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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

RELATING TO THE ACQUISITION OF THE ENTIRE ISSUE SHARE CAPITAL OF FUKOKU INVESTMENT (ASIA) LIMITED

On 11 February 2010, the Company and the Vendors entered into the Agreement for the Acquisition pursuant to which the Company has conditionally agreed to acquire, and the Vendors together have conditionally agreed to sell, the entire issued share capital of the Target Company.

As the applicable percentage ratios (other than the revenue ratio) calculated under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition are less than 5%, and the revenue ratio in respect of the Acquisition and the alternative size test in lieu of the total assets ratio are each more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that on 11 February 2010, the Company and the Vendors entered into the Agreement for the Acquisition.

THE AGREEMENT

Date

11 February 2010

Parties to the Agreement

- (a) Purchaser : The Company
- (b) Vendors : Three individuals holding 86.36%, 9.09% and 4.55% interests, respectively, in the Target Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors are each independent of and not connected with the Company and its connected persons.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire, and the Vendors together have conditionally agreed to sell, the entire issued share capital of the Target Company.

Consideration

The Consideration is approximately HK\$12.6 million, which is based on the net asset value of the Target Company as at the Completion Date as shown in the Completion Accounts and a premium, assuming that the net asset value of the Target Company as at the Completion Date is the same as that as at 31 December 2009, which is approximately HK\$11.12 million as shown in the unaudited management accounts of the Target Company.

The Board believes that the net asset value of the Target Company as at the Completion Date as shown in the Completion Accounts will not differ from that as at 31 December 2009 materially. In the event that there is a substantial difference between the net asset value of the Target Company as at 31 December 2009 and that as at the Completion Date as shown in the Completion Accounts such that the Acquisition becomes a major transaction or a very substantial acquisition for the Company, the Company would comply with the relevant requirements under the GEM Listing Rules.

The Consideration shall be payable by the Company in cash to the Vendors in the following manner:

- (a) upon signing of the Agreement, the Company shall pay an initial payment of HK\$1,500,000 in cash as part payment of the Consideration to the Vendor holding an 86.36% interest in the Target Company; and
- (b) upon Completion, the Company shall pay 9.09% and 4.55% of the Consideration to the Vendors holding a 9.09% interest and a 4.55% interest in the Target Company, respectively, and the remaining balance of the Consideration to the Vendor holding an 86.36% interest in the Target Company.

The Consideration has been arrived at after arm's length negotiation between the Company and the Vendors with reference to the net asset value and the goodwill of the Target Company. The Company intends to finance the Acquisition by its internal resources.

Conditions for the Acquisition

Completion of the Acquisition is conditional upon the fulfillment of, among other things, the following conditions:

- (a) the Company having been satisfied with the results of its due diligence investigations into the legal, financial, compliance, contractual, tax and trading positions of the Target Company and the net asset value calculation of the Target Company as at the Completion Date as set out in the Completion Accounts;

- (b) the Company, the Target Company and/or any of the Vendors having obtained all the authorisations (including but not limited to the approval and/or consent of the SFC in connection with the Acquisition) which are legally required for the entering into of, and the performance of the respective obligations of the Parties and the Target Company under, the Agreement and all such authorisations remaining in full force and effect; and
- (c) all filings with any relevant governmental or regulatory authorities and other relevant third parties which are legally required for the entering into and the implementation of the Agreement having been made.

If any of the above conditions is not fulfilled or waived, as the case may be, on or before the Long Stop Date, the Agreement shall terminate and none of the Parties shall have any liability to the other Parties save for any antecedent breach of the terms of the Agreement and save that the Vendor holding an 86.36% interest in the Target Company shall forthwith repay the initial payment of HK\$1,500,000 in full to the Company, provided that the Vendor holding an 86.36% interest in the Target Company shall be entitled to retain HK\$500,000 from the initial payment of HK\$1,500,000 and forthwith repay the remaining balance of the initial payment to the Company if:

- (i) the only condition that cannot be fulfilled on or before the Long Stop Date is due to the failure of the Company to satisfy the requirement(s) imposed by the SFC (for which the Company is responsible) for approving the application under the SFO to enable the Company to become a substantial shareholder (within the meaning of the SFO) of the Target Company; and/or
- (ii) the Company fails to use its best endeavours to procure (only to the extent within the capacity of the Company) that such condition is satisfied.

