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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: 08317)

### **DISCLOSEABLE TRANSACTION**

On 24 September 2008, the PRC Seller entered into the Disposal Agreement with the Purchasers in relation to the disposal of the entire equity interest in Tianchang for an aggregate consideration of RMB20.0 million (equivalent to approximately HK\$23.0 million), which shall be satisfied by the Purchasers in cash. Tianchang is accounted for as a subsidiary of the Company by virtue of certain Contractual Arrangements between the Company and the PRC Seller.

The Purchasers are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of the Group and its connected persons (as defined in the GEM Listing Rules).

The principal assets of Tianchang are its intellectual property rights in various online games and its interest in the Land. Prior to Disposal, Tianchang will be restructured so that its intellectual property rights in the online games will be transferred to the PRC Seller or its designee. Such intellectual property rights in the online games will continue to be controlled by the Company pursuant to the contractual arrangements. Accordingly, as at the completion of the Disposal Agreement, the only asset of Tianchang is its interests in the Land.

The Disposal constitutes a discloseable transaction of the Company under the GEM Listing Rules. A circular setting out, amongst other matters, details of the Disposal and information about the Group, will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

## **PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT**

**Date:** 24 September 2008

**Purchasers:** four PRC individuals.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers are third parties independent of the Group and its connected persons (as defined in the GEM Listing Rules).

**Seller:** PRC Seller.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the PRC Seller is a third party independent of the Group and its connected persons (as defined in the GEM Listing Rules).

**Asset(s) disposed:** Pursuant to the Disposal Agreement, the PRC Seller will dispose of 100% of the equity interest in Tianchang to the Purchasers. At Completion, (i) three of the Purchasers will hold 20% of the entire equity interest in Tianchang respectively and one of the Purchasers will hold 40% of the entire equity interest in Tianchang; and (ii) the sole asset of Tianchang is its interests in the Land. (which is 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 12,399 sq.m.).

**Consideration:** An aggregate consideration of RMB20.0 million (equivalent to approximately HK\$23.0 million) is payable by the Purchasers to the PRC Seller in cash as described below:

- (i) a sum of RMB17.0 million (equivalent to approximately HK\$19.5 million) (the "**First Payment**") will be paid to the PRC Seller upon the completion of the industrial and commercial registration with the relevant PRC authorities in relation to the Disposal; and
- (ii) a sum of RMB3.0 million (equivalent to approximately HK\$3.4 million) (the "**Final Payment**") shall be payable to the PRC Seller on the date of Completion.

**Date of Completion:** Completion is expected to take place on the 45th day from the signing of the Disposal Agreement.

**Others:** It has been agreed between the parties to the Disposal Agreement that:

- (i) all the intellectual property rights of Tianchang will be transferred to the PRC Seller or any parties designated by the PRC Seller at nil consideration; and
- (ii) any liabilities incurred by Tianchang prior to the date of First Payment shall be borne by the PRC Seller.

### **FINANCIAL EFFECT OF THE DISPOSAL**

The Company owns 85.71% of China Game. China Game has entered into the Contractual Arrangements with Tianchang and the PRC Seller, the resulting effect of which, Tianchang is deemed to be a wholly-owned subsidiary of China Game.

Upon Completion, the Group's interests in Tianchang will be transferred to the Purchasers and Tianchang will no longer be treated as a subsidiary of the Group.

On the basis of the corresponding unaudited negative net asset value of Tianchang as at 31 July 2008, it is estimated that, upon Completion, the Group will record a net gain, less all related expenses, of approximately HK\$37.0 million.

### **USE OF PROCEEDS**

The net proceeds of approximately HK\$22.8 million from the Disposal will be used as general working capital by the Group and to invest in the online games.

### **REASONS FOR THE DISPOSALS**

The Group's core business strategy is to develop and provide financial information services and technology solutions to corporate clients and retail investors in Greater China and to develop and operate online games in Mainland China. The Group's interests in the Land was acquired along with the acquisition of Tianchang in 2007. The Group is not currently involved in any real estate development business in China. Accordingly, the Directors believe that the Company should dispose of the Land (which is a non-core asset) and focus its financial resources on its core business.

The consideration for the Disposal was arrived at after arm's length negotiations between the Purchasers and the PRC Seller, taking into consideration of current market conditions in China's real estate market and a valuation report conducted by an independent valuer appointed by the Company to provide a valuation report of the Land. The aggregate consideration under the Disposal Agreement represents a premium of 11.11% to the valuation amount of the Land.

