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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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular to the purchaser(s) or the transferee(s) 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(s) or transferee(s).

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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)

**(1) RENEWAL OF NON-EXEMPT CONTINUING
CONNECTED TRANSACTION;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



Octal Capital Limited

A letter from the Independent Board Committee containing its recommendations in respect of the Renewed Continuing Connected Transaction and the Annual Caps, to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Octal Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 27 of this circular.

A notice convening the SGM to be held at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Wednesday, 18 October 2017 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM if you so desire.

This circular will remain on the "Latest Company Announcements" section of the GEM website (www.hkgem.com) for at least seven days from the date of its posting and on the website of the Company at (<http://www.finet.hk/>).

27 September 2017

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 and expressions shall have the following respective meanings unless the context otherwise requires:

“Annual Caps”	the expected aggregate amount of rentals (excluding rates, management fees, air-conditioning charges and any other outgoings) payable by Finet Holdings to Cyber Feel under the Previous Tenancy Agreement, the New Tenancy Agreement and the Short Term Tenancy Agreement for the financial years ending 31 March 2018 and 31 March 2019 and the period ending 17 October 2019 in the amounts of HK\$3,642,676, HK\$3,962,400 and HK\$2,162,277 respectively
“Ascent Partners”	Ascent Partners Valuation Service Limited, an independent property valuer giving an opinion in relation to fair rent of the Renewed Property
“associate(s)”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Bye-Laws”	the Bye-Laws of the Company, as amended, supplemented or modified from time to time
“Company”	Finet Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to such term in the GEM Listing Rules
“CPO”	the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong)
“Cyber Feel”	Cyber Feel Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Ms. Lo, and a connected person
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Encumbrance(s)”	a mortgage, charge (whether fixed or floating), debenture, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect
“Finet Holdings”	Finet Holdings Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or modified from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 existing independent non-executive Directors, namely, Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung, established to advise the Independent Shareholders in respect of the Renewed Continuing Connected Transactions and the Annual Caps
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser engaged by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Renewed Continuing Connected Transactions and the Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than those who are required to abstain from voting on the resolutions proposed at the SGM to approve the Renewed Continuing Connected Transactions and the Annual Caps
“Independent Third Party(ies)”	third party(ies) not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates

DEFINITIONS

“Latest Practicable Date”	26 September 2017, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained in this circular
“Ms. Lo”	Ms. Lo Yuk Yee, a controlling shareholder, the chairman and an executive director of the Company, and a connected person, and further a director and the sole beneficial owner of the entire share capital of Cyber Feel
“New Tenancy Agreement”	the New Tenancy Agreement dated 27 September 2017 entered into between Finet Holdings as tenant and Cyber Feel as landlord in relation to the Renewed Property for a term of twenty-four months commencing on 18 October 2017 at a monthly rent of HK\$330,200 with an option to renew the tenancy for a further term of twenty-four months at the then market rent exercisable by Finet Holdings
“PRC”	The People’s Republic of China and for the purpose of this circular, excluding Taiwan, Hong Kong and Macau
“Previous Tenancy Agreement”	a tenancy agreement entered into between Cyber Feel and Finet Holdings dated 12 June 2015 for the period from 1 July 2015 to 30 June 2017 (both days inclusive), with details set out in the announcement of the Company dated 12 June 2015
“Renewed Continuing Connected Transactions”	the continuing connected transactions contemplated under the New Tenancy Agreement
“Renewed Property”	30th Floor, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Wednesday, 18 October 2017 at 11:00 a.m. (and any adjournment thereof) for the Shareholders (and where required pursuant to applicable laws, the Bye-laws, the GEM Listing Rules or by the Stock Exchange, the Independent Shareholders) to consider and, if thought fit, approve the Renewed Continuing Connected Transactions and the Annual Caps, the notice of which is set out on pages SGM-1 to SGM-3 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

DEFINITIONS

“Shareholder(s)”	the shareholder(s) of the Company
“Short Term Tenancy Agreement”	the tenancy agreement entered into between Finet Holdings and Cyber Feel in respect of the Renewed Property for a term of three months commencing on 18 July 2017 at a monthly rental of HK\$307,181 until 17 October 2017 (both days inclusive), details of which are included in the announcement published by the Company on 18 July 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning set out in the GEM Listing Rules
“%”	per cent.

In this circular, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.



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:

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

Independent non-executive Directors:

Wong Wai Kin
Siu Siu Ling, Robert
Leung Chi Hung

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal Place of Business
in Hong Kong:*

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

27 September 2017

To the Shareholders

Dear Sirs or Madams,

**(1) RENEWAL OF NON-EXEMPT CONTINUING
CONNECTED TRANSACTION;
AND
(2) NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 27 September 2017 in relation to the entering of the Renewed Continuing Connected Transactions and the Annual Cap in the New Tenancy Agreement.

On 27 September 2017 (after trading hours), Finet Holdings, an indirect wholly-owned subsidiary of the Company, entered into the New Tenancy Agreement with Cyber Feel in respect of the Renewed Property for a term of twenty-four months commencing on 18 October 2017 at a monthly rental of HK\$330,200 with an option granted to Finet Holdings to renew the leasing arrangement for a further term of two years at market rate.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Cyber Feel was 100% owned by Ms. Lo, the controlling shareholder of the Company. Hence, Cyber Feel is an associate of Ms. Lo and a connected person of the Company under Chapter 20 of the GEM Listing Rules and the entering into of the New Tenancy Agreement constitutes a continuing connected transaction for the Company.

Although each of the Annual Caps does not exceed HK\$10 million, one or more of the relevant percentage ratios (as prescribed under the GEM Listing Rules) for at least one of the Annual Caps is more than 25%. Therefore, the Renewed Continuing Connected Transactions contemplated under the New Tenancy Agreement and the Annual Caps are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company has, with the approval of the Independent Board Committee, appointed Octal Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Continuing Connected Transactions and the Annual Caps, and the transaction contemplated thereunder.

