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iMerchants Limited

菱控有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8009)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST OF PLENTY ONE**

Financial Adviser to iMerchants Limited



川盟融資有限公司

Chanceton Capital Partners Limited

On 9 December 2011, the Vendor entered into the Sale and Purchase Agreement with the Purchaser and in relation to the disposal of 100% equity interest of Plenty One at the consideration of HK\$6,500,000.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons. As the applicable percentage ratios of the disposal under the GEM Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the GEM Listing Rules.

INTRODUCTION

On 9 December 2011, the Vendor entered into the Sale and Purchase Agreement with the Purchaser in relation to the disposal of 100% equity interest of Plenty One at the consideration of HK\$6,500,000.

THE SALE AND PURCHASE AGREEMENT

Date: 9 December 2011

Parties: (1) the Vendor
(2) the Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

ASSET TO BE DISPOSED

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell Plenty One, which holds a 100% interest in the registered and paid up capital of PRC Co. which is a domestic limited liability company duly incorporated in PRC on 10 March 2000 with paid-up registered capital of RMB6,500,000. PRC Co. was principally engaged in the manufacturing of bio-hang membrane filtering materials and filters, sale of water treatment equipment and material, chemical packing, sale of acid-resistant ceramic and anti-corrosion lining equipment.

CONSIDERATION

The Consideration payable to the Vendor shall be in HK\$6,500,000 or equivalent currency approved by the Vendor payable by the Purchaser in cash as follows:

- (1) a refundable deposit of HK\$500,000 being paid within seven (7) business days upon the signing of the Sale and Purchase Agreement; and
- (2) the balance of the Consideration of HK\$6,000,000 being paid upon Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the valuation performed by Asset Appraisal Limited, a qualified valuer, not connected with the Group on the land use right of the land owned by PRC Co. which is at the value of approximately RMB7,500,000 (equivalent to approximately HK\$9,150,000) and the net liability of Plenty One is HK\$298,000 which includes a book value for the land use right of land at approximately HK\$2,690,000 as at 31 March 2011. Consolidating the appraised value of the assets and the existing liability, the Directors consider that the Consideration of the Disposal is fair and reasonable and is in the interests of the Group and the shareholders of the Company as a whole.

CONDITIONS

Completion of the Sale and Purchase Agreement is conditional upon the following conditions being fulfilled and remaining fulfilled or waived by the Purchaser as at Completion:—

- (a) the clearance of all announcement(s) and/or circular(s) required to be issued by the Vendor under the GEM Listing Rules and granting of all approvals, if necessary, by the Stock Exchange in respect of the Sale and Purchase Agreement and the transaction contemplated under the Sale and Purchase Agreement;

- (b) all consents, if necessary, of the directors and shareholders of the Company and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, PRC and the British Virgin Islands or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made; all waiting periods required under the laws of Hong Kong, PRC and the British Virgin Islands or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;
- (c) the Purchaser having conducted a due diligence investigation in respect of the Plenty One, PRC Co. and its subsidiaries from time to time including but not limited to its affairs, business, assets, legal and financial structure and the Purchaser being satisfied with the results of such due diligence investigation in its absolute discretion;
- (d) receipt by the Purchaser of a legal opinion in form and substance satisfactory to the Purchaser issued by a practising lawyer in PRC appointed by the Purchaser confirming, inter alia, the following:–
 - (i) the due incorporation, valid and continued existence of PRC Co. (including payment of its registered capital in accordance with PRC laws and their respective articles of association, to the extent required);
 - (ii) all reasonably relevant approvals, consents, licenses and/or permits in relation to the business operations of PRC Co., including without limitation from the PRC Foreign Exchange Bureau, Industry and Commerce Bureau and the Ministry of Commerce, having been obtained;
 - (iii) the legality, validity and enforceability of all the licenses, permits and consents necessary for carrying out the business of PRC Co. in PRC;
 - (iv) the PRC Co. is wholly-owned by the Company; and
 - (v) any other matters to be included as requested by the Purchaser.
- (e) receipt by the Purchaser to its satisfaction and in its sole discretion of a valuation report issued by an independent professional valuer appointed by the Purchaser showing that the fair market value of PRC Co. as at 31 March 2011 being no less than RMB5,000,000;
- (f) no event having occurred since the date of signing of the Sale and Purchase Agreement to the Completion Date, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Plenty One, PRC Co. and its subsidiaries from time to time and such material adverse changes (or effect) shall not have been caused; and
- (g) the warranties contained in the Sale and Purchase Agreement remaining true and accurate and not misleading in all material aspects and at all times between the date of the Sale and Purchase Agreement and the Completion Date.

COMPLETION

Subject to satisfaction of all the conditions precedent in full (save for any condition the full compliance or satisfaction of which has been waived by the Purchaser), Completion shall take place on the Completion Date on which the Conditions are satisfied or waived.

Upon Completion, Plenty One will no longer be an indirectly wholly-owned subsidiary of the Company.

INFORMATION ON SHINE GAIN

Shine Gain is a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company. Shine Gain holds a 100% interest in the registered and paid-up capital of Plenty One.