After considering the terms of the Disposal and comparing the consideration for the Disposal against the market price of land in the locality of the Land, the Board considers that the consideration for the Disposal is fair and reasonable and the Disposal is in the interests of the shareholders of the Company as a whole.

## **INFORMATION ABOUT THE GROUP AND TIANCHANG**

The Group is principally engaging in the development, production and provision of financial information services and technology solutions to corporate clients and retail investors in Greater China and to develop and operate online games in Mainland China.

Tianchang is a domestic limited liability company established in the PRC on 11 January 2005. The principal businesses of Tianchang are the development and operations of online games.

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, the Group has entered into Contractual Arrangements with Tianchang to provide online gaming to customers in the PRC. Through the Contractual Arrangements, the Group can exercise effective control over Tianchang and obtain all of the net profits of Tianchang arising from its principal business activities (i.e. the development and operations of online game products) in the form of technical support, consulting, licensing and other fees.

The principal assets of Tianchang are its intellectual property rights in various online games and its interest in the Land. It has been agreed by the parties to the Disposal Agreement that Tianchang's intellectual property rights in various online games shall be transferred to a new company (to be established by the PRC Seller in the PRC) at nil consideration at Completion. Upon completion of such transfer of the intellectual property rights, the Group will enter into contractual arrangements similar to the Contractual Arrangements so that the Company can be entitled to substantially all of the operating profits and residual benefits generated by such new company.

The unaudited negative net asset value of Tianchang amounted to approximately RMB9.7 million (equivalent to approximately HK\$11.1 million) as at 31 December 2007 (prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”)).

The unaudited net loss of Tianchang (before taxation and extraordinary items) for the two years ended 31 December 2007 amounted to approximately RMB9.9 million (equivalent to approximately HK\$11.4 million) and approximately RMB10.2 million (equivalent to approximately HK\$11.7 million) respectively (prepared in accordance with HKFRS). The unaudited net loss of Tianchang (after taxation and extraordinary items) for the two years ended 31 December 2007 amounted to approximately RMB9.9 million (equivalent to approximately HK\$11.4 million) and approximately RMB10.2 million (equivalent to approximately HK\$11.7 million) respectively (prepared in accordance with HKFRS).

## **GENERAL**

The Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. A circular setting out, amongst other matters, details of the Disposal and information about the Group, will be dispatched to the shareholders of the Company within 21 days after the publication of this announcement.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors;
“China Game”	China Game and Digital Entertainment Limited, a company incorporated in the Cayman Islands with limited liability, 85.71% of which is directly owned by the Company, 12% owned by The Pride of Treasure Fund and the remaining 2.29% owned by The Pride Venture Capital Fund;
“Company”	Finet Group Limited (stock code: 08317), a company incorporated in the Cayman Islands with limited liability and whose shares of HK\$0.01 each are listed on GEM;
“Completion”	completion of the Disposal in accordance with the terms of the Disposal Agreement;
“Contractual Arrangements”	contractual arrangements between the China Game, the PRC Seller and Tianchang pursuant to which the decision-making rights and operating and financing activities of Tianchang are ultimately controlled by the Company (through China Game) and the Company being entitled to substantially all of the operating profits and residual benefits generated by Tianchang;
“Directors”	the directors of the Company;
“Disposal Agreement”	the agreement dated 24 September 2008 entered into between the Purchasers and the PRC Seller;
“Disposal”	the disposal of 100% of the equity interest in Tianchang by the PRC Seller pursuant to the Disposal Agreement;
“GEM”	The Growth Enterprise Market of the HKSE;

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSE”	The Stock Exchange of Hong Kong Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 12,399 sq.m., the land use right of which is currently owned by Tianchang;
“Listing Rules”	the Rules Governing the Listing of Securities on the HKSE;
“PRC Seller”	a PRC individual, being a key employee of the Group;
“PRC”	the People’s Republic of China and, for the purpose of the Disposal Agreement, excluding the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“sq. m.”	square metre;
“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 has been accounted for as a wholly-owned subsidiary of China Game; and
“%”	per cent.

*Amounts denominated in RMB in this announcement have been converted into HK\$ at the rate of HK\$ 1 = RMB 0.87 for illustration purposes.*

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

Hong Kong, 25 September, 2008

*As at the date of this announcement, the executive Director is Dr. Yu Gang, George 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (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](http://www.finet.hk).*