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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 with limited liability)

(Stock code: 8317)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EAST TREASURE LIMITED AND RESUMPTION OF TRADING

The Company has entered into the Agreement with Graceful Sincere and Sun Wishing for the acquisition of the entire issued share capital of East Treasure for an aggregate cash consideration of RMB150,000,000 (approximately HK\$156,250,000), subject to adjustments pursuant to the Agreement.

East Treasure is a limited liability company incorporated in the Republic of Seychelles. It holds 100% of the equity interest in Xiaobao, a WFOE incorporated in the PRC. Xiaobao has entered into the Operative Agreements with Tianchang in connection with the ownership, development and operations of online games in the PRC.

Under the GEM Listing Rules, the Agreement and the transactions contemplated therein constitute a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is conditional on approval by the Shareholders. The Company has obtained a written approval for the Agreement from a closely allied group of Shareholders who together hold approximately 50.12% of the issued share capital of the Company as at the date of the Agreement. The Company has applied to the Stock Exchange for acceptance of such written approval, in lieu of holding an EGM of the Company. Should the Company fail to obtain the acceptance of such written approval from the Stock Exchange, an EGM will be held to approve the Agreement and the notice of EGM will be included in the circular containing, *inter alia*, further information of the Agreement and the transactions contemplated therein will be dispatched to the Shareholders as soon as possible.

Trading in the Shares has been suspended since 2:30 p.m. on 8 May 2007 at the request of the Company, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 17 May 2007.

On 8 May 2007, the Company entered into the Agreement with the Vendors and the Vendors' Guarantors pursuant to which the Company agreed to acquire the entire issued share capital of East Treasure from the Vendors for an aggregate cash consideration of RMB150,000,000 (approximately HK\$156,250,000).

THE AGREEMENT

Date

8 May 2007

Parties

Purchaser: The Company

Vendors: (1) Graceful Sincere
(2) Sun Wishing

The Vendors'

Guarantors: (1) Mr. Guo Yu
(2) Ms. Shi Mingping
(3) Mr. Ning Zihai
(4) Ms. Lu Jiangmei
(5) Ms. Tang Xingqin
(6) Mr. Cai Guoping
(7) Ms. Zhang Huidi

Immediately prior to the entering into of the Agreement, the entire issued share capital of East Treasure was held as to 60.24% by Graceful Sincere and 39.76% by Sun Wishing.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Vendors' Guarantors, each of the Vendors and its ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the GEM Listing Rules) of the Group.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of East Treasure as at the date of the Agreement and as at Completion. East Treasure has no assets other than its interests in Xiaobao.

Xiaobao is a WFOE wholly-owned by East Treasure. Xiaobao has no assets other than its rights under the Operative Agreements.

Under the Operative Agreements, East Treasure and Xiaobao will be able to enjoy the economic interest in Tianchang. Given Xiaobao's level of control in Tianchang under the Operative Agreements, it is expected that Tianchang will be accounted for as a wholly-owned subsidiary of Xiaobao upon the Operative Agreements becoming effective.

Consideration

A total consideration of RMB150,000,000 (approximately HK\$156,250,000) to be satisfied by cash as follows:

- 1) an aggregate of RMB30,000,000 (approximately HK\$31,250,000) representing 20% of the Consideration will be payable in cash within 5 Business Days upon the signing of the Agreement and fulfilment by the Company of its obligations under the GEM Listing Rules, including (if required) receipt by the Company of the approval of its Shareholders and the Stock Exchange to consummate the transactions contemplated by the Agreement; and
- 2) three additional instalment payments (the “**Instalment Payments**”) of RMB45,000,000 (approximately HK\$46,875,000), RMB45,000,000 (approximately HK\$46,875,000) and RMB30,000,000 (approximately HK\$31,250,000), representing 30%, 30% and 20%, respectively, of the Consideration, each payable at such times and subject to such adjustments (up to an increase of 20% and a decrease of up to 50% for each of the Instalment Payments), depending on certain performance benchmark of Xiaobao in the respective payment period. The Instalment Payments are payable at such times as specified below:
 - (a) the first instalment of RMB45,000,000, representing 30% of the Consideration, is payable within 10 Business Days upon the release of the audited financial reports of East Treasure and Tianchang for the twelve months ended 31 December 2007 which shall in no event be released later than 30 March 2008 (the “**First Earn-Out Period**”);
 - (b) the second instalment of RMB45,000,000, representing 30% of the Consideration, is payable within 10 Business Days upon the release of the audited financial reports of East Treasure and Tianchang for the twelve months ended 31 December 2008 which shall in no event be released later than 30 March 2009 (the “**Second Earn-Out Period**”); and
 - (c) the third instalment of RMB30,000,000, representing 20% of the Consideration, is payable within 10 Business Days upon the release of the audited financial reports of East Treasure and Tianchang for the six months ended 30 June 2009 which shall in no event be later than 30 September 2009 (the “**Third Earn-Out Period**”).

In respect of any Earn-Out Period, the Instalment Payments will be adjusted as follows:

- (a) if (a) the Revenue is less than or equals to 80% of the Target Revenue; or (b) the net profit margin is less than or equals to 80% of the Target Net Profit Margin as set out in the Agreement, the Instalment Payment for such Earn-Out Period shall be reduced by 50%;

- (b) If (a) the Revenue is greater than 80% but is less than 100% of the Target Revenue; and/or (b) the net profit margin is greater than 80% but is less than 100% of the Target Net Profit Margin, in either case, the Instalment Payment for such Earn-Out Period shall be reduced by the higher of the percentage difference between:–

- (i) the Revenue and the Target Revenue; and
- (ii) the net profit margin and the Target Net Profit Margin.

