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NET2GATHER (CHINA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

MAJOR DISPOSAL

The Board announces that on 9 November 2011, the S&P Agreement in respect of the Disposal was entered into between Mov2Gather (a subsidiary of the Company) as the Vendor and the Purchaser (an independent third party). Pursuant to the S&P Agreement, Mov2Gather has agreed to dispose of all its 51% equity interest in Yole Wireless (the holding company for mobile digital entertainment business of the Yole Group in the PRC) at the Consideration of HK\$50,000,000. The Consideration will be settled by cash in full.

As the applicable percentage ratio for the Disposal under the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major disposal for the Company under the Listing Rules. Accordingly, the Disposal is subject to the Shareholders' approval by way of poll at the SGM.

A circular of the Company containing, among other things, details of the S&P Agreement together with a notice of SGM will be dispatched to the Shareholders on or before 30 November 2011.

The S&P Agreement

Date: 9 November 2011

Parties:

The Vendor: Mov2Gather Limited, a subsidiary of the Company.

The Purchaser: 深圳飛斯信息技術有限公司 (translated as “Shenzhen Fei Si Information Technology Company Limited”). Its principal business activities are sales and technology development of mobile handsets’ contents and products in the PRC.

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be disposed: the Sale Shares, representing a 51% equity interest in Yole Wireless (an investment holding company incorporated in Hong Kong), being all the interests held by the Vendor in Yole Wireless.

Consideration: HK\$50,000,000 to be payable by cash in full.

The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the net asset value of the Sale Shares and the historical financial performance of the Yole Group. The Consideration represents a 71.8% premium over the net asset value of the Sale Shares of HK\$29.1 million as shown in the unaudited consolidated accounts of the Yole Group as at 30 September 2011.

The Directors are of the view that the terms of the Disposal are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

Payment terms: The Consideration of HK\$50,000,000 shall be paid by cash in full by the Purchaser to the Group in the following manners:

- (a) HK\$4,500,000 (9% of the Consideration) will be paid as deposit within 3 Business Days upon the signing of the S&P Agreement;
- (b) HK\$28,204,000 (56.4% of the Consideration) will be paid on the Completion Date; and

(c) the remaining balance of HK\$17,296,000 (34.6% of the Consideration) will be paid on or before 13 April 2012 in accordance with the following payment schedule:-

- (i) HK\$3,156,000 will be paid on or before 13 January 2012;
- (ii) HK\$4,500,000 will be paid on or before 13 February 2012;
- (iii) HK\$4,500,000 will be paid on or before 13 March 2012; and
- (iv) HK\$5,140,000 will be paid on or before 13 April 2012.

If the Purchaser breaches the above payment undertaking and does not pay after 5 Business Days upon the serve of written notice by the Vendor, the Vendor has the right to terminate the S&P Agreement. All deposits paid by the Purchaser are not required to refund to the Purchaser and the Vendor reserves the rights to take legal action against the Purchaser.

Upon the Completion, the Purchaser will enter into a deed of share charge with the Vendor pursuant to which the Purchaser will charge to the Vendor 17.64% of the entire issued share capital of Yole Wireless as security for the due and punctual payment of the remaining balance of the consideration of HK\$17,296,000 by the Purchaser to the Vendor pursuant to the S&P Agreement. The deed of share charge will be released upon full payment of remaining balance of the consideration on or before 13 April 2012.

Conditions precedent:

Completion is conditional upon, among others, the satisfaction of the following conditions:-

- (a) the approval by the Shareholders at the SGM for the S&P Agreement and the transactions contemplated thereunder;
- (b) the compliance by the Company with other requirements of the Listing Rules, applicable laws and the bye-laws of the Company in respect of the S&P Agreement and the transactions contemplated thereunder; and
- (c) the obtaining of all necessary consents, approvals, licences and authorisation (if necessary) by the Company in relation to the S&P Agreement and the transactions contemplated thereunder.

Neither party may waive any of the above conditions. If the above conditions have not been fulfilled on or before 31 December 2011 (or such later date as may be agreed between the parties to the S&P Agreement), the S&P Agreement shall cease and determine, whereupon the Vendor shall forthwith refund the deposit, without interest, to the Purchaser and none of the parties thereto shall have any other obligations and liabilities thereunder under the S&P Agreement.

The Completion: Completion of the S&P Agreement shall take place upon all the conditions have been fulfilled on or before 31 December 2011 (or such later date as may be agreed between the parties to the S&P Agreement).

INFORMATION ABOUT THE GROUP

The current principal activities of the Group consist of (a) provision of mobile internet (to include content, operations and distribution activities) services and online game (sales of online game auxiliary products and licensing) services; (b) financial services provided via CASH Financial Services Group Limited (stock code: 510) including online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, money lending and corporate finance; (c) sales of furniture and household items and electrical appliances; and (d) investment holding. For additional information, please visit www.net2gather.com.hk

INFORMATION ABOUT YOLE WIRELESS

Yole Wireless is currently a 51%-owned subsidiary of Mov2Gather (a subsidiary of the Company). Yole Wireless is the holding company of the Yole Group, which is a provider of mobile digital entertainment contents for mobile handsets in the PRC since 2008. Its products includes a number of mobile games and pre-loaded thematic apps.