INFORMATION ON PLENTY ONE

Plenty One is a company incorporated in the British Virgin Islands on 10 August 2007 and is principally engaged in investment holding. Plenty One holds a 100% interest in the registered and paid-up capital of PRC Co. which is a domestic limited liability company duly incorporated in PRC on 10 March 2000 with paid-up registered capital of RMB6,500,000. PRC Co. was principally engaged in manufacture of bio-hang membrane filtering materials and filters, sale of water treatment equipment and material, chemical packing, sale of acid-resistant ceramic and anti-corrosion lining equipment.

REASON AND BENEFIT FOR THE DISPOSAL

The Group is principally engaged in investment holdings, investments in financial and investment products and technology investment.

According to the unaudited account for the year ended 31 March 2010 and 2011, the net loss after tax was approximately HK\$3,421,000, HK\$2,749,000 respectively. Taking into account the unsatisfactory financial results of Plenty One as stated above and the Consideration at which the Purchaser is willing to pay, the Board is of the view that the entering into of the Sale and Purchase Agreements represents a good opportunity for the Company to dispose the non-core business, to avoid any potential loss to be consolidated into the group's results and to enhance the cash flow position of the Group. The Company intends to use the proceeds from the Disposal as working capital of the Group and possibly for other investment purpose should the opportunity arises.

In the addition, the Board considers that it is in the interests of the Company and the Shareholders as a whole to allocate more resources in the development of its principle business in the provision of management service regarding financial investment. The Disposal represents a good opportunity for the Group to dispose the asset at a fair and reasonable price while the net proceeds from the Disposal would be able to support the continuous growth of the business of Group, thereby generating a higher return for the Group in the future.

The Directors consider that the Sale and Purchase Agreements are entered into under normal commercial terms following arm's length negotiations between the Group and the Purchaser and that the terms and conditions of the Sale and Purchase Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

FINANCIAL EFFECT ON THE DISPOSAL AND INTENDED USE OF PROCEEDS

The unaudited financial figures of Plenty One for the year ended 31 March 2011 and 31 March 2010 prepared in accordance with the Hong Kong Generally Accepted Accounting Principles are summarized as follow:

	For the year ended 31 March 2010 <i>(HK\$'000)</i>	For the year ended 31 March 2011 <i>(HK\$'000)</i>
(Loss)/profit before taxation	<u>(3,031)</u>	<u>(2,651)</u>
(Loss)/profit after taxation	<u>(3,421)</u>	<u>(2,749)</u>
		As at 31 March 2011 <i>(HK\$'000)</i>
Net (liability)/asset value		<u>(298)</u>

It is estimated that, upon Completion, the Group will record a gain on disposal of approximately HK\$6,798,000. Such gain is estimated based on the consideration receivable from the Disposal, i.e. HK\$6,500,000 less the net liability book value of Plenty One of approximately HK\$298,000 as at 31 March 2011 and other related costs and expenses.

USE OF PROCEEDS

The proceeds from the Disposal, after deduction of expenses directly attributable thereto, are estimated to be approximately HK\$6,350,000. The Group intends to apply the net proceeds from the Disposal towards the Group's working capital.

Upon Completion, Plenty One will no longer be an indirectly wholly-owned subsidiary of the Company and no further potential losses will be consolidated into the financial statements of the Group after the Completion.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined in the Listing Rules) for each of the Disposal exceeds 5% but is less than 25%, each of the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	iMerchants Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the GEM Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreements
“Completion Date”	The fifth Business Day on which the Conditions are satisfied
“Conditions”	the conditions precedents set out in the section headed “Conditions”
“Consideration”	has the meaning given to it in the section headed “Consideration” in this announcement
“connected persons”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Plenty One subject to and upon the terms and conditions of the Sale and Purchase Agreements
“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 People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules
“Plenty One”	Plenty One Limited, a company incorporated in the British Virgin Islands and is wholly and beneficially owned by the Vendor
“PRC Co.”	Ping Xiang City San He Lian Chuang Water Technology Company Limited (萍鄉市三和聯創水務科技有限公司), a domestic limited liability company established in the PRC
“Purchaser”	王雷(Wanglei), a Independent Third Parties to the Company
“Sale and Purchase Agreement”	the agreement for sale and purchase in respect of the disposal of 100% equity interest of Plenty One dated 9 December 2011 entered into between the Vendor and the Purchaser
“Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shine Gain”	Shine Gain Holdings Limited, a company incorporated in the British Virgin Islands and an direct wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shine Gain
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By Order of the Board
iMerchants Limited
Yau Yan Ming Raymond
Chairman

Hong Kong, 9 December 2011

As at the date of this announcement, the executive Directors are Mr. Yau Yan Ming Raymond, Mr. Zha Jian Ping, Ms. Qi Yue, and Mr. Wong Ka Chun Carson; and the independent non-executive Directors are Mr. Lam Tze Chung, Mr. Wu Ka Ho Stanley and Mr. Yue Laiqun.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 matters the omission of which would make any statement herein or this announcement misleading.

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00 : HK\$1.22.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days of its publication and on the websites of the Company at <http://www.imerchantsltd.com>.