In the event that one of the performance indicators set out above exceed its target but the other does not, the Instalment Payment will be reduced by the percentage difference by which that performance indicator is less than the target;

- (c) If (a) the Revenue is 100% or more but is less than or equals to 120% of the Target Revenue; and (b) the net profit margin is 100% or more but is less than or equals to 120% of the Target Net Profit Margin, the Instalment Payment for such Earn-Out Period shall remain unchanged; and
- (d) if both the Revenue and the net profit margin are greater than 120% of the Target Revenue and the Target Net Profit Margin, respectively, the Instalment Payment for such Earn-Out Period shall be increased by 20%.

The Consideration was reached after arm's length negotiations between the Company and the Vendors and being a price acceptable to the Company and the Vendors with reference to the past, present and expected future performance, the market value of fixed assets and the potential strategic value of the East Treasure Group to the Company. The payment adjustment mechanism is devised to ensure that the Consideration is adjustable to reflect the actual future performance of Xiaobao and thus provide a level of protection for the Company.

Management lock-up

The Vendors and the Vendors' Guarantors shall procure that each of the Key Employees shall at Completion (a) terminate his/her employment with Tianchang; (b) enter into (i) a new employment contract; (ii) the Non-competition Agreement; and (iii) the Proprietary Information and Inventions Assignment, with the East Treasure Group; and (c) give an undertaking to the relevant employer company in the East Treasure Group and to the Company (the "**Key Employee Undertakings**") that:

- 1) he/she shall not terminate his/her employment with the relevant employer company in the East Treasure Group within 30 months (in the case of Mr. Guo Yu) and 24 months (in the case of the other Key Employees) from the Completion Date;
- 2) if his/her employment with the relevant employer company in the East Treasure Group is terminated for whatever reasons:
 - (a) he/she shall not, so as to compete with East Treasure or its Subsidiaries and/or so as to harm the goodwill of any such company, during the period of 6 months after cessation of his employment, directly or indirectly, and whether as principal or

otherwise, canvass or solicit business from or do business with any Restricted Person (as defined in the Agreement) with whom East Treasure or its Subsidiaries shall have had material dealings prior to cessation of his/her employment;

- (b) he/she shall not, during the period of 6 months after cessation of his/her employment, directly or indirectly, induce or seek to induce any employee of any member of East Treasure or its Subsidiaries, who was an employee immediately prior to cessation of his/her employment, to leave that company's employment, whether or not this would be a breach of contract on the part of such employee; and
- (c) he/she shall not, during the period of 6 months after cessation of his/her employment, carry on or be interested in a Prohibited Business (as defined in the Agreement) in competition with East Treasure or any other member of the East Treasure Group in the PRC.

The Company intends to hold East Treasure through a new intermediate holding company (China Game Company) to be incorporated prior to Completion. China Game Company will initially be wholly-owned by the Company. However, in consideration of the undertakings given by the Key Employees, the Company shall upon the latter of (a) the Completion; and (b) the establishment of China Game Company transfer 5% of its equity interest in China Game Company (as at the date of Completion) to a bonus pool (the “**Bonus Pool**”), the shares of which shall be held in the joint names of (a) a nominee of the Company; and (b) an agent appointed or a company controlled by Mr. Guo Yu upon trust for the benefits of the Key Employees. All the Key Employees are eligible to participate in the Bonus Pool. The number of shares in China Game Company to be received by each Key Employee from the Bonus Pool shall be determined by the Board in consultation with Mr. Guo Yu subject to the conditions set out in the Agreement. Following the disposal of 5% of its equity interest in China Game Company, China Game Company will continue to be a Subsidiary of the Company. The Bonus Pool is to provide sufficient incentive to the Key Employees, who are founders and senior management of Tianchang, to continue leading the operation of Tianchang and to maintain its stability.

The Key Employees are not currently connected persons of the Company and they will not become directors or connected persons upon Completion. Besides, the Key Employees will not become directors of the China Game Company group upon Completion.

Investments by the Company

In order to expand the business of the Company's wholly-owned subsidiary, East Treasure, the Company will inject an aggregate amount of up to RMB50,000,000 (approximately HK\$52,083,333) to East Treasure (which is not included in the Consideration) at such times and in such amounts as specified in the Agreement, and may from time to time at its sole discretion provide additional amount of investments to East Treasure as it deems necessary, for the following purposes:

- (a) acquisition from Tianchang of certain assets used by Tianchang in connection with the Principal Business under the Assets Transfer Agreement;
- (b) marketing and sales of online games in the PRC;

- (c) research and development of online games, with a focus on MMORPG.;
- (d) acquisition of game-related products and businesses;
- (e) discharge of the subsisting mortgage over the Land; and
- (f) general working capital.