The purpose of this circular is to provide you with, amongst other things, (i) information regarding the Renewed Continuing Connected Transactions and Annual Caps; (ii) recommendations of the Independent Board Committee to the Independent Shareholders regarding the Renewed Continuing Connected Transactions and the Annual Caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Renewed Continuing Connected Transactions and the Annual Caps; (iv) fair rent letter issued by Ascent Partners; (v) a notice convening the SGM at which resolutions will be proposed to consider and, if thought fit, approve the Renewed Continuing Connected Transactions and the Annual Caps; and (vi) other information required under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION

New Tenancy Agreement

- Date:** 27 September 2017
- Parties:**
- (i) Cyber Feel as landlord, a company wholly-owned by Ms. Lo, the controlling shareholder of the Company, and hence a connected person; and
 - (ii) Finet Holdings, a wholly-owned subsidiary of the Company as tenant.
- Renewed Property:** 30th Floor, Fortis Tower, Nos. 77–79 Gloucester Road, Wanchai, Hong Kong
- Term:** Twenty-four months commencing on 18 October 2017 and expiring on 17 October 2019 (both days inclusive)

LETTER FROM THE BOARD

- Rent:** HK\$330,200 per calendar month payable in cash in advance (exclusive of rates, management fees, air-conditioning charges and any other outgoings)
- Deposit:** HK\$660,400 representing two month's rental and was paid upon the signing of the New Tenancy Agreement on 27 September 2017
- Option:** An option is granted to Finet Holdings to renew the New Tenancy Agreement for a further term of two years at market rent. Such option can be exercised during the period after 31 March 2018 but prior to the one month period immediately preceding the expiry of the New Tenancy Agreement (“**Option Period**”). Finet Holdings shall be entitled to terminate the New Tenancy Agreement during the Option Period by giving two months' notice in writing to Cyber Feel.

According to the Previous Tenancy Agreement, Finet Holdings had rented the Renewed Property from Cyber Feel for a term of 24 months from 1 July 2015 to 30 June 2017 (both days inclusive). Following the expiry of the Previous Tenancy Agreement, Cyber Feel agreed that Finet Holdings occupied the Renewed Property free of charge during the period between 1 July 2017 to 17 July 2017. According to the Short Term Tenancy Agreement, Finet Holdings rented the Renewed Property from Cyber Feel for three months from 18 July 2017 to 17 October 2017 (both days inclusive). Details of the two agreements were disclosed in the announcements of the Company dated 12 June 2015 and 18 July 2017 respectively.

INTERNAL CONTROL POLICY

The Company has developed a set of internal control measures in order to ensure the rents fixed as stipulated under the New Tenancy Agreement are effectively implemented from time to time and the terms for the New Tenancy Agreement are not less favorable than those available from Independent Third Parties. The key internal control measures are as follows:

- (1) the Company has made reference to the prevailing market prices of similar properties in similar locations provided by an independent property agent;
- (2) the Company has engaged an external independent property valuer to provide an opinion on the rental value of a property;
- (3) based on the information obtained from paragraphs (1) and (2) above, the Company has also considered whether the entering into of the New Tenancy Agreement would be on an arm's length basis;

LETTER FROM THE BOARD

- (4) the independent non-executive Directors has held a meeting to review and assess whether the transactions contemplated under the New Tenancy Agreement is conducted on normal commercial terms; and
- (5) each of the Company's external auditors and the independent non-executive Directors will also conduct an annual review of the continuing connected transactions under the New Tenancy Agreement and the Annual Caps in accordance with the requirements of the GEM Listing Rules.

As such, the Board is of the opinion that the Company has adopted adequate internal control measures to ensure that the continuing connected transactions as contemplated under the New Tenancy Agreement are on normal commercial terms and the terms are not less favourable than the terms provided by Independent Third Parties for provision of similar products or services, and that the rents are fair and reasonable so far as the Company is concerned.

Annual Caps

a. Annual Cap under the Previous Tenancy Agreement

In relation to the lease of the Renewed Property, for the period from 12 June 2015 to 31 March 2016, the total amount of rent paid, which was within the cap of the relevant period, was HK\$2,764,629. The total amount of rent paid for the financial year ended 31 March 2017, which was within the annual cap of the relevant period, was HK\$3,686,172. The total amount of rent to be paid for the three-month period ended 30 June 2017 under the Previous Tenancy Agreement which was be within the cap to be paid during the relevant period, was HK\$921,543.

b. Proposed Annual Cap

The annual rent payable by the Group to Cyber Feel under the Previous Tenancy Agreement, Short Term Tenancy Agreement and the New Tenancy Agreement, excluding rates, management fees, air-conditioning charges and other outgoings (if any), for the financial years ending 31 March 2018 and 31 March 2019 and the period ending 17 October 2019 will be HK\$3,642,676, HK\$3,962,400 and HK\$2,162,277 respectively, which will be adopted as the Annual Caps for the continuing connected transactions under the Previous Tenancy Agreement, the Short Term Tenancy Agreement and the New Tenancy Agreement, but exclusive of rates, management fees, air-conditioning charges and other outgoings (if any).

The annual rent payable by the Group to Cyber Feel for the financial year ending 31 March 2018 is the sum of the rent paid under the Previous Tenancy Agreement from 1 April 2017 to 30 June 2017, the Short Term Tenancy Agreement from 18 July 2017 to 17 October 2017 and the New Tenancy Agreement from 18 October 2017 to 31 March 2018, being HK\$921,543, HK\$921,543 and HK\$1,799,590 respectively.

LETTER FROM THE BOARD

Accordingly, the monthly rent to be paid by the Group to Cyber Feel under the New Tenancy Agreement will be higher than the monthly rent paid by the Group to Cyber Feel under the Previous Tenancy Agreement and the Short Term Tenancy Agreement. The Company considered the increase is based on (1) the expected reasonable increase in commercial property rent in Hong Kong under the property market statistics provided by the Rating and Valuation Department; and (2) fair rent letter issued by Ascent Partners. As such, the Directors consider that the Annual Caps are fair and reasonable and in the interest of the Company as a whole.

Reasons for and Benefits of the Continuing Connected Transaction

The Group is 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 the PRC; and (ii) the securities and future business that specializes in the provision of online securities and futures trading.

Cyber Feel is principally engaged in property investment for letting purposes.

The purpose of entering into the New Tenancy Agreement is to continue the leasing of the Renewed Property for office use by the Group and the Board considers that it would provide a stable office environment to the Group. The Renewed Property has a gross floor area and the saleable area of approximately 6,350 square feet and 5,400 square feet respectively. It has been used for FinTV production and operation with the existing facilities and equipment that have already been installed at the Renewed Property, so that it can fulfil the continuing business needs of the Company.

