares of HK\$0.01 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly-owned by Ms. LO, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 31 December 2017, the Company had 666,538,774 ordinary Shares held HK\$0.01 each in issue.

PUBLIC FLOAT

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

MOVEMENTS OF OPTIONS

Details of movements of the share options granted under the valid share option scheme adopted (with its mandate limit refreshed at the annual general meeting of the Company held on 4 September 2014) for the period ended 31 December 2017 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			Balance as at 31 December 2017
			Balance as at 1 April 2017	Granted during the period	Cancelled during the period	
Executive Directors:						
Mr. CHOW Wing Chau	3 January 2014 <i>(Note 1)</i>	HK\$0.50	500,000	—	(500,000)	—
Employee	3 January 2014 <i>(Note 1)</i>	HK\$0.50	<u>1,000,000</u>	<u>—</u>	<u>(1,000,000)</u>	<u>—</u>
Total			<u>1,500,000</u>	<u>—</u>	<u>(1,500,000)</u>	<u>—</u>

Note:

- For share options granted on 3 January 2014.

Validity period: The outstanding share options are exercisable for a period of ten years commencing from the end of the respective vesting period in the manner as stated below.

Vesting period: 6 months after 3 January 2014: 50%
12 months after 3 January 2014: 50%

OUTSTANDING UNLISTED WARRANTS

As at 31 December 2017, the Company did not have any outstanding warrants.

OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS

Save as disclosed above, the Directors are not aware of other person who, as at 31 December 2017, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the nine months ended 31 December 2017.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. The audit committee of the Company comprises three members who are independent non-executive directors, namely, Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung with Mr. WONG Wai Kin as the chairman thereof.

The principal duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2017 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Except for the transactions stated in Note 10 to the unaudited condensed consolidated financial statements, no contracts of significance in relation to the Group's business to which the Group was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the nine months ended 31 December 2017 or at any time during such period (2016: Nil).

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 31 December 2017. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the nine months ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the nine months ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2017, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. During the nine months ended 31 December 2017, as the post of chief executive officer was vacant, the duties of chief executive officer have been undertaken by other executive members of the Board. The Board is in the process of identifying a suitable candidate to be appointed as the chief executive officer and will make further commitment upon the appointment.

By Order of the Board

LO Yuk Yee

Chairman and Executive Director

Hong Kong, 14 February 2018

As at the date of this announcement, the executive Directors are Ms. Lo Yuk Yee, Mr. Chow Wing Chau and Mr. Yiu Wing Hei; and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading or deceptive.

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