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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

DEEMED DISPOSAL OF A SUBSIDIARY

Financial adviser to the Company



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 19 December 2012 (after trading hours), Xian Dai, an indirect wholly-owned subsidiary of the Company, and the Subscriber entered into the Subscription Agreement.

Pursuant to the Subscription Agreement, Xian Dai has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 4,000,000 Subscription Shares of Xian Dai for cash at the subscription price of HK\$4,000,000 in aggregate, representing 50% of the issued share capital of Xian Dai as enlarged by the Subscription.

Upon Completion of the Subscription Agreement, the aggregate interests of Finet New Media, the current sole shareholder of Xian Dai, in the issued share capital of Xian Dai will be diluted from 100% to 50%. Xian Dai will be owned as to 50% by Finet New Media and as to 50% by the Subscriber respectively. The Company will continue to account for Xian Dai as an indirect subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company.

GEM LISTING RULES IMPLICATION

The Subscription constitutes a deemed disposal by the Group of 50% of its indirect interests in the issued share capital of Xian Dai within the meaning of Rule 19.29 of the GEM Listing Rules.

Ms. Lo Yuk Yee, being the Director and the ultimate controlling Shareholder of the Company, is also the Director and the ultimate controlling shareholder of the Subscriber. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company.

Ms. Lo Yuk Yee, therefore, has abstained from voting on the Board resolutions approving the Subscription Agreement, in accordance with the bye-laws of the Company.

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

THE SUBSCRIPTION AGREEMENT

Date

19 December 2012 (after trading hours)

Parties to the Agreement

Issuer: Xian Dai

Subscriber: Maxx Management Services Limited

The Subscription

Pursuant to the Subscription Agreement, Xian Dai has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 4,000,000 Subscription Shares of Xian Dai for cash at the subscription price of HK\$4,000,000 in aggregate.

Consideration

The total consideration of HK\$4,000,000, representing 50% of the issued share capital of Xian Dai of HK\$8,000,000 as enlarged by the Subscription, shall be payable in full in cash on Completion.

The terms of the Subscription Agreement were determined after arm's length negotiation amongst the parties thereof.

The Directors (including the independent non-executive Directors) hold the view that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of Subscription Shares

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all other shares in issue or to be issued by Xian Dai on or prior to the Completion Date, including the rights to all dividends and other distributions declared, made or paid at any time on or after the Completion Date.

Conditions precedent

The Subscription Agreement is conditional upon the following conditions precedent being fulfilled or (as the case may be) waived:

- (1) the full compliance with the GEM Listing Rules, Companies Ordinance and all applicable laws and regulations in relation to the Subscription;
- (2) the obtaining of the approval of the board of directors of Xian Dai in respect of the Subscription Agreement, the Subscription and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares, in accordance with the articles of association of Xian Dai, GEM Listing Rules, Companies Ordinance and all applicable Hong Kong laws and regulations;
- (3) the obtaining of the approval of the shareholders of Xian Dai in respect of the Subscription Agreement, the Subscription and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares, in accordance with the articles of association of Xian Dai, GEM Listing Rules, Companies Ordinance and all applicable Hong Kong laws and regulations;
- (4) any and all corporate approvals and any other approvals or consents from any and all governmental or regulatory authorities (including the Stock Exchange and/or Securities and Futures Commission of Hong Kong) required for the Subscription and the transactions contemplated; and
- (5) the Subscriber being satisfied with the results of the due diligence exercise on Xian Dai, its respective businesses, assets, liabilities, activities, operations, prospects and other status which the Subscriber thinks necessary and appropriate to conduct.

If any of the above conditions cannot be fulfilled within 3 Business Days from the date of the Subscription Agreement (or such later time or date as may be agreed between the parties in writing), the obligations of Xian Dai and Subscriber under the Subscription Agreement shall cease and terminate and neither Xian Dai nor the Subscriber shall have any claim against the other party in respect of the Subscription.

Each of the parties thereto undertake to the other party that it will exercise its best endeavours to procure the fulfillment of the conditions specified above, including without limitation, by making all necessary applications and timely supply of information to the relevant governmental or regulatory authorities.

Variation of the Subscription Agreement

No variation of the Subscription Agreement shall be effective unless made in writing as confirmation letter or supplemental agreement and signed by all of the parties.

In the event that any terms of the Subscription Agreement are amended, further announcement will be made by the Company as and when appropriate in compliance with GEM Listing Rules.

Completion

Completion shall take place within 3 Business Days after all conditions precedent are fulfilled, or such later date as may be agreed by Xian Dai and the Subscriber.