Conditions to Completion

Completion of the Agreement is conditional upon:

- (a) the execution of the Operative Agreements, the Tianchang Undertakings and the Key Employee Undertakings;
- (b) the Company having received evidence, reasonably satisfactory to it, that the Vendors have performed and complied in all material respects with their obligations under the Agreement which are required to be performed or complied with by them at or before Completion;
- (c) the Company having received evidence, reasonably satisfactory to it, that all authorisations, permits and approvals (including, if relevant, board and shareholder approvals) required by the Vendors to consummate the transactions and execute and deliver any documents contemplated under the Agreement have been obtained;
- (d) the Company having received from the Vendors the legal opinion as to Seychelles laws, reasonably satisfactory to it, as to, *inter alia*, the due incorporation, valid existence and good standing of East Treasure;
- (e) the Company having received from the Vendors the legal opinions as to PRC laws, in the form and substance reasonably satisfactory to it, as to, *inter alia*, (a) the due incorporation and valid existence of Xiaoao and Tianchang; (b) the obtaining and possession of all necessary government approvals and licences with respect to the operations of Xiaoao and Tianchang; and (c) the legality, validity and enforceability of the Operative Agreements. In particular, the Vendors shall deliver to the Company a legal opinion, reasonably satisfactory to the Company, that completion of the transfer of the Principal Business pursuant to the Operative Agreements have taken place and all necessary PRC approvals for the transfer have been obtained;
- (f) the Company having complied with all its obligations under the GEM Listing Rules including (if required) receipt by it of the approval of its Shareholders and the Stock Exchange to consummate the transactions contemplated by the Agreement;
- (g) the Company having completed its due diligence on the East Treasure Group and being satisfied with its enquiries;
- (h) the Company having paid the first instalment payment of RMB30,000,000 (approximately HK\$31,250,000) in full in accordance with the Agreement;

- (i) the warranties set out in the Agreement remaining true as of the Completion Date by reference to the facts existing on the Completion Date; and
- (j) between the date of the Agreement and the Completion Date, no material adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or value of East Treasure or its Subsidiaries, or in the laws and regulations applicable to East Treasure or its Subsidiaries.

The Company may, at its sole discretion, waive (to the extent that the Company may do so) any of the Conditions set out in the Agreement. If Completion does not take place by 30 June 2007, or such later date as agreed by the parties to the Agreement, the Agreement shall terminate and no party thereto shall have any claim whatsoever against the other party.

Completion

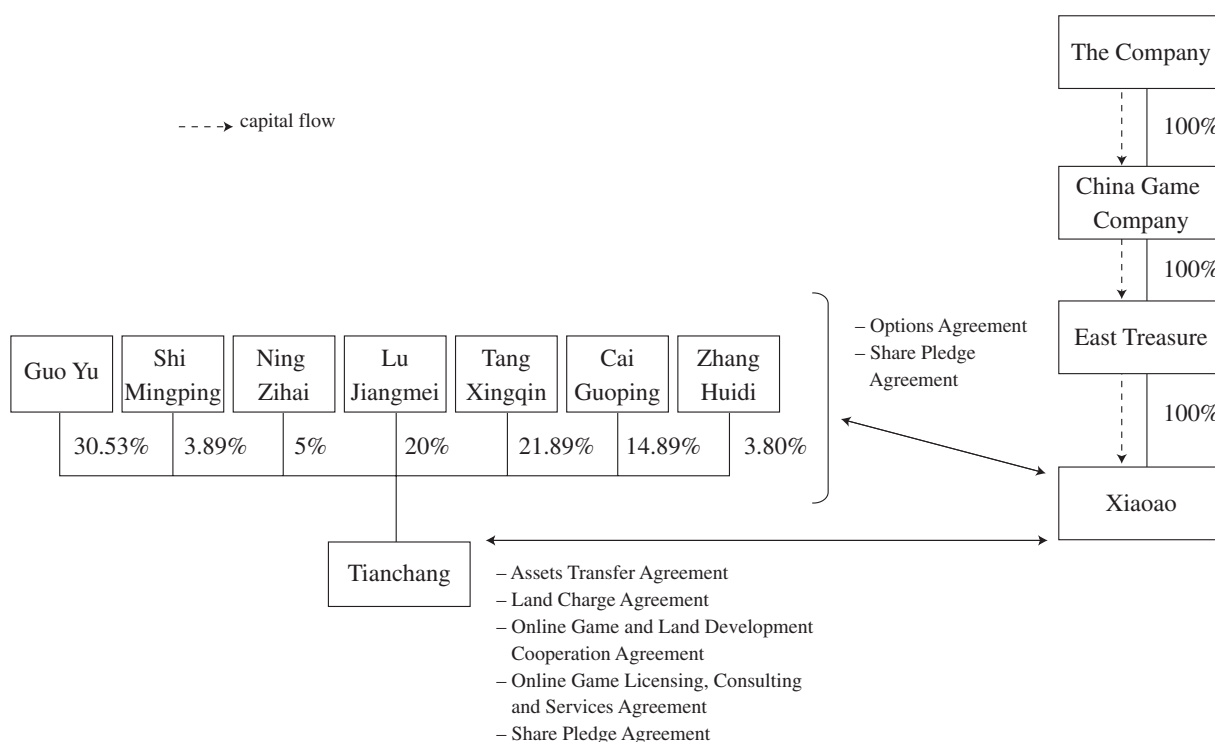
Completion of the Agreement shall take place on the Completion Date or such other place and time as mutually agreed by all the parties pursuant to the terms of the Agreement.