The unaudited consolidated net profit (before and after taxation) of the Yole Group for the year ended 31 December 2009 were about RMB4.1 million (equivalent to about HK\$5.0 million) and RMB4.0 million (equivalent to about HK\$4.9 million) respectively, and the unaudited consolidated net profit (before and after taxation) of the Yole Group for the year ended 31 December 2010 were about RMB22.5 million (equivalent to about HK\$27.6 million) and RMB19.2 million (equivalent to about HK\$23.6 million) respectively.

The unaudited consolidated net asset value of the Yole Group as at 31 December 2010 was about RMB39.6 million (equivalent to about HK\$48.6 million). The unaudited consolidated net asset value of the Yole Group as at 30 September 2011 was about HK\$57.0 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon the Completion, Yole Wireless will cease to be a subsidiary of the Group and its financial results will cease to be consolidated into the consolidated accounts of the Group.

Based on the unaudited consolidated accounts of the Yole Group as at 30 September 2011, the Group expects to record a loss of approximately HK\$51.0 million from the Disposal, which is calculated with reference to the Consideration less the carrying value attributable to the Sale Shares as at 30 September 2011.

REASON FOR THE DISPOSAL

The Yole Group, as a predominant provider of mobile digital entertainment content specialising in the feature phone market in the PRC, is set to enter into the smart phone market, an irreversible global trend which requires enormous capital investment in technology enhancement and system re-deployment for the conversion into the smart phone market. Amid the recent high volatility in the global stock market and the unstable world economic situation, the Board adapts a cost leadership and more prudent approach to preserve capital strength for future investment opportunities. Having considered the offer of the Purchaser, the Board considers that the Disposal will further strengthen the cash position of the Group. The proceeds from the Disposal are intended to be used for general working capital of the Group. The Board is confident to further develop the Company into a leading mobile Internet provider as the Group, possessing hands-on experience and network, is immersed with ample opportunities to develop in the smart phone market in the PRC.

The Board considers that the terms of the S&P Agreement are fair and reasonable and the entering into of the S&P Agreement is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the applicable percentage ratio for the Disposal under the Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major disposal for the Company under the Listing Rules. Accordingly, the Disposal is subject to the Shareholders' approval by way of poll at the SGM.

A circular of the Company containing, among other things, details of the S&P Agreement together with a notice of SGM will be dispatched to the Shareholders on or before 30 November 2011.

DEFINITIONS

“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally opened for normal banking business
“Company”	Net2Gather (China) Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and the Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	the date on which the Completion occurs
“Consideration”	the consideration in the amount of HK\$50,000,000 to be payable by cash in full by the Purchaser to the Vendor for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the Sale Shares by the Vendor to the Purchaser at the Consideration under the S&P Agreement
“Group”	the Company and its subsidiaries including associated companies
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	深圳飛斯信息技術有限公司 (translated as “Shenzhen Fei Si Information Technology Company Limited”), a company established under the laws of the PRC with limited liability
“Sale Shares”	5,100 ordinary shares of HK\$1.00 each, representing a 51% equity interest, in Yole Wireless
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, to approve the S&P Agreement and the transactions contemplated thereunder

“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“S&P Agreement”	a formal sale and purchase agreement dated 9 November 2011 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or Mov2Gather”	Mov2Gather Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially holding 51% equity interest in Yole Wireless. It is currently a subsidiary of the Group
“Yole Group”	Yole Wireless, Zhang Zhong Wu You, You Le and Yu Zhong. The Yole Group is engaged in mobile digital entertainment business in the PRC
“Yole Wireless”	Yole Wireless Technology (HongKong) Co., Limited, a company incorporated in Hong Kong with limited liability, which is the holding company of the Yole Group. It is currently a 51%-owned subsidiary of Mov2Gather (a subsidiary of the Group)
“You Le”	廣州悠樂無線科技有限公司 (translated as “Guangzhou You Le (Wireless) Technology Company Limited”), a company established under the laws of the PRC with limited liability, which has entered into a series of contractual arrangements with Zhang Zhong Wu You
“Yu Zhong”	廣州娛眾信息技術有限公司 (translated as “Guangzhou Yu Zhong Information Technology Company Limited”), a company established under the laws of the PRC with limited liability, which has entered into a series of contractual arrangements with Zhang Zhong Wu You
“Zhang Zhong Wu You”	掌中無優(北京)科技有限公司 (translated as “Zhang Zhong Wu You (Beijing) Technology Company Limited”), a company established under the laws of the PRC with limited liability, and is a direct subsidiary of Yole Wireless

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

Unless otherwise specified in this announcement, amounts denominated in RMB have been translated, for illustration only, into HK\$ at exchange rate of RMB1.00=HK\$1.2277.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 9 November 2011

As at the date hereof, the board of directors of the Company comprises:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Kung Chit Raymond

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin