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財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8317)

CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY

Financial adviser to the Company



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

THE DISPOSAL

On 1 September 2016, the Purchaser and Finet Group Limited (the “**Company**”) entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to dispose of the Sale Shares of the Target Company, at the consideration of HK\$5,000,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the Company’s financial statements after Completion.

GEM LISTING RULE IMPLICATIONS

The Purchaser, being the Director of the Target Company, is also the Director and the ultimate controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company.

As all the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder exceed 0.1% but are less than 5%, the Sale and Purchase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM THE BOARD

The Directors (excluding Ms. Lo Yuk Yee, the connected Director who is required to abstain from voting, but including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are determined after arm's length negotiation, and entered into in the usual and ordinary course of the business of the Group and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ms. Lo Yuk Yee, being the connected Director, has abstained from voting on the relevant transaction at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the transaction.

WARNING NOTICE

Completion of the Disposal is subject to, among other things, fulfillment of the conditions precedent in the Sale and Purchase Agreement. As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SALE AND PURCHASE AGREEMENT

Date : 1 September 2016

Parties

Vendor : The Company

Purchaser : Ms. Lo Yuk Yee

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to dispose of the Sale Shares (being the entire issued share capital of China Finance Holdings Limited (the "**Target Company**")).

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the consideration is HK\$5,000,000 and shall be satisfied in the following manner:

- (i) a sum of HK\$100,000 shall be payable in cash by the Purchaser to the Company or its nominee(s) (as the Company may direct in writing) upon execution of the Sale and Purchase Agreement; and
- (ii) a sum of HK\$4,900,000 shall be payable in cash by the Purchaser to the Company or its nominee(s) (as the Company may direct in writing) upon Completion unless the Parties have mutually agreed to a later date in writing.

The Consideration was determined by the Company and the Purchaser on the basis of normal commercial terms and arm's length negotiations with reference to the audited net assets of the Target Group of approximately HK\$4,770,000 as at 31 March 2016 and unaudited net assets of the Target Group of approximately HK\$4,770,000 as at 31 July 2016.

The Directors (including the independent non-executive Directors) hold the view that the terms of the Sale and Purchase Agreement (including the bases of the Consideration), which are determined based on an arm's length negotiations between the parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Disposal shall be conditional upon all the following conditions being fulfilled or waived:

- i. no breach of GEM Listing Rule 17.26 concerning sufficient operations and tangible assets;
- ii. the Purchaser being satisfied with the results of the due diligence exercise on the Target Company, including but not limited to its relevant businesses, assets, liabilities, operations, financial, legal or other status which the Purchaser thinks necessary and appropriate to conduct;
- iii. the Purchaser being satisfied with the relevant valuation report on the shares of the Target Company by an independent valuer specified by the Purchaser (if applicable);
- iv. none of the undertakings, warranties and representations of the Company contained in the Sale and Purchase Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- v. none of the undertakings, warranties and representations of the Purchaser contained in the Sale and Purchase Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- vi. the independent board of directors (other than those who have material interest in the Disposal and are required to abstain from voting) of the Company having approved and authorised the Sale and Purchase Agreement and the transactions contemplated thereunder;
- vii. the board of directors of the Company having approved and authorised the Sale and Purchase Agreement and the transactions contemplated thereunder;
- viii. the SFC granting approval (which shall be unconditional, or shall attach to it only customary conditions and there is no breach of such conditions) allowing the Purchaser to be a substantial shareholder of the Target Company and its licensed subsidiaries;
- ix. all necessary governmental and regulatory approvals or consents (or waivers), including but not limited to those from the Stock Exchange, the SFC and/or other authority, required by the Company and the Purchaser or any of them for the consummation of the transactions contemplated in the Sale and Purchase Agreement having been obtained;

- x. all necessary third party approvals or consents (or waivers) required by the Purchaser and the Company or any of them for the consummation of the transactions contemplated in the Sale and Purchase Agreement having been obtained;
- xi. the Purchaser obtains sufficient funding to discharge its obligation under the Sale and Purchase Agreement; and
- xii. the Company having confirmed in writing that from the date of signing of this Agreement, there has not been any abnormal operations nor any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Company.

In the event that the above conditions are not fulfilled on or before 31 December 2016 or such later date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall terminate and no party to the Agreement shall have any claim against the other party.