OPERATIVE AGREEMENTS

As PRC regulations currently restrict foreign ownership of companies engaged in the business of the development, sale and operations of online game products (such as Tianchang), to comply with the relevant PRC regulations, East Treasure and Xiaoao have entered into contractual arrangements (the Operative Agreements) with Tianchang to provide online gaming to customers in the PRC. Neither East Treasure nor Xiaoao will have any ownership interest in Tianchang. Through the Operative Agreements, East Treasure and Xiaoao will acquire the Principal Business of Tianchang, exercise effective control over Tianchang and obtain all of the net profits of Tianchang arising from the Principal Business in the form of cooperation agreement, technical support, consulting, licensing and other fees. The following set out details of the Operative Agreements:

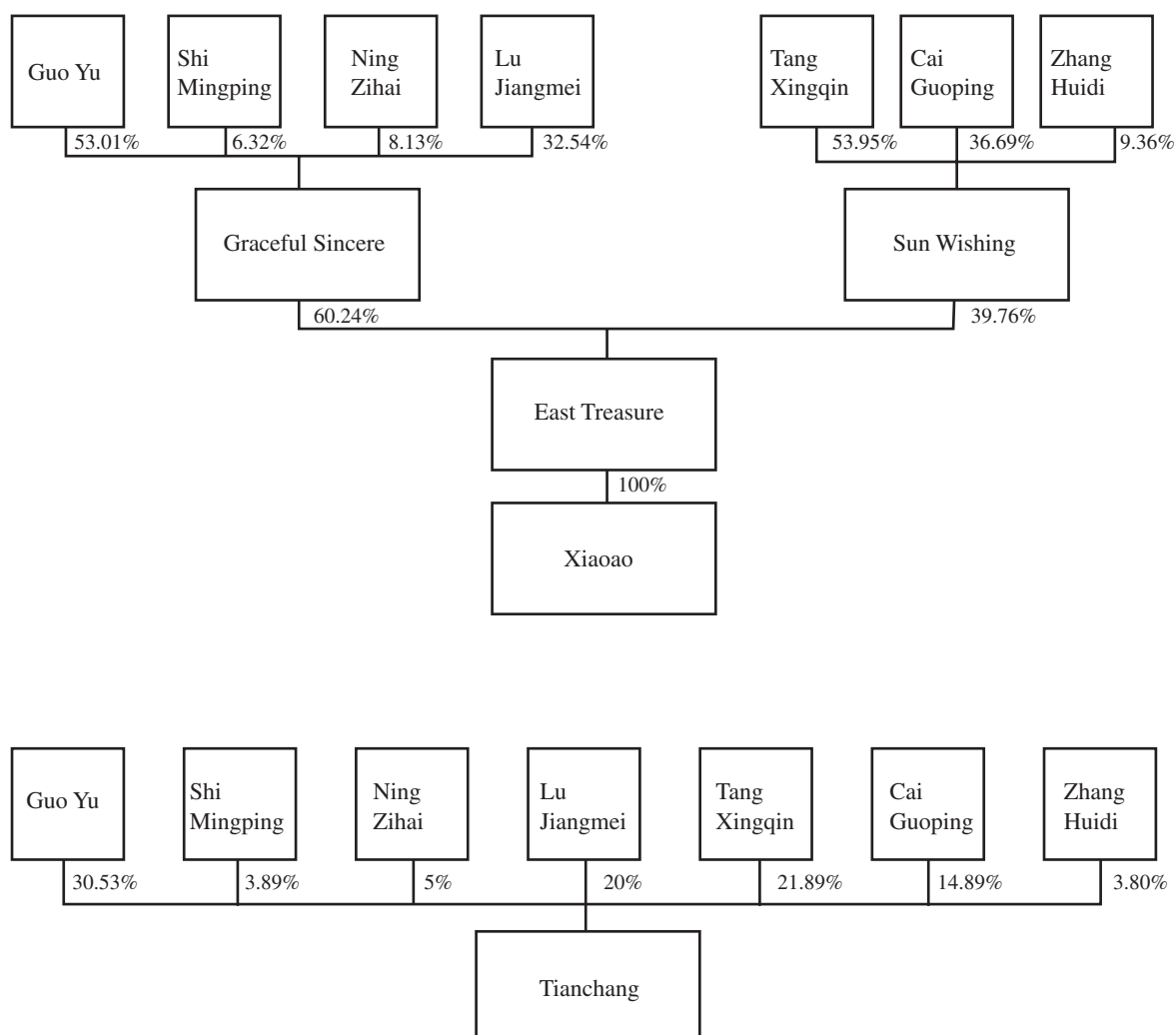
- (a) the Assets Transfer Agreement entered into between Xiaoao and Tianchang pursuant to which Xiaoao agrees to acquire from Tianchang certain assets used by Tianchang in connection with the Principal Business. The assets being transferred are primarily the intellectual property rights of Tianchang's games such as their trademarks, and certain fixed assets such as computer hardware and intangible assets such as computer software. The consideration for the transfer of the assets of Tianchang shall be determined after valuation by an independent valuer to be appointed by Xiaoao and Tianchang and to be settled by part of the Investments by the Company;
- (b) the Land Charge Agreement entered into between Tianchang and Xiaoao pursuant to which Tianchang agrees to charge the land use right of the Land with Xiaoao as security for the liabilities owed by Tianchang to East Treasure and its Subsidiaries from time to time arising from the performance of Tianchang under the Operative Agreements. No consideration is payable under the Land Charge Agreement;