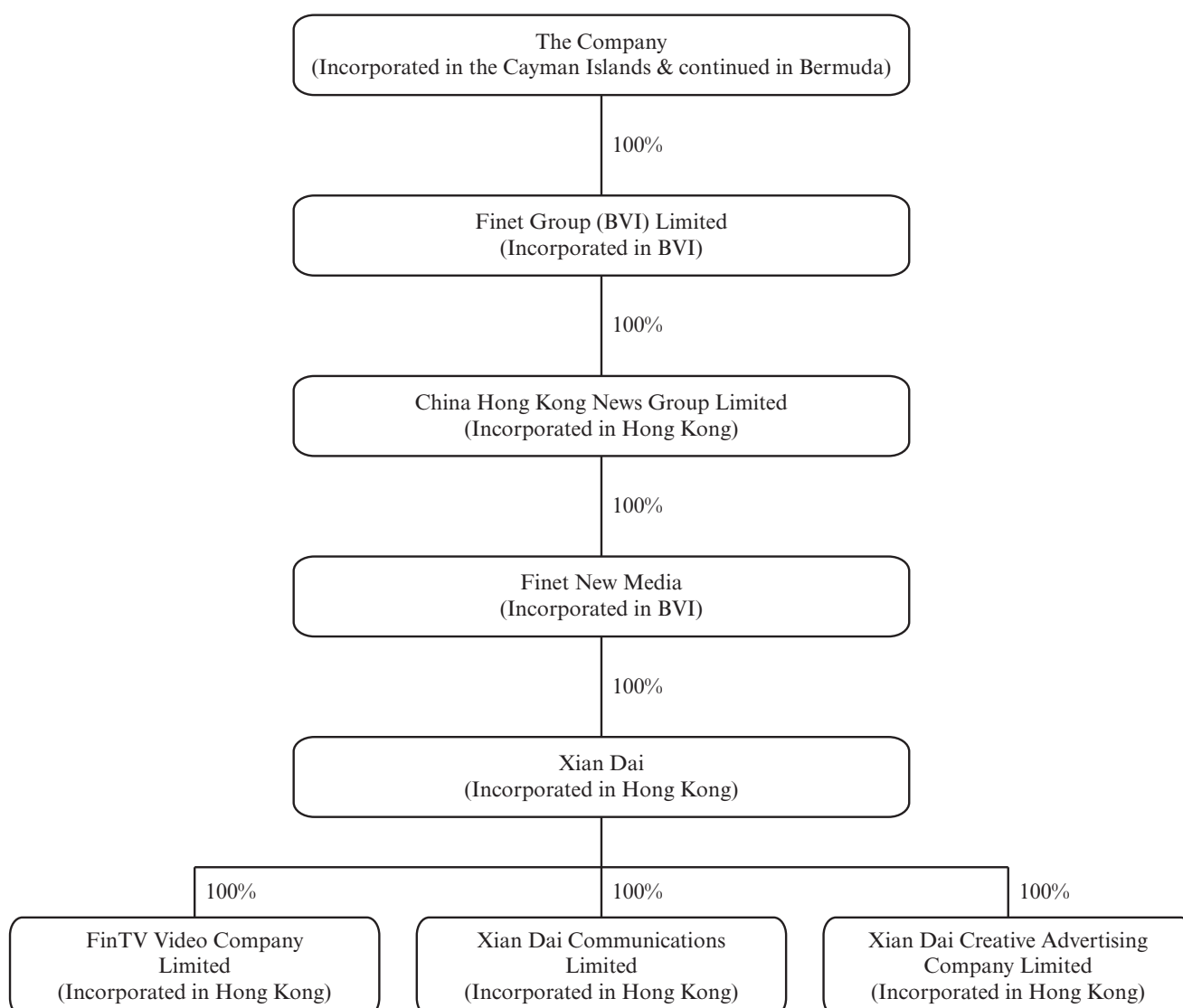
Upon Completion, the aggregate interests of Finet New Media, the current sole shareholder of Xian Dai, in the issued share capital of Xian Dai will be diluted from 100% to 50%. Xian Dai will be owned as to 50% by Finet New Media and as to 50% by the Subscriber respectively. The Company will continue to account for Xian Dai as an indirect subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company.

