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FINSOFT FINANCIAL INVESTMENT HOLDINGS LIMITED

匯財金融投資控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8018)

(I) DISCLOSEABLE TRANSACTION– MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF 51% OF THE ISSUED SHARES OF THE TARGET OR THE HOLDING COMPANY (II) UPDATE ON USAGE OF NET PROCEEDS OF ISSUE OF NOTES

THE MEMORANDUM

The Board wishes to announce that after trading hours on 19 August 2015, the Proposed Purchaser (a wholly-owned subsidiary of the Company) and the Proposed Vendors entered into the Memorandum in relation to the Proposed Acquisition.

The Memorandum is legally binding in nature but the completion of the Proposed Acquisition is subject to the entering into of the Definitive Agreement.

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements of Chapter 19 of the GEM Listing Rules.

UPDATE ON USAGE OF NET PROCEEDS OF ISSUE OF THE NOTES

The Proposed Acquisition, if materialised, will be financed by part of the net proceeds from the issue of the Notes.

The Board wishes to announce that after trading hours on 19 August 2015, the Proposed Purchaser (a wholly-owned subsidiary of the Company) and the Proposed Vendors entered into the Memorandum in relation to the Proposed Acquisition.

* *for identification purpose only*

The principal terms of the Memorandum are set out below:

THE MEMORANDUM

Date:

19 August 2015

Parties:

Proposed Vendors: (i) Lai Ka Kui
 (ii) Leong Hong Man
 (iii) Ngan Yim Ming Mison
 (iv) Chung Kin Wah

Proposed Purchaser: Finsoft FinTech Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of the Proposed Vendors is an individual and an Independent Third Party as at the date of this announcement.

Assets to be acquired

Pursuant to the Memorandum, it is proposed that the Proposed Purchaser, will acquire, and the Proposed Vendors, will sell, 51% of the issued shares of the Target or the Holding Company.

Consideration

Subject to the terms to be set out in the Definitive Agreement, the consideration for the Proposed Acquisition shall be HK\$30.6 million (subject to adjustment) and shall be paid by the Proposed Purchaser to the Proposed Vendors in the following manner:

- (a) HK\$13 million will be paid to the Proposed Vendors upon completion of the Proposed Acquisition;
- (b) HK\$8.8 million will be paid to the Proposed Vendors if the profit before tax of the Target for the six months ending 31 December 2015 amounting to not less than HK\$5 million; and
- (c) HK\$8.8 million will be paid to the Proposed Vendors if the profit before tax of the Target for the 12 months ending 30 June 2016 amounting to not less than HK\$10 million.

The consideration for the Proposed Acquisition shall be subject to downward adjustment in the event that: (a) the profit before tax of the Target for the six months ending 31 December 2015 is less than HK\$5 million; or (b) the profit before tax of the Target for the 12 months ending 30 June 2016 is less than HK\$10 million. Detailed adjustment mechanism will be set out in the Definitive Agreement.

The consideration was arrived at after arm's length negotiations between the Proposed Vendors and the Proposed Purchaser and taking into account factors including mainly, (i) the price adjustment mechanism as mentioned above; and (ii) the business potential and prospects of the Target.

Capital Injection

The Proposed Vendors and the Proposed Purchaser agree to inject HK\$6 million to the Target in proportion to their respective shareholding in the Target as share capital or by way of shareholder's loan upon completion of the Proposed Acquisition.

Dividend

The Proposed Vendors and the Proposed Purchaser agree that subject to any applicable legal requirements, the provisions of the constitution documents of the Target, any restrictions imposed under any loan agreements, security documents or other contracts, not less than 20% of the profits or, where applicable, the consolidated profits of the Target attributable to the shareholders for each financial year, after making adequate reserve for the following items, shall be distributed to the shareholders:

- (a) taxation of any form;
- (b) actual or contingent liabilities;
- (c) reasonable working capital;
- (d) accumulated amount of losses; and
- (e) other purposes which the board of directors of the Target shall consider reasonable.

Due diligence review

After the signing of the Memorandum, the Proposed Purchaser (and its agents and/or advisers) shall be entitled to assess and review the records and affairs of the Target and the Proposed Vendors shall, and shall procure their and the Target's officers, employees and advisers to provide reasonable assistance in this respect.

Completion

Completion of the Proposed Acquisition shall be subject to the fulfillment and/or waiver (if applicable) of all conditions precedent to be set out in the Definitive Agreement.

