

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.*



## **PALMPAY CHINA (HOLDINGS) LIMITED**

**中國掌付(集團)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8047)**

**(I) PROPOSED OPEN OFFER OF 627,647,828 OFFER SHARES  
AT HK\$0.05 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE  
(ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE  
HELD ON THE RECORD DATE); AND  
(II) CHANGE IN BOARD LOT SIZE**

### **Underwriters**

**Starryland  
Profits Limited**

 **博大證券有限公司**  
**Partners Capital Securities Limited**

  
**Phoenix Capital  
Securities Limited**

### **Financial adviser to the Company**

  
**INCU Corporate Finance Limited**

#### **OPEN OFFER**

The Company proposes to raise approximately HK\$31.38 million, before expenses, by way of Open Offer of 627,647,848 Offer Shares at the Subscription Price of HK\$0.05 per Offer Share on the basis of one Offer Share for every Share held on the Record Date and payable in full on acceptance. Qualifying Shareholders are not entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders.

\* *for identification purposes only*

To qualify for the Open Offer, any transfers of Shares must be lodged for registration with the Company's share registrar and transfer office in Hong Kong by 4:30 p.m. on Thursday, 18 August 2011. The register of members of the Company will be closed from Friday, 19 August 2011 to Thursday, 25 August 2011, both dates inclusive, to determine the eligibility of the Open Offer.

### **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.**

**Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 17 August 2011 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject, remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer are subject, are fulfilled (which is expected to be on Thursday, 15 September 2011), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

### **IMPLICATION OF THE LISTING RULES**

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, will abstain from voting at the SGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules.

Furthermore, pursuant to Rule 10.42 of the GEM Listing Rules, since no excess application for the Offer Shares is available, approval shall be obtained from the Independent Shareholders in respect of the absence of such arrangement. Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi), Mr. Yuan and their respective associates who have a material interest in the relevant resolution shall abstain from voting. As at the date of this announcement, Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and their associates are interested in an aggregate of 157,858,207 Shares; and (ii) Mr. Yuan is interested in 7,402,400 Shares. Save as disclosed above, other Directors and their respective associates do not hold any Shares.

## **CHANGE IN BOARD LOT SIZE**

At present, the Shares are traded in board lots of 5,000 Shares each and the market value of each board lot is HK\$850 (based on the closing price of HK\$0.17 per Share on the Last Trading Day) and HK\$550 (based on the theoretical ex-entitlement price of HK\$0.11 per Share on the Last Trading Day). In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size for trading of the Shares from 5,000 to 20,000 with effect from Thursday, 22 September 2011.

## **GENERAL**

An independent board committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and whether the Open Offer is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable.

A circular containing, among other things, details of the Open Offer, the recommendation from the Independent Board Committee, the advice of the independent financial adviser on the Open Offer and a notice convening the SGM, will be despatched to the Shareholders on or before 28 July 2011.

## **OPEN OFFER**

### Issue statistics

Basis of the Open Offer:	One Offer Share for every Share held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.05 per Offer Share
Number of Shares in issue as at the date of this announcement:	627,647,828
Number of Offer Shares:	627,647,828 Offer Shares. The aggregate nominal value of the Offer Shares is HK\$31,382,391.40.

Number of Offer Shares undertaken to be taken up or procured to be taken up by Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) (which the undertaking from Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi shall be obtained by the Company on or before the third business day after the date of publication of this announcement):	<p>(a) Starryland has undertaken in favour of the Company and the Underwriters that it will and it will procure Mr. Lau and Mrs. Lau to accept its, his or her respective entitlements under the Open Offer for an aggregate of 125,933,941 Offer Shares;</p> <p>(b) Mr. Hsu Tung Sheng shall undertake in favour of the Company and Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 13,088,666 Offer Shares; and</p> <p>(c) Mr. Hsu Tung Chi shall undertake in favour of the Company and the Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 15,214,800 Offer Shares.</p>
Number of Offer Shares undertaken to be taken up by Mr. Yuan (which the undertaking from Mr. Yuan shall be obtained by the Company on or before the third business day after the date of publication of this announcement):	Mr. Yuan shall undertake in favour of the Company and the Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 7,402,400 Offer Shares.
Number of Offer Shares underwritten by the Underwriters:	466,008,021, being the number of the Offer Shares less the number of Offer Shares undertaken or procured to be taken up by Starryland, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi and Mr. Yuan.

