

**FINET GROUP LTD:
WATCH OUT FOR ANOTHER CASH-RAISING EXERCISE !**

Within about 5 months of Finet Group Ltd (Code: 8317, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd), going public in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Management of the Company determined to utilise about 30 percent of the net proceeds of the December 2004, cash-raising exercise in order to purchase an office in Shenzhen, the PRC, proper.

When Finet Group Ltd pitched its story in order to Place 128 million, one-cent Shares at between 25 cents per Share and 30 cents per Share, there was no mention in the Placing Prospectus of making use of any part of the net proceeds of the float to purchase property, although Management did talk of expansion in the PRC, proper, and had allocated \$HK10.60 million for that purpose.

This Company is far from being flush with cash, the cash and bank balances, as at June 30, 2004, being only about \$HK2.69 million, so that the purchase of this Shenzhen office is suspect from the point of view of a service company, whose history since its founding is far from being that which suggests that Management is imbued with a great understanding of financial matters.

Finet Group Ltd brought out its Third Quarterly Report on February 13, 2005, indicating that, for the quarter, ended December 31, 2004, the Net Profit Attributable to Shareholders was about \$HK395,000.

That result represented a fall of about 47.33 percent, compared with the like period in 2003.

For the first 9 months of the Financial Year, ended March 31, 2005, on a Turnover of about \$HK15.75 million, it had logged in a Net Profit Attributable to Shareholders of about \$HK1.12 million.

That result was an increase of about 10.89 percent, compared with the first 9 months of the 2003-Year.

One must presume that the final quarter of the 2004-2005 Financial Year saw a further decline in both Turnover and Bottom Line due in part to the number of holidays in the final quarter of the Year – the European New Year, the Chinese New Year, etc._

The Flotation

Finet Group Ltd went public on The GEM on December 31, 2004, when it announced that it would like to Place a total of 128 million, one-cent Shares at a Premium of between 24 cents per Share and 29 cents per Share.

The Placing could never have been considered successful, the level of interest, being putrid.

On January 5, 2005, Management announced, inter alia:

1. *'Of the 128,000,000 Placing Shares, 1,000,000 Shares, representing approximately 0.78% of the total Placing Shares and approximately 0.20% of the enlarged issued share capital of the Company upon completion of the Placing and the Capitalisation Issue, have been allotted to Okasan International (Asia) Limited, one of the Underwriters of the Placing. 2,560,000 Placing Shares, representing approximately 2% of the total Placing Shares and approximately 0.52% of the enlarged issued share capital of the Company upon completion of the Placing and the Capitalisation Issue, have been allotted to FB Gemini Securities Limited, one of the Underwriters of the Placing. In addition, 17,310,000 Shares, representing approximately 13.52% of the total Placing Shares and approximately*

3.51% of the enlarged issued share capital of the Company upon completion of the Placing and the Capitalisation Issue, have been allotted to Ms. Hu Jwo Jun, a director and a substantial shareholder of 富林國際證券投資顧問股份有限公司 (Fulland Securities Consultant Company Limited) being a fellow subsidiary of Hantec Capital Limited and Hantec International Finance Group Limited ...';*

2. The Placing Price per Share had been set at the lowest end of the scale: 25 cents;
3. The Net Proceeds of the Placing Shares would be about \$HK18.70 million; and,
4. '*... the Placing were fully subscribed and were conditionally allocated to 140 professional, institutional and individual investors ...*'.

Summarising the above, there had been a shortfall of about 16.30 percent of the number of Placing Shares and the Bookrunner and Lead Manager – Hantec Capital Ltd – and at least one of the Underwriters, had been forced to take up the slack.

Put another way, the flotation was a flop.
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