Completion

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated with the financial statements of the Group.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Group has been providing financial information services in Greater China since 1998. Given its brand name and quality of services, the Group has accumulated a significant number of customers in Greater China over the past decade. Following the increasing integration between Hong Kong, China and Taiwan both economically and financially over the past few years, it has become a trend for investors in China and Taiwan to trade Hong Kong stocks, and in particular, over the years the Group's customers in Mainland China have been continuously requesting the Group to provide one-stop shop solutions to their investment needs, namely, financial news, data, analysis and trading execution.

The Group plans to expand the Target Company's businesses and grow it into a leading online discount broker for Hong Kong securities and futures, and over time to cover other financial markets, such as the US, China's A shares and Taiwanese markets, after appropriate regulatory approvals.

The acquisition of the Target Company is an extension of the Group's existing financial information services, and a natural step to fulfill the demands of both institutional and individual investors in Greater China. The acquisition is also consistent with the Group's existing business growth strategies in China's IMM (Internet, Mobile and Media) markets. The Directors believe

that the acquisition of the Target Company is a valued enhancement to the Group's existing online media and distribution business, it will not only help market the Group's products and services, but also boost the Group's profitability.

The Directors consider that the Agreement is on normal commercial terms, the terms of which are fair and reasonable and the Acquisition is in the best interests of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. The net asset value of the Target Company as at 31 October 2009 as shown in the audited financial statement of the Target Company for the year ended 31 October 2009 was HK\$10,521,942. The net loss (both before and after taxation and extraordinary items) of the Target Company for the two years ended 31 October 2008 and 2009 are as follows:-

	Audited net loss for the year ended 31 October	
	2008	2009
Before taxation and extraordinary items	HK\$5,736,401	HK\$917,668
After taxation and extraordinary items	HK\$5,325,887	HK\$917,668

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 in Greater China and to develop and operate online games in Mainland China.

IMPLICATIONS UNDER THE GEM LISTING RULES

The applicable percentage ratios (except the revenue ratio) calculated under Rule 19.07 of the GEM Listing Rules (i.e. the profits ratio and the consideration ratio) in respect of the Acquisition are less than 5%. The revenue ratio in respect of the Acquisition is more than 5% but is less than 25%.

Given that the Target Company is engaged in the securities brokerage business and will handle client assets in its usual and ordinary course of business, the Company takes the view that the application of the total assets ratio (which takes into account not only the assets of the Target Company but also the client assets which the Target Company holds on trust for its clients) is inappropriate for classifying the Acquisition by the reason that it would produce an anomalous result. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has approved, the adoption of an alternative size test in lieu of the total assets ratio under Rule 19.20 using (a) as numerator, the total assets of the Target Company minus the client assets; and (b) as denominator, the total assets of the Company based on the published unaudited consolidated financial statements of the Company for the six months ended 30 September 2009 as adjusted after taking into account the effect of the open offer of the Company completed on 26 November 2009 as required under Rule 19.18 of the GEM Listing Rules. The alternative size test in respect of the Acquisition is more than 5% but is less than 25%.

As the applicable percentage ratios (except the revenue ratio) calculated under Rule 19.07 of the GEM Listing Rules in respect of the Acquisition are less than 5%, and the revenue ratio in respect of the Acquisition and the alternative size test in lieu of the total assets ratio are each more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendors on the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement entered into between the Company and the Vendors in respect of the Acquisition
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“Company”	Finet Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Acquisition on the terms and conditions of the Agreement
“Completion Accounts”	the unaudited profit and loss accounts and balance sheets of the Target Company as at the Completion Date and agreed by the Company
“Completion Date”	the date on which Completion takes place, being the fifth Business Day from the date of receipt by the Vendors, the Company or the Target Company of the written approval or consent from the SFC in connection with the Acquisition or such other date as the Vendors and the Company shall agree in writing
“Consideration”	the consideration for the Acquisition, as more particularly set out in the paragraph headed “Consideration” of this announcement
“Director(s)”	director(s) of the Company
“GEM”	The Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	a date falling on the date which is three months after the date of signing of the Agreement or such later date as the Parties may agree in writing
“Parties”	the Company and the Vendors, and a “Party” shall mean any of them
“PRC”	the People's Republic of China
“regulated activities”	has the meaning ascribed to it under the SFO
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Fukoku Investment (Asia) Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities
“Vendors”	comprise three (3) individuals who are independent of and not connected with the Company and its connected persons, and a “Vendor” shall mean any of them
“%”	per cent.

By Order of the Board
Yu Gang, George
Chairman

Hong Kong, 11 February 2010

As at the date of this announcement, the executive Directors are Dr. Yu Gang, George and Mr. Lin Peng, Ben and the independent non-executive Directors are Dr. Lam Lee G., Mr. Wu Tak Lung and Mr. Lam Ka Wai, Graham.

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 enquiries, 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.