ORGANISATION STRUCTURE

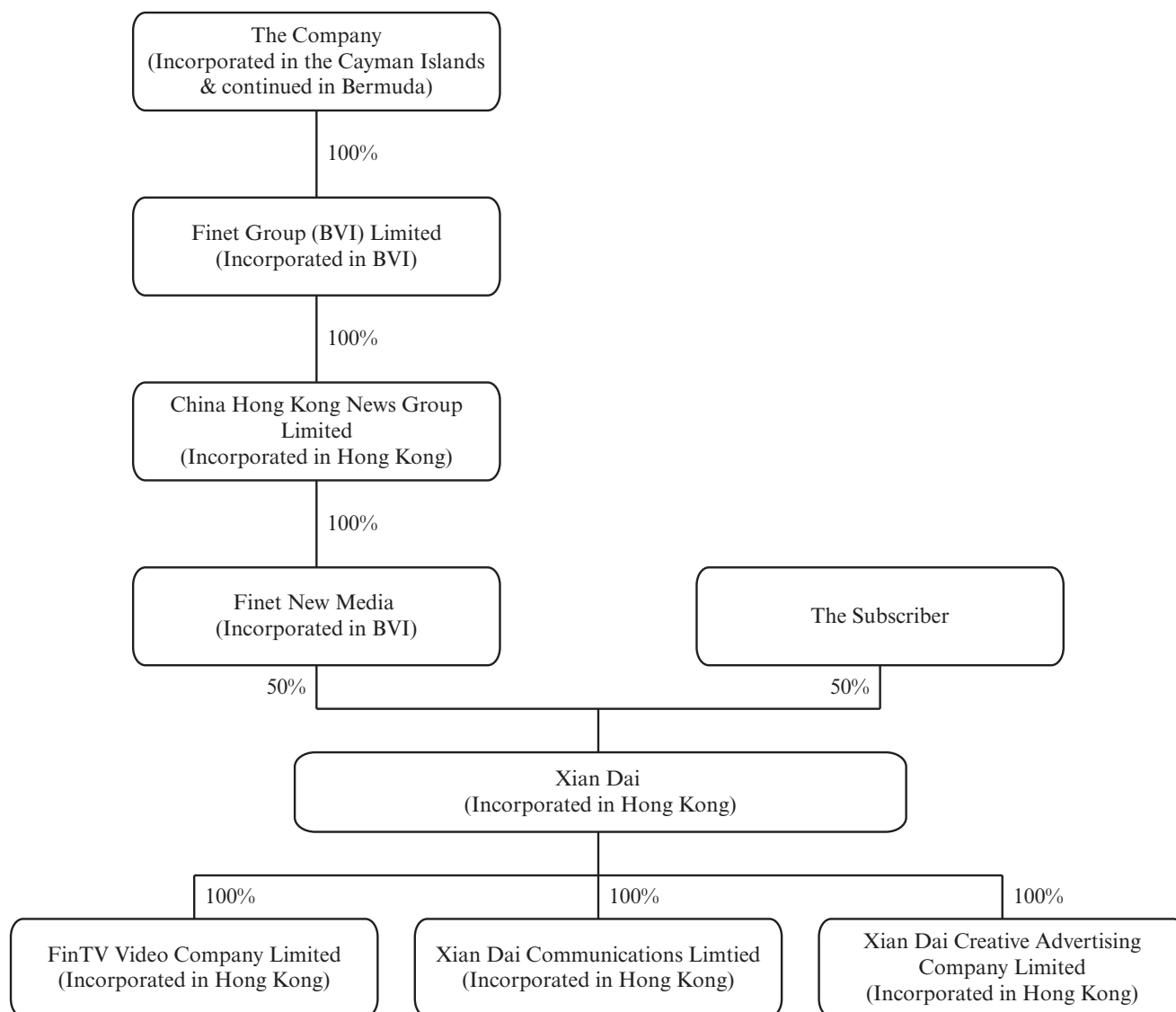
Upon Completion, Xian Dai will still remain as a non-wholly owned subsidiary of the Company and the financial information of Xian Dai will still be consolidated into the consolidated financial statements of the Company.

The following diagrams outline the Company and its interest in its relevant subsidiaries before and after the Completion under the Subscription Agreement respectively:

Shareholding structure of Xian Dai before Completion



Changes in shareholding structure of Xian Dai after Completion



INFORMATION OF XIAN DAI

Xian Dai is a company incorporated in Hong Kong since 9 June 2011 with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in the production of programmes regarding financial news.

Xian Dai is the sole shareholder of FinTV Video Company Limited, Xian Dai Communications Limited and Xian Dai Creative Advertising Company Limited. FinTV Video Company Limited is principally engaged in video making for public relationship business, on-line financial news, media covering Hong Kong and China audience. Xian Dai Communications Limited is principally engaged in financial public relationship for listed companies and non-listed companies. Xian Dai Creative Advertising Company Limited is principally engaged in on-line and off-line advertising.

As at the date of this announcement, the total issued share capital of Xian Dai is HK\$4,000,000. Upon Completion, the total issued share capital of Xian Dai will be increased from HK\$4,000,000 to HK\$8,000,000, and owned as to 50% by Finet New Media and as to 50% by the Subscriber respectively.