As such, if the Company leases other property for the same purpose as the Renewed Property and does not continue with the leasing of the Renewed Property, there will be unnecessary and additional costs incurred including (1) relocation, dismantling and reinstallation costs of the existing facilities and equipment from the Renewed Property to other leased property, as well as reinstatement costs of the Renewed Property to its original condition, which is estimated to be approximately HK\$3,505,000 after taking into account (i) the historical cost of renovation incurred in 2014 of approximately HK\$2.95 million with inflation factor of 1.0991 (approximately 3.2% each year compounded annually from 2014 to 2016) (as estimated by the Independent Financial Adviser when preparing their letter of advice to the Independent Board Committee for this continuing connected transaction); and (ii) the estimated dismantling, reinstatement and relocation cost of approximately HK\$263,000; and (2) the costs incurred in relation to seeking another property including property agent fees being approximately half of a month's rental that is approximately HK\$154,000 assuming the monthly rental remains the same should we seek another property of similar size and monthly rent. As such, the Board does not consider that there will be any disadvantage in entering into the New Tenancy Agreement and that the New Tenancy Agreement is in the interest of the Company and the terms therein are fair and reasonable and in the interest of the Company as a whole.

LETTER FROM THE BOARD

The terms of the New Tenancy Agreement have been arrived at arm's length negotiations and are on normal commercial terms. The amount of rent to be charged by Cyber Feel is determined with reference to (1) the expected reasonable increase in commercial property rent in Hong Kong under the property market statistics provided by the Rating and Valuation Department; and (2) fair rent letter issued by Ascent Partners. The amounts of management fee and air conditioning charges and paid by the Group are charged at a fee determined by an Independent Third Party which are passed on directly from the landlord to the Group.

Accordingly, the Directors, including the independent non-executive Directors, consider that the New Tenancy Agreement was entered into in the ordinary and usual course of business of the Company, on normal commercial terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. Ms. Lo, being the ultimate controlling Shareholder, the chairman, an executive Director of the Company and the sole shareholder of Cyber Feel, is considered to have a material interest in the New Tenancy Agreement, and therefore she has abstained from voting on the Board resolutions approving, among other matters, the Renewed Continuing Connected Transactions and the Annual Caps.

IMPLICATIONS UNDER THE GEM LISTING RULES

Continuing Connected Transaction

Cyber Feel is wholly-owned by Ms. Lo. Hence, it is a connected person of the Company. Although each of the Annual Caps does not exceed HK\$10 million, one or more of the relevant percentage ratios (as prescribed under the GEM Listing Rules) for at least one of the Annual Caps is more than 25%. Therefore, the Renewed Continuing Connected Transactions contemplated under the New Tenancy Agreement and the Annual Caps are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Group will take into account the then prevailing market conditions when considering whether to exercise the option to renew the New Tenancy Agreement and will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules if the Group chooses to exercise the option to renew the term.

SGM

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular, ordinary resolution(s) will be proposed to approve, among other things, the Renewed Continuing Connected Transactions and the Annual Caps.

LETTER FROM THE BOARD

A proxy form for use at the SGM is enclosed with this circular. Whether or not a Shareholder intends to attend the SGM in person, such Shareholder is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM (or any adjournment thereof) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

Any Shareholder and his/her/its associate(s) with a material interest in the Renewed Continuing Connected Transactions and Annual Caps are required to abstain from voting on the resolutions approving the Renewed Continuing Connected Transactions and the Annual Caps in accordance with the GEM Listing Rules. As at Latest Practicable Date, Ms. Lo, being the ultimate controlling Shareholder, the chairman and an executive Director of the Company and the sole shareholder of Cyber Feel, is considered to have a material interest in the Renewed Continuing Connected Transactions and the Annual Caps. Therefore, she and her associates will be required to abstain from voting on the relevant resolutions proposed at the SGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the SGM shall be voted by poll.

Saved as disclosed, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no other Shareholder has a material interest in the Renewed Continuing Connected Transactions and Annual Caps, and the transactions contemplated thereunder. Accordingly, saved as disclosed, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM in relation to the Renewed Continuing Connected Transactions and Annual Caps.

RECOMMENDATION

The Board (including the Independent Board Committee having taken into account the advice of Octal Capital and fair rent letter from Ascent Partners) considers that the Renewed Continuing Connected Transactions and the Annual Caps are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and no less favourable to the Group than those of independent third parties and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of Octal Capital and fair rent letter from Ascent Partners) recommends the Shareholders, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Renewed Continuing Connected Transactions and the Annual Caps.

LETTER FROM THE BOARD

FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Finet Group Limited
Chow Wing Chau
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Renewed Continuing Connected Transactions and Annual Caps.



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)

27 September 2017

To the Independent Shareholders

Dear Sirs or Madams,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 27 September 2017 issued by the Company (the “**Circular**”) to the Shareholders, of which this letter forms part of. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the Renewed Continuing Connected Transactions and Annual Caps (collectively the “**Transaction**”) and to advise you as to whether, in our opinion, the Transaction is fair and reasonable so far as the Independent Shareholders are concerned and as to their approval of the same. Details of the Transaction are set out in the “Letter from the Board” contained in this circular. Octal Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on this respect. Details of the independent advice from Octal Capital and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser set out on pages 15 to 27 of this circular. The letter of fair rent in relation to the New Tenancy Agreement issued by Ascent Partners, an independent valuer, is set out in Appendix II of this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the terms of the Renewed Continuing Connected Transactions and Annual Caps, the independent advice from Octal Capital and the fair rent letter, we consider that:

- (1) the Renewed Continuing Connected Transactions and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and
- (2) the terms of the Renewed Continuing Connected Transactions and the Annual Caps are also fair and reasonable and 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 resolutions approving the Renewed Continuing Connected Transactions and the Annual Caps at the SGM.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Finet Group Limited

Mr. Wong Wai Kin

Mr. Siu Siu Ling, Robert

Mr. Leung Chi Hung

Independent non-executive Directors



Octal Capital Limited
801–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

27 September 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

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 New Tenancy Agreement in relation to the renewal of a leasing arrangement and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 27 September 2017 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

The Board announced that on 27 September 2017 (after trading hours), Finet Holdings, an indirect wholly-owned subsidiary of the Company, entered into the New Tenancy Agreement with Cyber Feel in respect of the Renewed Property for a term of twenty-four months commencing on 18 October 2017 at a monthly rental of HK\$330,200 (the “**New Monthly Rental**”) with an option granted to Finet Holdings to renew the leasing arrangement for a further term of two years at market rate.

Cyber Feel is a company wholly-owned by Ms. Lo, the ultimate controlling shareholder of the Company and the chairman and an executive Director of the Company. Accordingly, Cyber Feel is an associate of Ms. Lo and a connected person of the Company under Chapter 20 of the GEM Listing Rules and the entering into of the New Tenancy Agreement constitutes a continuing connected transaction for the Company.

Although each of the Annual Caps does not exceed HK\$10 million, one or more of the relevant percentage ratios (as prescribed under the GEM Listing Rules) for at least one of the Annual Caps is more than 25%, therefore, the Renewed Continuing Connected Transaction contemplated under the New Tenancy Agreement and the Annual Caps are subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM OCTAL CAPITAL

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Wong Wai, Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung, has been established to advise the Independent Shareholders as to whether the terms of the New Tenancy Agreement is fair and reasonable and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the SGM.