- (c) the Online Game and Land Development Cooperation Agreement entered into between Xiaobao and Tianchang in respect of the online game and land development cooperation project as set out in the Agreement, pursuant to which Xiaobao agrees to invest an aggregate of RMB21,000,000 (approximately HK\$21,875,000), of which RMB10,400,000 (approximately HK\$10,833,333) will be used to discharge the subsisting mortgage over the Land and RMB10,600,000 (approximately HK\$11,041,667) will be used for the development and operations of online games. This sum of RMB21,000,000 is part of the Investments by the Company. The Land will be developed into the headquarter of Tianchang for the operation of the Principal Business, such as location of servers and other computer hardware, computer laboratories for development of online games and for office use to accommodate Tianchang's ongoing business expansion;
- (d) the Online Game Licensing, Consulting and Services Agreement entered into between Xiaobao and Tianchang pursuant to which (a) Xiaobao agrees to grant licences to Tianchang in respect of the distribution and sale of certain online game softwares in the PRC; and (b) Tianchang shall appoint Xiaobao on an exclusive basis to provide all the operational and technical support services, consultancy services and training to Tianchang in relation to the business and operation of Tianchang. Xiaobao shall receive, on a monthly basis, an amount which is equal to 100% of the net profit of Tianchang as the licence fee and service fee;
- (e) the Options Agreement entered into between Xiaobao, Tianchang and the shareholders of Tianchang pursuant to which the shareholders of Tianchang agree to grant an option to Xiaobao or its nominee to acquire all or part of their equity interests in Tianchang. The option is exercisable at the discretion of Xiaobao at such nominal consideration as permitted under the PRC laws;
- (f) the Share Pledge Agreement entered into between Xiaobao, Tianchang and the shareholders of Tianchang pursuant to which the shareholders of Tianchang agree to pledge their equity interests in Tianchang with Xiaobao as security for the liabilities owed by Tianchang to Xiaobao from time to time arising from the services provided by Xiaobao to Tianchang. No consideration is payable under the Share Pledge Agreement; and
- (g) such other ancillary agreements as are necessary for the assignment of the economic benefits and certain assets of Tianchang to East Treasure and its Subsidiaries, namely a non-competition agreement and a proprietary information and inventions assignment executed by the Key Employees in which the Key Employees agree not to compete with East Treasure and its subsidiaries, and to keep confidential certain proprietary information and assign to East Treasure and its subsidiaries all inventions made during their course of employment.



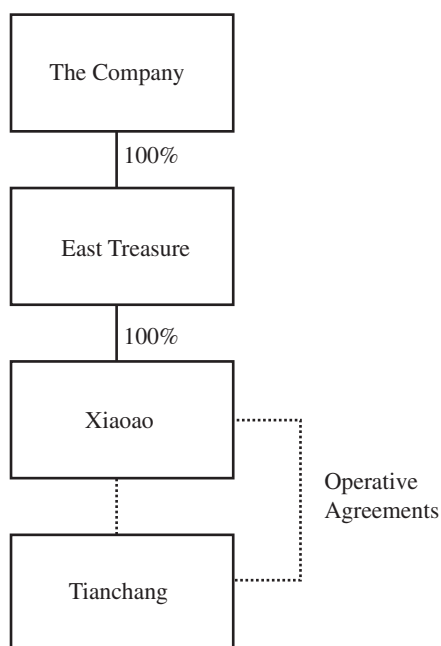
STRUCTURE CHARTS OF EAST TREASURE AND TIANCHANG

Immediately before Completion

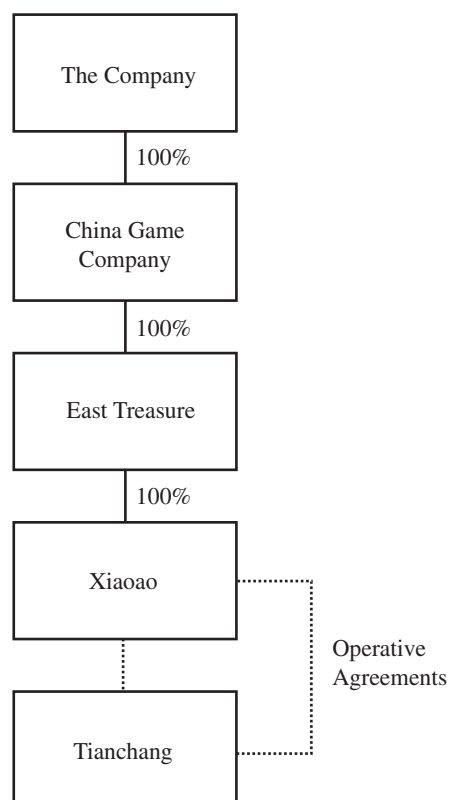


Immediately after Completion

Before the establishment of China Game Company



After the establishment of China Game Company



INFORMATION ON THE GROUP, EAST TREASURE, XIAOAO, THE VENDORS AND TIANCHANG

Information on the Group

The Group is principally engaging in the development, production and provision of financial information services and technology solutions to corporate clients and retail investors.

Information on East Treasure

East Treasure is a newly incorporated investment holding company incorporated in the Republic of Seychelles with limited liability on 29 September 2006 which holds 100% of the equity interest in Xiaoao, no accounts of East Treasure have been prepared yet. Immediately prior to the entering into of the Agreement, East Treasure is owned as to 60.24% by Graceful Sincere and 39.76% by Sun Wishing. The Company will acquire the entire issued share capital of East Treasure upon the terms and subject to the conditions set out in the Agreement. Under the Operative Agreements, East Treasure and Xiaoao will be able to enjoy the economic interest in Tianchang.

Information on Xiaoao

Xiaoao is a WFOE established in the PRC on 10 January 2007 with the following corporate structure:

- (a) Registered Capital: US\$5,000,000
- (b) Shareholder: 100% beneficially owned by East Treasure
- (c) Scope of Business: Provision of online game products, computer network products, technology services and technology consultancy services; development of computer software and hardware; network equipment installation; wiring of buildings; computer maintenance and any other activities without requiring prior approval

The registered capital of Xiaoao has not been paid up yet. Since the registered capital of Xiaoao can be paid in phases under the PRC law governing the setup of WFOE, the Company will pay 15% of the total registered capital as the minimum amount of the first phase payment under the relevant PRC law. Such registered capital to be paid is part of the Investments by the Company. Xiaoao has entered into the Operative Agreements with Tianchang in connection with the ownership, development and operations of online games in the PRC.