Exclusivity

Each of the Proposed Vendors agreed that he shall not, directly or indirectly, whether by himself or through any of his agents or representatives, during the Exclusivity Period, discuss, negotiate or enter into any contract or agreement with or give any undertaking in favour of any third party for the purpose of frustrating or impeding the furtherance of the Proposed Acquisition.

The parties to the Memorandum shall negotiate, in good faith, for the terms of the Definitive Agreement during the Exclusivity Period.

Termination

The Memorandum shall be automatically terminated upon the earlier of (i) the expiry of the Exclusivity Period; (ii) the Definitive Agreement having been entered into between the Proposed Vendors and the Proposed Purchaser (or its nominee); or (iii) the mutual termination by the parties to the Memorandum in writing.

Binding Effect of the Memorandum

The Memorandum is legally binding in nature but the completion of the Proposed Acquisition is subject to the entering into of the Definitive Agreement.

BACKGROUND INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong with limited liability and is principally engaged in software consultancy focusing on the systems development for general insurance applications and covering areas of direct insurance, brokers and reinsurance.

Certain financial information of the Target for the two years ended 30 June 2015 are set out below:

	Year ended 30 June 2015	Year ended 30 June 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	9,374	8,072
Net profit before taxation	734	563
Net profit after taxation	734	563

The unaudited total asset value and net asset value of the Target as at 30 June 2015 were approximately HK\$2.64 million and HK\$1.36 million respectively.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of financial trading software solutions, provision of other internet financial platforms, provision of referral services, money lending business, securities investments and provision of corporate finance advisory services.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group has been on one hand, focusing on its financial trading software solutions business division, and on the other hand, seizing the investment opportunities and adjusting its strategies to adapt to the dynamic market environment by developing and expanding into various new business divisions. In the past years, the Group has been devoting resources to develop the business of provision of other internet financial platforms.

By acquiring the Target, the Group is able to expand its business in the provision of other internet financial platforms to insurance industry which the Directors consider to have great market potentials.

The Board considers that the terms of the Memorandum are normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

UPDATE ON USAGE OF NET PROCEEDS OF ISSUE OF NOTES

As set out in the announcement of the Company dated 23 July 2015, the intended use of the net proceeds from the issue of the Notes would be changed, and were proposed to be used for funding, among others, future potential acquisitions and investments. The Company intends to apply the net proceeds from the issue of the Notes to finance the Proposed Acquisition.

GENERAL

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Proposed Acquisition is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements of Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Finsoft Financial Investment Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM
“Definitive Agreement”	the definitive agreement to be entered into by the parties to the Memorandum, which shall be negotiated and agreed upon by them in good faith after the date of the Memorandum
“Director(s)”	the director(s) of the Company
“Exclusivity Period”	the period of 60 days from the date of the Memorandum or such longer period as the parties to the Memorandum may agree in writing

“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
“Holding Company”	a company proposed to be incorporated in Hong Kong with limited liability and the proposed holding company of the Target
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party who is independent of and not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Memorandum”	the memorandum of understanding dated 19 August 2015 entered into between the Proposed Vendors and the Proposed Purchaser in relation to the Proposed Acquisition
“Notes”	the 10% per annum notes issued by the Company on 18 May 2015 in an aggregate principal amount of HK\$100,300,000, details of which are set out in the announcements of the Company dated 10 April 2015, 18 May 2015 and 23 July 2015
“Proposed Acquisition”	the proposed acquisition by the Company of 51% of the shares of the Target or the Holding Company
“Proposed Purchaser”	Finsoft FinTech Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Proposed Vendors”	four individuals, namely, Lai Ka Kui, Leong Hong Man, Ngan Yim Ming Mison and Chung Kin Wah, each of whom is an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Reinfo Asia Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

On behalf of the Board
Finsoft Financial Investment Holdings Limited
Chan Sek Keung, Ringo
Chairman

Hong Kong, 19 August 2015

As at the date of this announcement, the Board consists of Mr. Li Hoi Kong and Mr. Lawrence Tang being the executive Directors, Mr. Chan Sek Keung, Ringo being the non-executive Director and the chairman of the Board and Ms. Lee Kwun Ling, May Jean, Mr. Yuen Shiu Wai, Mr. Cheng Wen and Mr. Lam Kai Yeung being the independent non-executive Directors.

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 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 website of the GEM of the Stock Exchange at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.finsofthk.com.