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or Cyber Feel or Ms. Lo or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no previous engagement between us and the Company or Cyber Feel or Ms. Lo or any of their respective subsidiaries or associates. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or Cyber Feel or Ms. Lo or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the New Tenancy Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Cyber Feel and Ms. Lo and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the New Tenancy Agreement, the Annual Caps and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

Background of and reasons for entering into the Renewed Continuing Connected Transaction

The Group is 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 the PRC; and (ii) the securities and future business that specializes in the provision of online securities and futures trading.

The Group has occupied the Renewed Property and located its headquarter operation there since July 2015. The Renewed Property, a whole floor office unit with sea-view of Victoria Harbour of Hong Kong and a gross floor area of approximately 6,350 square feet (“sq. ft.”), is located at 30th Floor of Fortis Tower which has a total of 32 floors. Fortis Tower, being a Grade A office building, is located in Nos. 77–79 Gloucester Road, Wanchai, Hong Kong and is in close proximity to the Wanchai Station and the Revenue Tower, and also being easily accessible to Central district and the Cross Harbour Tunnel.

As stated in the Letter from the Board in the Circular, the Group intends to continue the leasing of the Renewed Property for its office use and the Board considers that it would provide a stable office environment to the Group. The Board considers that the continuing leasing in the Renewed Property with Grade-A office facilities located in Wanchai district would allow the Group to formulate long term strategic plan and enhance its corporate image. By entering into the New Tenancy Agreement, it will also secure the Renewed Property for the Group’s operation over the next two years. Moreover, the Company has invested substantial recording infrastructure in the Renewed Property for the production of media contents in relation to financial information which is the one of the Group’s core business. The Directors consider that if the Company leases an other property for the same purpose as the Renewed Property and does not continue with the leasing of the Renewed Property, there will be unnecessary and additional costs incurred including (1) estimated cost of HK\$3.50 million after taking into account (i) the historical cost of renovation incurred in 2014 of approximately HK\$2.95 million with inflation factor of 1.0991 (approximately 3.2% each year from 2014 to 2016); and (ii) the relocation, dismantling and reinstallation costs of the existing facilities and equipment from the Renewed Property to other leased property, as well as reinstatement costs of the Renewed Property to its original condition, which is estimated to be approximately HK\$263,000 (the “**Overall Relocation Costs**”), (2) the estimated costs incurred in relation to seeking another property including property agent fees of HK\$154,000, which is half of the previous monthly rental expenses. Based on our review of invoices in relation to the historical cost of renovation, detailed breakdown of the Overall Relocation Costs and relevant fee quotations provided by the Company and our research on the inflation rate from the website of the Census and Statistics Department, we note that (i) the total amount of the historical cost of renovation equals to approximately HK\$2.95 million; (ii) the annual customer price index during the period between 2014 and 2016 from the Census and Statistic Department is approximately

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3.2%; (iii) the detailed breakdown of the Overall Relocation Costs is in line with the fee quotations obtained from a decoration service provider by the Company while the scope of work in the quotation includes standard works in relation to the Overall Relocation Costs and the fee is mainly determined based on the floor size of the Renewed Property; and (iv) the arrangement of the property agent fees is in line with market practice. We are of the view that the abovementioned additional costs will be incurred if the Company leases another property for its operation. Therefore, we concur with the Directors that retaining of the principal place of business of the Company will not only save additional relocation and decoration cost, but will also maintain the core operation of the Group, while relocation may give rise to interruption of current operation and affect the profitability of the Group.

Having considered the above, we are of the view that the entering into of the New Tenancy Agreement is of the interest of the Shareholders and the Company as a whole.

Principal terms of the New Tenancy Agreement

The principal terms of the New Tenancy Agreement are as follows:

Date	:	27 September 2017
Parties	:	(i) Cyber Feel as landlord, a company wholly-owned by Ms. Lo, the controlling shareholder of the Company, and hence a connected person; and (ii) Finet Holdings, a wholly-owned subsidiary of the Company as tenant
Renewed Property	:	30th Floor, Fortis Tower, Nos. 77–79 Gloucester Road, Wanchai, Hong Kong
Term	:	Twenty-four months commencing on 18 October 2017 and expiring on 17 October 2019 (both days inclusive)
Rent	:	HK\$330,200 per calendar month payable in cash in advance (exclusive of rates, management fees, air-conditioning charges and any other outgoings)
Deposit	:	HK\$660,400 representing two month's rental and was paid upon the signing of the New Tenancy Agreement on 27 September 2017

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Option : An option is granted to Finet Holdings to renew the New Tenancy Agreement for a further term of two years at market rent. Such option can be exercised during the period after 31 March 2018 but prior to the one month period immediately preceding the expiry of the New Tenancy Agreement. Finet Holdings shall be entitled to terminate the New Tenancy Agreement during the Option Period by giving two months' notice in writing to Cyber Feel.

As stated in the Letter from the Board in the Circular, the terms of the New Tenancy Agreement, except the monthly rental, which are the same as in the Previous Tenancy Agreement, were determined after arm's length negotiations between the Group and Cyber Feel with reference to standard terms of the lease agreements adopted for lease of similar premises by the Group and taking the level of market rent into account. The Board is of the opinion that the terms and conditions under the New Tenancy Agreement are on normal commercial terms. To assess the major terms of the New Tenancy Agreement, we have enquired with the management of the Company, obtained and reviewed all other existing tenancy agreements that entered into between the Group and independent third party. We noted that the Group has entered into another tenancy agreement in relation to an office unit situated at No. 2001 & 2001A, 2nd Floor, United Centre, Admiralty (the "**Comparable Tenancy Agreement**"). We consider the Comparable Tenancy Agreement is relevant comparable to the New Tenancy Agreement based on the criteria that (i) the property is of similar usages as the New Tenancy Agreement (i.e. rented by the Group as office unit); (ii) the property is located in central business area (i.e. Admiralty) close to the location of the Renewed Property; and (iii) the Comparable Tenancy Agreement is having similar rental period with the New Tenancy Agreement. Based on the criteria above, we consider that the analysis of the Comparable Tenancy Agreement is appropriate to consider whether the major terms including the length of term, the required deposit, and whether there is any option to renew tenancy agreement upon its expiry (the "**Major Terms**") are fair and reasonable by comparing the Comparable Tenancy Agreement. Though only one comparable tenancy agreement may be considered insufficient to draw conclusion on the Major Terms of similar tenancy agreements from statistical point of view, it reflects full sample size as the Comparable Tenancy Agreement represent all the existing tenancy agreements entered into between the Group and independent third party, we consider that the Comparable Tenancy Agreement is an appropriate comparable which provides a relevant benchmark to assess whether the Major Terms of the New Tenancy Agreement is fair and reasonable.

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Set out below the Major Terms under the New Tenancy Agreement and the Comparable Tenancy Agreement:

Major terms	New Tenancy Agreement	Comparable Tenancy Agreement
Length of term	24 months	24 months
Required deposit	2 monthly rental	2 monthly rental
Tenant's option to renew tenancy agreement upon expiry	Yes	No

Based on the above table, we noticed that (i) the term of the tenancy period of the New Tenancy Agreement and the Comparable Tenancy Agreement are all 24 months; (ii) the New Tenancy Agreement and the Comparable Tenancy Agreement require initial deposit representing two months rental as initial deposit; and (iii) the New Tenancy Agreement has granted the Group an option to renew the tenancy agreement while the Comparable Tenancy Agreement has not. Based on aforesaid, we consider that the Major Terms of the New Tenancy Agreement are on normal commercial terms and more favourable than those of the Comparable Tenancy Agreement as the New Tenancy Agreement has granted option to the Group to renew upon expiry which offers flexibility for the Company to consider whether to renew the tenancy agreement of the Renew Property in future, while the Comparable Tenancy Agreement does not have such option.

Moreover, we have obtained the Previous Tenancy Agreement from the Company and compared with the New Tenancy Agreement. We noted that the Major Terms under the New Tenancy Agreement are the same as those under the Previous Tenancy Agreement. We have enquired Ascent Partners on the terms and conditions (including the Major Terms) of the New Tenancy Agreement. Having considered tenancy agreements with properties of same usages (i.e. office buildings) entered into among independent third parties obtained from the Land Registry of Hong Kong as comparables, Ascent Partners is of the view that such terms and conditions (including the Major Terms) follow common market practice.

In addition, having considered that the entering into of the New Tenancy Agreement constitutes a continuing connected transaction under Chapter 14A of the Listing Rules and is related to leasing of office property located in Hong Kong, we have identified and reviewed a number of announcements of companies listed on the Main Board or the GEM Board in relation to continuing connected transactions involving leasing of Hong Kong office property from 1 May 2016 to the Latest Practicable Date. To the best of our knowledge, we have identified 80 transactions (the “**Comparable Leasing Transactions**”) from 48 announcements (the “**Identified Announcements**”) based on our research conducted on the Stock Exchange, and we consider they represent an exhaustive list of relevant transactions based on the above criteria and reviewing the Comparable Leasing Transactions is sufficient in assessing the fairness and reasonableness of the Major Terms. The Comparable Leasing Transactions are leasing arrangements entered into between the companies, which are either listed on the Main Board or GEM Board, and their connected party(ies). The properties in these Comparable Leasing Transactions are located in Hong Kong and primarily for office purpose. In respect of the Major Terms of the

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Comparable Leasing Transactions, our analysis is mainly based on the disclosure of the Identified Announcements. For the length of term, we noted that the length of term of the Comparable Leasing Transactions ranged from six months to three years and the mean is approximately 2.3 years. The length of term of the New Tenancy Agreement is two years, which is within the range and close to the mean of the Comparable Leasing Transactions. For the renewal option, we noted that there are eight of 80 Comparable Leasing Transactions' terms which stipulate that the tenant is granted an option to renew tenancy agreement upon expiry, representing approximately 10% of the total Comparable Leasing Transactions. For the required deposit prior to tenancy period, we noted that there are 37 of 80 Comparable Leasing Transactions which require initial monthly deposit prior to the commencement of relevant tenancy agreement, representing approximately 46.3% of the total Comparable Leasing Transactions; while the other 43 of 80 Comparable Leasing Transactions which do not require initial monthly deposit prior to the commencement of relevant tenancy agreements, representing approximately 53.7% of the total Comparable Leasing Transactions. Although more than half of the Comparable Leasing Transactions which do not require initial monthly deposit, we consider that the term of the initial monthly deposit under the New Tenancy Agreement is acceptable, after taking into that (i) among those 37 of 80 Comparable Leasing Transactions which require initial monthly deposit, the average initial monthly deposit of the Comparable Leasing Transactions is approximately 2.9 months, which is more than the required initial monthly deposit under the New Tenancy Agreement; (ii) Ascent Partners consider that the term of the initial monthly deposit under the New Tenancy Agreement is in line with the market practice; (iii) such required initial monthly deposit of HK\$660,400 will be returned to the Group upon expiry of the New Tenancy Agreement; and (iv) the cash outlay will not substantially affect the operation and liquidity of the Group given the cash and cash equivalents of the Group was approximately HK\$57.0 million as at 31 March 2017 according to the Group's annual report for the year ended 31 March 2017.

Having considered that (i) the Major Terms under the New Tenancy Agreement are the same as those of the Previous Tenancy Agreement; (ii) Ascent Partners consider that the terms and conditions under the New Tenancy Agreement follow common market practice; (iii) the length of the term of the New Tenancy Agreement is within the range of those of the Comparable Leasing Transactions; and (iv) the New Tenancy Agreement will grant the Group an option to renew tenancy agreement upon expiry while the majority of the Comparable Leasing Transactions would not, which in turn, the New Tenancy Agreement provides flexibility for the Group to consider whether it should renew the tenancy agreement in future, we are of the view that the Major Terms under the New Tenancy Agreement are in normal and commercial terms and the New Tenancy Agreement is not less favourable than those offered by the independent third party.

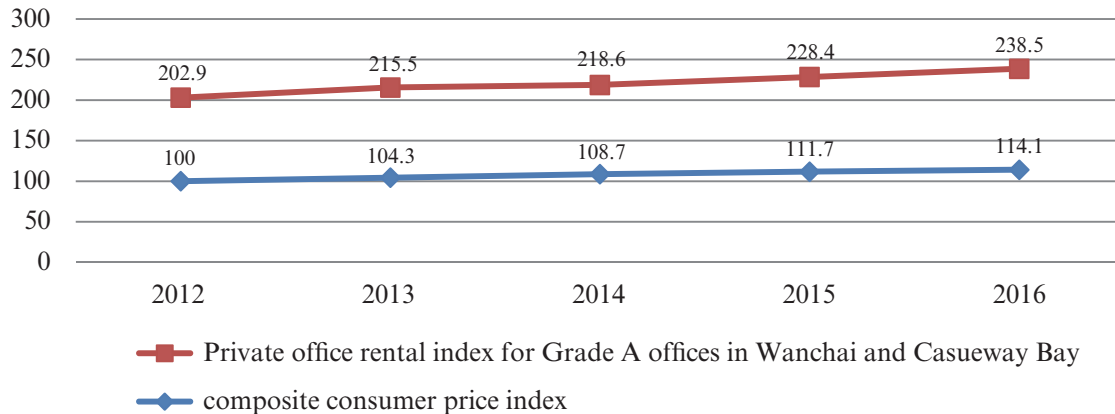
Basis of determination of the rent

As set out in the Letter from the Board, the New Monthly Rental of the Renewed Property under the New Tenancy Agreement, amounting to HK\$330,200 and approximately HK\$52 per sq. ft., has been arrived at after arm's length negotiations with reference to (1) the expected reasonable increase in commercial property rent in Hong Kong; and (2) fair rent letter issued by Ascent Partners.