As at the date of this announcement, the Company has 12,144,000 outstanding Share Options and 16,000,000 outstanding Warrants which in aggregate entitle holders thereof to subscribe for 28,144,000 Shares. Save as disclosed above, the Company does not have any other outstanding securities in issue which are convertible or exchangeable into Shares as at the date of this announcement. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

The Company has undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure holders of the 12,144,000 Share Options to undertake to the Company and the Underwriters that they will not exercise any of the 12,144,000 Share Options from the date of such undertaking up to and including the Record Date or to cancel the Share Options. The Company has also undertaken on or before the third business day after the date of publication of this announcement, to procure the holder of the 16,000,000 Warrants to

undertake to the Company and the Underwriters that it will not exercise the subscription rights attaching to the 16,000,000 Warrants, or transfer or otherwise dispose of any of the 16,000,000 Warrants from the date of such undertaking up to and including the Record Date.

### **Subscription Price**

The Subscription Price of HK\$0.05 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 70.59% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 71.53% to the average of the closing prices of HK\$0.1756 per Share quoted on the Stock Exchange for the five trading days immediately prior to the Last Trading Day;
3. a discount of approximately 72.08% to the average of the closing prices of HK\$0.1791 per Share quoted on the Stock Exchange for the ten trading days immediately prior to the Last Trading Day; and
4. a discount of approximately 54.55% to the theoretical ex-entitlement price of HK\$0.11 based on the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day.

The net Subscription Price per Offer Share (after deducting all relevant expenses) will be approximately HK\$0.046.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the current market conditions. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Company will offer the Offer Shares for subscription to Qualifying Shareholders only. The Prospectus will be sent to the Prohibited Shareholders, holders of the Share Options and holder of the Warrants for information only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date and to qualify for the Open Offer, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 18 August 2011.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

### **Closure of register of members**

The register of members of the Company in Hong Kong will be closed from Friday, 19 August 2011 to Thursday, 25 August 2011, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

### **Rights of Prohibited Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. To determine the identities of the Prohibited Shareholders and in compliance with the GEM Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the offer of the Offer Shares to Overseas Shareholders such as whether the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or requirements of the relevant body or stock exchange. If based on the legal opinions provided by the relevant overseas legal advisers to the Company, the Directors consider that, it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries, the Directors will exercise their discretion given to them under the Bye-Laws to exclude such Overseas Shareholders from the Open Offer. The Company will disclose the results of the enquiry in the circular and/or the Prospectus regarding the legal restrictions on the allotment and issue of the Offer Shares to the Overseas Shareholders.

The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders. The Prohibited Shareholders will be entitled to attend and vote at the SGM to consider and, if thought fit, for the resolution(s), approving among other things, the Open Offer.

## **Status of the Offer Shares**

The Offer Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of Offer Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

## **Share Certificates for Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer” below, share certificates for all fully-paid Offer Shares are expected to be posted on or before Tuesday, 20 September 2011 to those Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares by ordinary post at their own risks.

## **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriters.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriters, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

## **Fractions of Offer Shares**

Fractional entitlements of Offer Shares will not be allotted and issued. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriters.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.



Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

Date: 12 July 2011 (after trading hours)

Underwriters: Starryland, Partners and Phoenix

Save as Starryland (wholly and beneficially owned by Mr. Lau), being a substantial Shareholder, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Partners, Phoenix and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: 627,647,828 Offer Shares

Number of Underwritten Shares: 466,008,021 Offer Shares, of which Starryland has agreed to underwrite not more than 49,500,000 Offer Shares in the first place, Partners has agreed to underwrite not more than 178,972,543 Offer Shares in the second place and Phoenix has agreed to underwrite not more than 237,535,478 Offer Shares in the third place

Commission: an underwriting commission of 2.50% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

As the underwriting commission payable to the Underwriters (i) was determined after arm's length negotiations between the Company and the Underwriters; (ii) is on normal commercial terms and (iii) is comparable with market rate, the Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement (including but not limited to the underwriting commission) to be fair and reasonable and the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.