Information on the Vendors

Immediately prior to the entering into of the Agreement, Graceful Sincere and Sun Wishing held 60.24% and 39.76% of the equity interest in East Treasure, respectively. Both Graceful Sincere and Sun Wishing are investment holding companies.

Information on Tianchang

Tianchang is a domestic limited liability company established in the PRC on 11 January 2005. The amount of current registered capital of Tianchang is RMB12,500,000 (approximately HK\$13,020,833), which has been fully paid up. Based on the audited financial statements of Tianchang for the year ended 31 December 2005, its value of total assets, total revenue and net loss after taxation for the year 2005 were RMB6,907,922 (approximately HK\$7,195,752), RMBNil and RMB3,317,206 (approximately HK\$3,455,423) respectively. Based on the audited financial statements of Tianchang for the year ended 31 December 2006, its value of total assets, total revenue and net loss after taxation for the year 2006 were RMB12,399,665 (approximately HK\$12,916,318), RMB6,664,927 (approximately HK\$6,942,632) and RMB9,956,087 (approximately HK\$10,370,924) respectively. The principal businesses of Tianchang are the development and operations of online game products, with a focus on 3D MMORPG.

The principal assets of Tianchang are its intellectual property rights in various online games (which will be transferred to Xiaoao under the Assets Transfer Agreements) and the Land (the economic interest of which will be transferred to Xiaoao under the Operative Agreements).

Empowered by its own proprietary 3D game engine, Tianchang has gained immediate success with its self-developed “The Legend of Tang Dynasty” (大唐風雲) and “Tang Dynasty” (大唐) that went into commercial launch in September and October 2006 respectively. The games are massive multiple role-playing 3D online games that are set against China’s historical Tang Dynasty. Players will experience the fantasies of this most glorious ancient time in China’s history as they choose to play the roles of the legendary royalty, lords, knights and warriors in numerous historic events in the dynasty. The Legend of Tang Dynasty is a time-based online game, where gamers subscribe for the game through their pre-paid cards. Tang Dynasty adopts the popular free-to-play, pay-for-virtual-item business model, where gamers can upgrade their rank in the game by buying virtual items such as weapons, armours, and energizers.

As one of the few game companies with a powerful 3D game engine, Tianchang is advantaged to provide a constant supply of games in the pipeline. New game titles to be launched in the second half of this year include “Warfield” (赤壁), “New Knight-Errant Story” (新笑傲江湖) and “QQ Shui Hu” (夢幻水滸), and another 3-5 new 3D MMORPG games are planned for commercial launch in the next 2 years. As a side note, the online games currently operating and to be operated by Tianchang in the future would not involve any factor of gambling.

SOURCE OF FUNDING FOR THE ACQUISITION

The Company intends to finance the Acquisition and the related investments in the East Treasure Group from internal resources and external sources, including but not limited to, via equity and debt financing of China Game Company which is being registered in the Cayman Islands as a fully owned subsidiary of the Company. The Company is currently exploring funding with a consortium of investors who will take a stake in China Game Company by investing through equity or convertible bonds. At the moment, no final agreements have been signed. The Company will comply with the relevant GEM Listing Rules if any such proposal would constitute a notifiable transaction under the GEM Listing Rules.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company has been pursuing an IMM (Internet, Media and Mobile) business growth strategy in the PRC. The Acquisition represents a major step for the Group in pursuing a strategy in entering into the online game market in the PRC. Tianchang possesses the requisite licences in relation to the development, operations and sale of online game products and a team of professional management familiar with the online game market in the PRC, enabling the Group to speed up its development in the online game market in the PRC without taking inordinate risks.

According to a joint report by the China Game Publishers Association and a market researcher, IDC, the PRC’s online game business experienced tremendous growth in the past few years and the market size amounted to US\$817.5 million in 2006. With an estimated compound annual growth rate of 40% over the next few years, the market size could quadruple by 2011 as Internet access becomes more widespread. In 2006, there were about 31 million fee-paying gamers in the PRC out of a total of 51 million gamers who were mostly between the ages of 18 and 30.

Based on these statistics, the Directors believe online game businesses in the PRC present lucrative business opportunities for the Group to enter the PRC's Internet sector. The Directors believe the Acquisition will allow the Group to diversify the Group's income sources and achieve substantial growth in the PRC's rapidly growing Internet sector with a vast population of youth who tend to choose online games as a major regular entertainment.

In view of the abovementioned, the Directors consider that the terms of the Agreement and the transactions contemplated therein are fair and reasonable and in the interests of the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

Under the GEM Listing Rules, the Agreement and the transactions contemplated therein constitute a major transaction of the Group and will be subject to approval by the Shareholders.

Pursuant to Rule 19.44 of the GEM Listing Rules, Shareholders' approval for the Agreement may be obtained by written shareholders' approval *in lieu* of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement; and (b) written Shareholders' approval has been obtained from a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Agreement.