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Set out below is the private office rental index and composite consumer price index for Grade A offices in Wanchai and Causeway Bay in Hong Kong for a five year period from 2012 to 2016 (the “**Review Period**”), according to the Rating and Valuation Department of Hong Kong.

Private office rental index and composite consumer price index



Source: Rating and Valuation Department

From the table above, the rental index for Grade A private office in Wanchai and Causeway Bay (the “**Private Office Rental Index**”) demonstrated an increasing trend for the Review Period. The accumulated growth of the Private Office Rental Index throughout the Review Period was approximately 17.5%. Meanwhile, we also compare the growth of Private Office Rental Index to that of the composite consumer price index (the “**CCPI**”), which could represent the general inflation rate of Hong Kong. According to the latest information available in the Census and Statistics Department of the Government of Hong Kong, the CCPI of 2016 was approximately 114.1 (2012 = 100), representing the accumulated growth throughout the Review Period of approximately 14.1% being in line with growth rate of the Private Office Rental Index during the review period.

As set out in the Letter from the Board, the New Monthly Rental is HK\$330,200, representing an increase of approximately 7.5% (the “**Rental Growth Rate**”) when compared with that of the Previous Tenancy Agreement. Taking into account the term of the Previous Tenancy Agreement and New Tenancy Agreement are 2-year period, we also compare the Rental Growth Rate with the growth rate of the Private Office Rental Index for the most recent 2-year period. Based on the above table, the 2-year growth rate of the Private Office Rental Index for the 2 years between 2014 and 2016 was approximately 9.1%.

Apart from the historical data obtained from the Rating and Valuation Department, we have reviewed research reports in relation to office property market in Hong Kong which include “Briefing Office and Retail Investment — August 2017” prepared by Savills, “Hong Kong Monthly — June 2017” prepared by Knight Frank, “Property Market Monitor — August 2017” prepared by Jones Lang LaSalle and “Office Snapshot 2017 2nd quarter” prepared by Cushman & Wakefield (collectively, the “**Research Reports**”). Those

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Research Reports generally provide updated information in relation to and their views on the office property market in Hong Kong. In particular, we noted from the Research Reports that the growth rate of Grade A office rent in the first half of 2017 is mainly due to (i) persistent strong demand for Grade A office in Central, Admiralty and Wanchai districts (the “**Central Business Districts**”) from Chinese firms; (ii) limited supply of Grade A offices in the Central Business Districts; and (iii) the transactions of the Murray Road Carpark in Central and the Wellington in Sheung Wan. We noted that those Research Reports carry positive views on the rental market of Grade A office, especially in the Central Business Districts.

In view that (i) the Rental Growth Rate is in line with the growth rate of CCPI and the Private Office Rental Index; (ii) the Rental Growth Rate is lower than the 2-year growth rate of the Private Office Rental Index; and (iii) the positive views towards the rental rate of Grade A office market in the Central Business Districts, we consider that the Rental Growth Rate is fair and reasonable and the New Monthly Rental is not less favourable to the Company than those offered by the independent third parties.

In relation to the fair rent letter, we noted that the fair rent letter prepared by Ascent Partners was in accordance with the HKIS Valuation Standards. We have reviewed the fair rent letter and understand from Ascent Partners that it had undertaken inspection of the Renewed Property, researches on the relevant comparables and obtain further information as necessary for concluding its opinion of the New Monthly Rental. We have reviewed and enquired the qualification and experience of Ascent Partners and the person in charge of the fair rent letter. As per our findings, we noticed that Ascent Partners has experience in servicing a wide range of corporate customers in different industries, in which the majority of them are companies listed on the Stock Exchange. In addition, we have reviewed the qualifications and working experience of Mr. Stephen Y. W. Yeung, a principal of Ascent Partners who has over 10 years’ experience in valuation of properties in HKSAR and mainland China, who is responsible for signing of the fair rent letter. Meanwhile, Ascent Partners confirmed that it is an independent third party to the Group. We have also reviewed the scope of services provided under the engagement of Ascent Partner by the Company and we noted that the scope of services which mainly includes (i) undertake inspections of the Renewed Property; (ii) research on the proper and relevant comparables for valuation proposes; (iii) critically analyze the information obtained from the Group and the market; and (iv) prepare valuation report for the Renewed Property, detailing their investigations, analysis and findings which have been based upon in arriving at their opinion of value, cover necessary procedures and documentations for valuation of the New Monthly Rental and therefore, we consider that the scope of work is appropriate to the opinion given and there were no limitations on the scope of services. As such, we are of the view that Ascent Partners and Mr. Stephen Y. W. Yeung possess sufficient competence and experience in opining on the fairness and reasonableness of the New Monthly Rental.