Set out below is a summary of the unaudited consolidated financial information of Xian Dai for the 3 months ended 30 September 2011 since the incorporation of Xian Dai and for the year ended 30 September 2012:

	For the 3 months ended 30 September 2011	For the year ended 30 September 2012
Net loss before taxation	HK\$0	HK\$320,951.47
Net loss after taxation	HK\$0	HK\$320,951.47
Net asset/(liability)	HK\$10,000	HK\$(310,951)

An inter-company payables of HK\$3,990,000 in aggregate owed by Xian Dai to the Group has recently been satisfied by 3,990,000 new shares of Xian Dai of HK\$1.00 each being allotted and issued to Finet New Media, an indirect wholly-owned subsidiary of the Company and the current sole shareholder of Xian Dai. Accordingly, the authorised capital of Xian Dai has recently been increased from HK\$10,000 to HK\$4,000,000.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong since 22 September 2000 with limited liability. It is owned as to 100% by Maxx Capital Finance, Maxx Capital Finance is a wholly-owned subsidiary of Pablos International Limited and Pablos International Limited is in turn wholly-owned by Ms. Lo Yuk Yee.

Ms. Lo Yuk Yee, being the Director and the ultimate controlling Shareholder of the Company, is also the director and the ultimate controlling shareholder of the Subscriber. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company.

The Subscriber is principally engaged in management services.

BASIS OF CONSIDERATION

The Board (including the independent non-executive Directors), having considered (i) the book value of Xian Dai; (ii) the current financial position and business performance of Xian Dai; and (iii) capital commitment for development is of the opinion that the price offered to the Subscriber to acquire Xian Dai shares, being one Hong Kong dollar for one share, is fair and reasonable, on normal commercial terms, after arm's length negotiation and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The Directors consider that the Subscription represents a good opportunity to raise additional funds for Xian Dai while broadening its capital base. The Subscription will therefore enhance Xian Dai's flexibility in future business developments or investments as and when opportunities arise.

The Directors (including the independent non-executive Directors) hold the view that the Subscription contemplated under the Subscription Agreement is in the interests of the Company and the Shareholders as a whole, and the terms of the Subscription Agreement are determined after arm's length negotiations between Xian Dai and the Subscriber, on normal commercial terms and are fair and reasonable.

GEM LISTING RULES IMPLICATIONS

The Subscription constitutes a deemed disposal by the Group of 50% of its indirect interests in the issued share capital of Xian Dai within the meaning of Rule 19.29 of the GEM Listing Rules.

Ms. Lo Yuk Yee, being the Director and the ultimate controlling Shareholder of the Company, is also the director and the ultimate controlling shareholder of the Subscriber. Accordingly, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company.

Ms. Lo Yuk Yee, therefore, has abstained from voting on the Board resolutions approving the Subscription Agreement, in accordance with the bye-laws of the Company.

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

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in the securities and futures business that specializes in the provision of online securities and futures trading, and the development, production and provision of financial information services and technology solutions to corporate and retail clients.

DEFINITIONS

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

“Board”	the board of the Directors
“Business Day”	any day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open to the general public for business
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise 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 (stock code: 8317)

“Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the 3rd Business Day following the date on which all the conditions precedent are fulfilled or at such other time as the parties may mutually agree in writing
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	the directors of the Company
“Finet New Media”	Finet New Media Limited, an indirect wholly-owned subsidiary of the Company and the sole shareholder of Xian Dai, before Completion of the Subscription
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Maxx Capital Finance”	Maxx Capital Finance Limited, a company incorporated in Hong Kong with limited liability, is wholly and beneficially owned by Ms. Lo Yuk Yee
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	The registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Maxx Management Services Limited, a company incorporated in Hong Kong with limited liability and is owned as to 100% by Maxx Capital Finance
“Subscription”	the subscription of an aggregate of 4,000,000 new shares of Xian Dai by the Subscriber at the subscription price of HK\$4,000,000 in aggregate pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 19 December 2012 entered into between Xian Dai and the Subscriber in relation to the Subscription
“Subscription Shares”	An aggregate of 4,000,000 new shares to be issued and allotted to the Subscriber by Xian Dai pursuant to the terms and conditions of the Subscription Agreement

“subsidiary(ies)”	has the meaning ascribed thereto in the GEM Listing Rules
“Xian Dai”	Xian Dai TV Limited, an indirect wholly-owned subsidiary of the Company before the Completion of the Subscription
“HK\$”	Hong Kong dollar(s), 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, 19 December 2012

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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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 matter 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.