To the best of the Directors' knowledge, information and having made all reasonable enquires, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement. The Company has obtained a written approval for the Agreement from the following closely allied group of Shareholders who together hold approximately 50.12% of the issued share capital of the Company as at the date of the Agreement:

- (a) Opulent Oriental International Limited, holding 164,217,456 Shares (representing approximately 31.05% of the issued share capital of the Company), which is wholly owned by Dr. Yu Gang George, one of the founders of the Company and currently the executive chairman of the Company;
- (b) Union Stars Group Limited, holding 54,739,152 Shares (representing approximately 10.35% of the issued share capital of the Company), which is beneficially owned by Mr. Chang Wen Shiann and his wife Mrs. Chang Hu Ching Yueh in equal share. Mr. and Mrs. Chang are among the early stage investors in the Company prior to its IPO;
- (c) Hintful Capital Limited, holding 12,897,397 Shares (representing approximately 2.44% of the issued share capital of the Company). Hintful Capital Limited is one of the early stage investors in the Company prior to its IPO. Hintful Capital Limited is owned as to approximately 24.6% by Dr. Kwan Pun Fong, Vincent, approximately 24.6% by Ms. Chan Yuk Kwan, Julita, approximately 49.3% by Quick Thought Investments Limited (which is beneficially wholly-owned by Ms. Yip Wing Kam), 1% by Ms. Yip and 0.5% by Mr. Yip Wai Kee, Terence. Dr. Kwan is one of the non-executive Directors of the Company. Ms. Chan is Dr. Kwan's wife. Ms. Yip is a friend of Dr. Kwan. Mr. Yip is the brother of Ms. Yip.

- (d) Mr. Au Siu Lun, Allen holding 12,639,267 Shares (representing approximately 2.40% of the issued share capital of the Company). Mr. Au is one of the founders of the Company and currently a consultant to the Company.
- (e) Ms. Leung Nga Ting Ada holding 20,521,531 Shares (representing approximately 3.88% of the issued share capital of the Company). Ms. Leung is one of the founders of the Company.

The above closely allied group of Shareholders were members of the Initial Management Shareholders of the Company, further details of which are set out in the prospectus of the Company dated 31 December 2004. The Company has obtained a written approval for the Agreement from the aforesaid closely allied group of Shareholders who together hold approximately 50.12% of the issued share capital of the Company as at the date of the Agreement. The Company has applied to the Stock Exchange for acceptance of such written approval, in lieu of holding an EGM of the Company. Should the Company fail to obtain the acceptance of such written approval from the Stock Exchange, an EGM will be held to approve the Agreement and the notice of EGM will be included in the circular containing, *inter alia*, further information of the Agreement and the transactions contemplated therein will be dispatched to the Shareholders as soon as possible.

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 2:30 p.m. on 8 May 2007 at the request of the Company, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 17 May 2007.

DEFINITIONS

“2007 Target Revenue”	the target Revenue for the First Earn-Out Period, being RMB40,000,000;
“2007 Target Net Profit Margin”	the target net profit margin for the First Earn-Out Period, being 0%;
“2008 Target Revenue”	the target Revenue for the Second Earn-Out Period, being RMB100,000,000;
“2008 Target Net Profit Margin”	the target net profit margin for the Second Earn-Out Period, being 25%;
“2009 Target Revenue”	the target Revenue for the Third Earn-Out Period, being RMB75,000,000;
“2009 Target Net Profit Margin”	the target net profit margin for the Third Earn-Out Period, being 30%;
“Acquisition”	the acquisition by the Company of the Sale Shares pursuant to the terms and conditions of the Agreement;

“Agreement”	the sale and purchase agreement dated 8 May 2007 in relation to the Acquisition;
“Assets Transfer Agreement”	an agreement entered into between Xiaobao and Tianchang on 8 May 2007 pursuant to which Xiaobao agrees to acquire from Tianchang certain assets used by Tianchang in connection with the Principal Business;
“Board”	the board of directors of the Company;
“Business Day”	a day, other than Saturday, on which banks in Hong Kong are open for retail business;
“China Game Company”	a Subsidiary to be established by the Company which will become the holding company of East Treasure and its Subsidiaries;
“Company” or the “Purchaser”	Finet Group Limited (stock code: 8317), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on GEM;
“Completion”	completion of the Agreement pursuant to the terms and conditions of the Agreement;
“Completion Date”	10 Business Days after the satisfaction or waiver of the Conditions (as the case may be), or such later date as agreed by the parties in writing prior to Completion;
“Conditions”	the conditions set out in the Agreement;
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Agreement;
“Contract for Grant of State-owned Land Use Right of the Land”	the contract for grant of state-owned land use right in respect of the Land between Zhejiang Province Hangzhou Municipal State-owned Land and Resources Bureau Yu Hang Branch and Tianchang dated 19 October 2006 pursuant to which Tianchang was granted the land use right of the Land subject to the terms and conditions therein;
“Directors”	the directors of the Company;
“Earn-Out Period”	any of the First Earn-Out Period, the Second Earn-Out Period or the Third Earn-Out Period, as applicable;
“East Treasure”	East Treasure Limited, a limited liability company incorporated in the Republic of Seychelles. Immediately prior to the entering into of the Agreement, East Treasure was owned as to 60.24% by Graceful Sincere and 39.76% by Sun Wishing;

“East Treasure Group”	East Treasure and its Subsidiaries (including for this purpose Tianchang);
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time;
“Graceful Sincere”	Graceful Sincere Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability;
“Group”	the Company and its Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Investments”	The investments of an aggregate amount up to RMB50,000,000 to be made by the Company in East Treasure as set out in the Agreement;
“IPO”	initial public offering;
“Key Employees”	collectively, Mr. Guo Yu, Mr. Ning Zihai and Mr. Wang Wei, being the Chief Executive Officer, the Chief Technology Officer and the Chief Operating Officer of Tianchang;
“Land”	a plot of land situated at Wen Yi Village and Wu Chang Village of Xian Lin Township at Yu Hang District of Hangzhou, the PRC with an aggregate area of 16,399 sq.m., the land use right of which is currently owned by Tianchang;
“Land Charge Agreement”	an agreement entered into between Tianchang and Xiaobao on 8 May 2007 pursuant to which Tianchang agrees to charge the land use right of the Land with Xiaobao as security for the liabilities owed by Tianchang to East Treasure and its Subsidiaries from time to time arising from the performance of Tianchang under the Operative Agreements;
“MMORPG”	Massive Multiplayer Online Role Playing Game, which has been generating the bulk of revenues from online games in the PRC;
“Non-competition Agreement”	an agreement to be entered into by each of the Key Employees with the East Treasure Group pursuant to which each Key Employee agrees to be subject to certain restrictive covenants during his/her course of employment with the East Treasure Group;