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We note that Ascent Partners has adopted the direct comparison approach for the valuation of the New Monthly Rental. As advised by Ascent Partners, we understand from Ascent Partners that it is a common practice of adopting the direct comparison approach, which is based on making reference to comparable market rentals as available in the vicinity. We have also been advised that the comparison is based on prices realized on actual rental transactions of comparable properties and adjustments have been made after taking into account the comparable properties with similar sizes, character and locations, and carefully weighted against all respective advantages and disadvantages of each comparable property in order to arrive at the market rent of the Renewed Property (the “**Adjustments**”). Moreover, we have obtained and reviewed all market lease transactions used as comparable transactions of the Renewed Property from Ascent Partners (the “**Comparable Transactions**”). According to the list of the Comparable Transactions, we noted that there are total three Comparable Transactions which are the historical transaction completed within 18 months from the date of the fair rent letter, in which two of the Comparable Properties are the properties located in the same building of the Renewed Property and one of the Comparable Properties is a property located in another building close to the Renewed Property. As part of our due diligence process, we have also independently selected three commercial buildings in Wanchai, including Fortis Tower and other commercial buildings in the nearby location as the comparable buildings (the “**Comparable Buildings**”), other than those provided by Ascent Partners, and searched for the historical transaction records in the Comparable Buildings within 18 months from the date of the fair rent letter (the “**Rent Transactions**”). As (i) the Comparable Buildings and the relevant property of the Comparable Transactions are in close proximity to the Renewed Property; and (ii) the date of the Comparable Transactions and Rent Transactions are both within 18 months from the date of the fair rent letter reflecting prevailing market rent, we consider that our review on the Rent Transactions can serve as an alternative list of transactions comparable to the Comparable Transactions in order to justify whether the Comparable Transactions are appropriate comparables. We have compared the unit rent of the Comparable Transactions with that of the Rent Transactions. We noted that the unit rent of the Comparable Transactions ranging from HK\$61 per sq. ft. to HK\$66 per sq. ft. per saleable area after taking into account the Adjustments is comparable with that of the Rent Transactions ranging from HK\$55 per sq. ft. to HK\$67 per sq. ft. per saleable area. As such, we are of the view that the unit rent of the Comparable Transactions reflects the prevailing market conditions and the Comparable Transactions are appropriate comparables.

In arriving at the market rent of the Renewed Property, Ascent Partners has made the Adjustments on the Comparable Transactions in terms of time of the Comparable Transaction, size and floor of the Comparable Properties, age and condition of the Comparable Properties, facilities of the Comparable Properties and the view of the Comparable Properties (the “**Transaction Characteristics**”). We have obtained the breakdown of the Adjustments and noted from Ascent Partners that the magnitude of the Adjustments depends on how the Transaction Characteristics of the Comparable Transactions are similar to that of the Renewed Property. According to the breakdown of the Adjustments, we noted that the Adjustments are made mainly when (i) the Comparable Transactions having positive adjustments of floor since the floor of such Comparable Transactions is lower than that of the Renewed Property; (ii) the Comparable Transactions

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having negative adjustments of age since the age of the relevant building of the Comparable Transactions is younger than that of the Renewed Property; (iii) the Comparable Transactions having positive adjustments of size since the floor size of the relevant building of the Comparable Transactions is smaller than that of the Renewed Property; (iv) the Comparable Transactions having negative adjustments of facilities since the facilities of the relevant building of the Comparable Transactions are more advanced than those of the Renewed Property; and (v) the Comparable Transactions having positive adjustments of view since the relevant building of the Comparable Transactions has no sea view while the Renewed Property has. Based on our review on the Adjustments, our further discussion with Ascent Partners and our experience in relevant transactions with property valuation under adoption of direct comparison approach, we are of the view that the approach of the Adjustments on market rent are in line with the market practice and appropriate for Ascent Partners to determine the fair rent of the Renewed Property.

As per our further discussion with Ascent Partners, given that (i) there are sufficient historical transactions which allow them to identify the Comparable Transactions by adopting the abovementioned selection criteria, which in turn enable them to take reference from the Comparable Transactions to perform the valuation of the market rent; and (ii) other valuation approaches, including income approach and cost approach, are less reliable due to uncertain assumptions we are of the view that the valuation method of adoption of the direct comparison approach for the New Monthly Rental is fair and reasonable and the selection of the market lease transactions being comparable to the Renewed Property which are recent transactions in the market can bring a fair comparison of market rent.

We have discussed with the Ascent Partners and obtained relevant supporting information regarding the basis of the assumptions in the fair rent opinion (the “**Assumptions**”), which includes (i) the owner let the property in the market in its existing state without the benefit of deferred term contracts, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the property; (ii) the property has been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated; and (iii) all required licenses, permit, certificated, and authorizations of the property have been obtained. Based on our discussion with the management of the Company, we understand that except the New Tenancy Agreement, there is no deferred terms contract, joint ventures and management agreements entered into between Cyber Feel and Finet Holdings. Moreover, we have been advised that there is no non-compliance related to Building Ordinance of the Renewed Property and all necessary required licenses for operation have been obtained by the Company. Therefore, we consider that the Assumptions are fair and reasonable.

Having considered that (i) Ascent Partners is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) the Ascent Partners’ scope of work is appropriate for the relevant engagement; and (iii) the valuation methodologies used by Ascent Partners are fair and reasonable in relation to the fair rent letter, we are of the view that the valuation of the New Monthly Rental by Ascent Partners is fair and reasonable.

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THE PROPOSED ANNUAL CAPS

As set out in the Letter from the Board, below are the Annual Caps under the Previous Tenancy Agreement, Short Term Tenancy Agreement and New Tenancy Agreement.

	For the year ending 31 March 2018 HK\$	For the year ending 31 March 2019 HK\$	For the period ending 17 October 2019 HK\$
Annual Caps	3,642,676	3,962,400	2,162,277

We noted that (i) the Annual Caps for the year ending 31 March 2018 represents the aggregate of (a) 3-month rental of the Previous Tenancy Agreement from 1 April 2017 to 30 June 2017 of HK\$921,543; (b) 3-month rental of the Short Term Tenancy Agreement from 18 July 2017 to 17 October 2017 of HK\$921,543 (a rent free period from 1 July 2017 to 17 July 2017 being offered by Cyber Feel following the expiry of the Previous Tenancy Agreement); and (c) 5-month and 14-day rental of the New Tenancy Agreement from 18 October 2017 to 31 March 2018 of HK\$1,799,590; (ii) the Annual Caps for the year ending 31 March 2019 represents the aggregate of the 12-month rental of the New Tenancy Agreement from 1 April 2018 to 31 March 2019 of HK\$3,962,400; and (iii) the Annual Caps for the period ending 17 October 2019 represents the aggregate of the 6-month and 17-day rental of the New Tenancy Agreement from 1 April 2019 to 17 October 2019 of HK\$2,162,277.

Having considered that the Annual Caps were determined with reference to (i) the sum of the monthly rent stipulated in the Previous Tenancy Agreement, Short Term Tenancy Agreement and New Tenancy Agreement in the respective period commencing from 1 April 2017 to 17 October 2019; and (ii) the fair rent letter prepared by Ascent Partners, we are of the view that the Annual Caps are fair and reasonable.

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RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the terms of the New Tenancy Agreement and the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM for approving the terms of the New Tenancy Agreement and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung **Annie Ho**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 23 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Ms. Annie Ho has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2007. Ms. Ho has more than 10 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong

RESPONSIBILITY STATEMENT

This circular, 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 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 herein or this circular misleading.