The Purchaser is entitled to waive all or any of the conditions above, apart from (i), (vi), (vii), (viii), (ix), and (x) above, at its absolute discretion by way of written notice to the Company.

Completion

Subject to the fulfillment (or waiver) of all the Conditions Precedent and all relevant obligations under the Sale and Purchase Agreement by the Long Stop Date, Completion shall take place on or before 5:00 p.m. on the Completion Date at 30/F., Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong or at such other time and place as may be agreed by the Purchaser and the Company in writing.

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the Company's financial statements after Completion.

Non-competition undertaking by the Purchaser

Pursuant to the Sale and Purchase Agreement, the Purchaser undertakes in favour of the Company that upon Completion and during the term when the Purchaser is a Director and/or a controlling Shareholder of the Company, without prior consent of the Company, the Target Company shall not be engaged in the business of dealing in securities which may directly or indirectly compete with the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by the Company. The principal activity of the Company is the provision of securities dealing referral services in Hong Kong.

According to the audited financial statements of the Target Company prepared under the Hong Kong Financial Reporting Standards, the audited net losses (before and after taxation and extraordinary items) of the Target Company for the two financial years ended 31 March 2015 and 2016 were approximately HK\$12,000 and HK\$14,000 respectively while the audited net assets of the Target Company as at 31 March 2016 were approximately HK\$4,770,000.

INFORMATION ON THE COMPANY

The Company and its subsidiaries (the “**Group**”) is principally engaged in development, production and provision of financial information services and technology solutions, media and investors’ relationship business, securities and futures business and money lending.

INFORMATION ON THE PURCHASER

The Purchaser, being the Director of the Target Company, is also the Director and the ultimate controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

REASONS FOR THE DISPOSAL

In view of no turnover and the continuing loss accrued by the Target Company and the fact that the Target Company does not have any Stock Exchange trading right, the Directors consider that the Disposal is able to facilitate the Group to increase the level of return on its investments and redeploy its resources to Finet Securities Limited, a wholly owned subsidiary of the Company engaged in the business of dealing in securities.

The proceeds arising from the Disposal will be used as the general working capital of the Group.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

BASES OF CONSIDERATION

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser and was determined with reference to the audited net assets of the Target Group of approximately HK\$4,770,000 as at 31 March 2016 and unaudited net assets of the Target Group of approximately HK\$4,770,000 as at 31 July 2016.

The Directors consider that the Consideration and the terms and conditions of the Disposal are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATIONS OF THE DISPOSAL

The gain, before transaction costs, arising from the Disposal is estimated to be approximately HK\$200,000, being the difference between the consideration for the Disposal and the unaudited carrying value of the Company/Group’s interest in the Target Company of approximately HK\$4,770,000 at 31 July 2016.

IMPLICATION UNDER THE GEM LISTING RULES

As at the date of this announcement, the Purchaser, being the Director of the Target Company, is also the Director and the ultimate controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company.

As all the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder exceed 0.1% but are less than 5%, the Sale and Purchase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM THE BOARD

The Directors (excluding Ms. Lo Yuk Yee, the connected Director who is required to abstain from voting, but including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are determined after arm's length negotiation, and entered into in the usual and ordinary course of the business of the Group and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ms. Lo Yuk Yee, being the connected Director, has abstained from voting on the relevant transaction at the Board meeting. Save as disclosed above, none of the Directors has any material interest in the transaction.

WARNING NOTICE

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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 (stock code: 8317)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which is within 20 business days after all the conditions of the Sale and Purchase Agreement have been fulfilled or waived or such later date as may be agreed between the Company and the Purchaser
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	directors of the Company

“Disposal”	the disposal of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	31 December 2016, or any other date as the Company and the Purchaser may agree in writing for fulfillment of the Conditions Precedent
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Ms. Lo Yuk Yee
“Sale Shares”	an aggregate of 5,000,000 Target Company Shares legally and beneficially owned by the Company, representing the entire issued share capital of the Target Company
“Sale and Purchase Agreement”	the agreement dated 1 September 2016 entered into between the Purchaser and the Company in respect of the Disposal
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Finance Holdings Limited, a company incorporated in the Hong Kong with limited liability and is a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
Finet Group Limited
Lo Yuk Yee
Chairman and executive Director

Hong Kong, 1 September 2016

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

This announcement, for which the directors of the Company 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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