“Online Game and Land Development Cooperation Agreement”	an agreement entered into between Xiaobao and Tianchang on 8 May 2007 in respect of the online game and land development cooperation project as set out in the Agreement;
“Online Game Licensing, Consulting and Services Agreement”	an agreement entered into between Xiaobao and Tianchang on 8 May 2007 pursuant to which (a) Xiaobao agrees to grant licences to Tianchang in respect of the distribution and sale of certain online game softwares in the PRC; and (b) Tianchang shall appoint Xiaobao on an exclusive basis to provide all the operational and technical support services, consultancy services and training to Tianchang in relation to the business and operation of Tianchang;
“Operative Agreements”	the Assets Transfer Agreement, the Land Charge Agreement, the Online Game and Land Development Cooperation Agreement, the Online Game Licensing, Consulting and Services Agreement, the Options Agreement, the Share Pledge Agreement and such other agreements as are necessary for the assignment of the economic benefits and certain assets of Tianchang to East Treasure and its Subsidiaries;
“Options Agreement”	an agreement entered into between Xiaobao, Tianchang and the shareholders of Tianchang on 8 May 2007 pursuant to which the shareholders of Tianchang agree to grant an option to Xiaobao to acquire their shares in Tianchang;
“PRC”	the People’s Republic of China and, for the purpose of the Agreement, excluding the Macau Special Administrative Region and Taiwan;
“Principal Business”	the principal business activities which are currently carried out by Tianchang including but not limited to the development and operations of online game products;
“Proprietary Information and Inventions Assignment”	an assignment to be executed by each of the Key Employees in favour of East Treasure and its Subsidiaries pursuant to which the Key Employee agrees to keep confidential certain proprietary information and assign to East Treasure and its Subsidiaries all inventions made during his/her course of employment with East Treasure and its Subsidiaries;
“Revenue”	the audited revenue of Tianchang for any Earn-Out Period that is generated directly or indirectly from the Principal Business and excludes revenue from other businesses, investments and barter transactions as stated in the audited financial report of Tianchang for such Earn-Out Period;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sale Shares”	50,000 shares of US\$1.00 each in the share capital of East Treasure, representing the entire issued share capital of East Treasure as at the date of this announcement and as at Completion;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares of the Company;
“Share Pledge Agreement”	an agreement entered into between Xiaoao, Tianchang and the shareholders of Tianchang on 8 May 2007 pursuant to which the shareholders of Tianchang agree to pledge their shares in Tianchang with Xiaoao as security for the liabilities owed by Tianchang to Xiaoao from time to time arising from the services provided by Xiaoao to Tianchang;
“sq.m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	has the meanings given in Hong Kong Accounting Standard 27;
“Sun Wishing”	Sun Wishing Technology Limited, a company incorporated in the British Virgin Islands with limited liability;
“Target Net Profit Margin”	any of the 2007 Target Net Profit Margin, 2008 Target Net Profit Margin or 2009 Target Net Profit Margin, as applicable;
“Target Revenue”	any of the 2007 Target Revenue, 2008 Target Revenue or 2009 Target Revenue, as applicable;
“Tianchang”	杭州天暢網絡科技有限公司 (Hangzhou Tianchang Network Technology Company Limited), a limited liability company incorporated in the PRC which is beneficially owned by the Vendors’ Guarantors;
“Tianchang Undertakings”	the undertakings to be given by Tianchang to East Treasure and its Subsidiaries pursuant to which Tianchang undertakes to East Treasure and its Subsidiaries that (a) it shall comply with all the requirements of, and perform all its obligations under, the Contract for Grant of State-owned Land Use Right of the Land; and (b) following the discharge of the subsisting mortgage over the Land, it shall take all the actions and steps as are necessary to effect the land transfer in pursuant to the Agreement provided that the Land Transfer shall be legally effected upon the full payment of the Consideration by the Company;

“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendors”	Graceful Sincere and Sun Wishing;
“Vendors’ Guarantors”	Mr. Guo Yu, Ms. Shi Mingping, Mr. Ning Zihai, Ms. Lu Jiangmei, Ms. Tang Xingqin, Mr. Cai Guoping and Ms. Zhang Huidi;
“WFOE”	wholly foreign owned enterprise;
“Xiaobao”	杭州笑傲數碼科技有限公司 (Hangzhou Xiaobao Digital Technology Company Limited), a WFOE established in the PRC which is beneficially owned by East Treasure; and
“%”	per cent.

Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of HK\$ 1 = RMB 0.96 for illustration purposes.

By Order of the Board
Tsang Kwok Wai, Simon
Company Secretary

Hong Kong, 16 May 2007

As at the date of this announcement, the executive Director is Dr. Yu Gang, George, the non-executive Directors are Dr. Kwan Pun Fong, Vincent and Mr. Brendan McMahon, and the independent non-executive Directors are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. William Hay.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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