DISCLOSURE OF INTERESTS

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 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 Director: Ms. Lo	The Company	43,458,058 (L)	254,039,784 (L)	—	—	—	56.24% (L)
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%
Mr. Chow Wing Chau ("Mr. Chow")	The Company	—	—	500,000 (L)	—	500,000 (L)	0.09%

(L) denotes long positions

Notes:

- 206,439,784 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. Accordingly, Ms. Lo was deemed by virtue of the SFO to be interested in 254,039,784 ordinary shares of HK\$0.01 each.
- As at Latest Practicable Date, the Company had 528,980,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 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.

Substantial Shareholders' Interest and Short Position in the Shares of the Company

As at Latest Practicable Date, 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 Position in the Shares

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)	—	297,497,842 (L)	56.24%
	Interest of Controlled Corporation	254,039,784 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	206,439,784 (L)	—	206,439,784 (L)	39.03%
Maxx Capital (Note 1)	Beneficial Owner	206,439,784 (L)	—	206,439,784 (L)	39.03%
Wise Capital Limited	Interest of Controlled Corporation	33,000,000 (L)	—	33,000,000 (L)	6.24%
Wang Yuan	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	7.37%
Broadgain International Limited	Beneficial Owner	43,800,000 (L)	—	43,800,000 (L)	8.28%

(L) denotes long positions

Notes:

- 206,439,784 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, a director of the Company. Ms. Lo is a director of each of Maxx Capital and Pablos.
- As at Latest Practicable Date, the Company had 528,980,880 ordinary Shares held HK\$0.01 each in issue.

DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 March 2017, the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

DIRECTORS SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the relevant members of the Group within one year without payment of compensation, other than statutory compensation.

INTEREST IN COMPETING BUSINESS AND CONFLICT OF INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders or their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

EXPERT AND CONSENT

The following sets out the qualifications of the experts who have been named in this circular:

Name	Qualification
Octal Capital Limited	Octal Capital Limited, a licensed corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Ascent Partners Valuation Service Limited	Professional property valuer

Octal Capital Limited and Ascent Partners Valuation Service Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters and references to their names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Octal Capital Limited and Ascent Partners Valuation Service Limited had no shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Octal Capital Limited and Ascent Partners Valuation Service Limited had no interest, direct or indirect, in any assets which since 31 March 2017, the date to which the latest published audited financial statements of the Company were made up, had been 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.

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 2017, being the date on which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

General

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the head office and principal place of business of the Company at 30/F., Fortis Tower 77–79 Gloucester Road Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

- (1) the New Tenancy Agreement;
- (2) the Short Term Tenancy Agreement;
- (3) the Previous Tenancy Agreement;

- (4) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (5) the letter from the Independent Financial Adviser, the text of this is set out on pages 15 to 27 of this circular;
- (6) the letters of consent from the Independent Financial Adviser and Ascent Partners referred to in the above paragraph headed “Expert and Consent” in this Appendix I.

The following is the text of a letter prepared for the purpose of incorporation in this circular, received from Ascent Partners Valuation Service Limited



Suite 2102, Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong.
Tel: 3679-3890
Fax: 3579-0884
www.ascent-partners.com
REF: VH3170725-02761SY

Date: 27 September 2017

Board of Directors
Finet Group Limited
30/F., Fortis Tower
77–79 Gloucester Road
Wan Chai
Hong Kong

Dear Sirs,

Re: Fair rent opinion of 30/F, Fortis Tower, Nos. 77–79 Gloucester Road, Wan Chai, Hong Kong (the “Property”)

We refer to the captioned matter to assess the market rent of the Property and opine on the fairness and reasonableness of the rent of the tenancy agreement dated 27 September 2017 entered into between Cyber Feel Limited as landlord and Finet Holdings Limited as tenant in respect of the Property with the gross floor area and the saleable area of approximately 6,350 sq.ft. and 5,400 sq.ft. respectively (the “**Tenancy Agreement**”).

Having considered the market situation, the nature of the Property as well as the Tenancy Agreement commencing on 18 October 2017 and expiring on 17 October 2019, we are of the opinion that the monthly rent of HKD330,200 exclusive of management fee, government rent, rates and other outgoings as at 27 September 2017 for the Property is fair and reasonable in the market and on normal commercial term within the period.

Our valuation of the property represents the market rent which is defined by the International Valuation Standards (IVS) and followed by the standards published by the Hong Kong Institute of Surveyors (HKIS) as “the estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

We have adopted the direct comparison approach by making reference to comparable market rentals as available in the subject locality. This approach rests on the wide acceptance of the market rent as the best indicator and pre-supposes that evidence of relevant rentals in the market place can be extrapolated to similar property, subject to allowances for variable factors and adjustments such as location, size, etc.

In our assessment, we have been provided with all the information necessary for our analysis and giving our advice upon the fairness and reasonableness in respect of the rent and have assumed that the Tenancy Agreement of the Property is valid and effective under the applicable laws.

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited

Stephen Y. W. Yeung
Mfin BSc(Hons) Land Adm. MHKIS MCIREA RPS(GP)
Principal



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 THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of shareholders (the “SGM”) of Finet Group Limited (the “**Company**”) will be held at 30/F, Fortis Tower, 77–79 Gloucester Road, Wanchai, Hong Kong on Wednesday, 18 October 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions. Capitalised terms defined in the circular dated 27 September 2017 issued by the Company (the “**Circular**”) shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

“THAT

1. the entering into and the terms and conditions of the New Tenancy Agreement dated 27 September 2017 entered into between Finet Holdings Limited and Cyber Feel Limited (a copy of which is marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and their implementation be and hereby approved, confirmed and ratified and any director of the Company be and is hereby authorized to give, make, sign, execute (under hand, seal or as a deed) and deliver any document and all such deeds, agreements, letters, notices, certificates, applications, acknowledgements, receipts, authorisations, instructions, releases, waivers, proxies, appointments of agents for service of process and other document (whether of a like nature or not) as the Director may consider necessary or desirable for the purpose of giving effect to, or in connection with this resolution; and

NOTICE OF THE SGM

2. the Annual Caps (excluding rates, management fees, air-conditioning charges and any other outgoings) payable by Finet Holdings Limited to Cyber Feel Limited under the Previous Tenancy Agreement, the Short Term Tenancy Agreement and the New Tenancy Agreement for the financial years ending 31 March 2018 and 31 March 2019 and the period ending 17 October 2019 in the amounts of HK\$3,642,676, HK\$3,962,400 and HK\$2,162,277 respectively, be and are hereby approved.”

By order of the Board
Finet Group Limited
Chow Wing Chau
Director

Hong Kong, 27 September 2017

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
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 17M, 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.

NOTICE OF THE SGM

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.

As at the date of this notice, 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.