## Undertakings

As at the date of this announcement, Starryland is wholly and beneficially owned by Mr. Lau and is interested in 123,452,341 Shares. Pursuant to the Underwriting Agreement, Starryland has irrevocably undertaken to the Company and other Underwriters (i) to subscribe for the 123,452,341 Offer Shares to which Starryland is entitled under the Open Offer; (ii) to procure Mr. Lau to subscribe for the 2,241,600 Offer Shares to which Mr. Lau is entitled under the Open Offer and (iii) to procure Mrs. Lau to subscribe for the 240,000 Offer Shares to which Mrs. Lau is entitled under the Open Offer.

As at the date of this announcement, Mr. Hsu Tung Sheng (a concert party of Starryland) is interested in 13,088,666 Shares. The Company has undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure Mr. Hsu Tung Sheng to provide a written undertaking to the Company and the Underwriters to subscribe for the 13,088,666 Offer Shares to which Mr. Hsu Tung Sheng is entitled under the Open Offer.

As at the date of this announcement, Mr. Hsu Tung Chi (a concert party of Starryland) is interested in 15,214,800 Shares. The Company has undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure Mr. Hsu Tung Chi to provide a written undertaking to the Company and the Underwriters to subscribe for the 15,214,800 Offer Shares to which Mr. Hsu Tung Chi is entitled under the Open Offer.

As at the date of this announcement, Mr. Yuan is interested in 7,402,400 Shares. The Company has undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure Mr. Yuan to provide a written undertaking to the Company and the Underwriters to subscribe for the 7,402,400 Offer Shares to which Mr. Yuan is entitled under the Open Offer.

The Company has undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure holders of the 12,144,000 Share Options to undertake to the Company and the Underwriters that they will not exercise any of the 12,144,000 Share Options from the date of such undertaking up to and including the Record Date or to cancel the Share Options. The Company has also undertaken in favour of the Underwriters that it shall, on or before the third business day after the date of publication of this announcement, to procure the holder of the 16,000,000 Warrants to undertake to the Company and the Underwriters that it will not exercise the subscription rights attaching to the 16,000,000 Warrants, or transfer or otherwise dispose of any of the 16,000,000 Warrants from the date of such undertaking up to and including the Record Date.

## **Termination of the Underwriting Agreement**

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a black rainstorm warning signal is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of Starryland on behalf of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Starryland on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Starryland on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Starryland on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Starryland on behalf of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing;  
or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Starryland on behalf of the Underwriters, a material omission in the context of the Open Offer;  
or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

If, prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriters,

Starryland on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

**If Starryland on behalf of the Underwriters gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of all the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 2.50% underwriting commissions described above shall not be payable to the Underwriters, and the Open Offer will not proceed.**

## **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional, inter alia, upon:

- (1) the passing by the Independent Shareholders of an ordinary resolution to approve the Open Offer by way of poll at the SGM;
- (2) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;
- (6) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (7) the obtaining on or before the third business day after the date of publication of the announcement in relation to the Open Offer of such written undertakings from holders of the Share Options not to exercise any of the Share Options or to cancel the Share Options;
- (8) the obtaining on or before the third business day after the date of publication of the announcement in relation to the Open Offer of such written undertakings from holders of the Warrants not to exercise any of the Warrants;
- (9) the obtaining on or before the third business day after the date of publication of the announcement in relation to the Open Offer of such written undertakings from Mr. Hsu Tung Sheng to accept his entitlements under the Open Offer;
- (10) the obtaining on or before the third business day after the date of publication of the announcement in relation to the Open Offer of such written undertakings from Mr. Hsu Tung Chi to accept his entitlements under the Open Offer;
- (11) the obtaining on or before the third business day after the date of publication of the announcement in relation to the Open Offer of such written undertakings from Mr. Yuan to accept his entitlements under the Open Offer;
- (12) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (13) compliance with and performance of all the undertakings and obligations of the Underwrites under the terms of the Underwriting Agreement.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriters may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

## **WARNING OF RISKS OF DEALING IN SHARES**

If the Underwriters terminate the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. **Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Wednesday, 17 August 2011 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Thursday, 15 September 2011), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

	As at the date of this announcement		Immediately following completion of the Open Offer on the assumption as set out in Note 1		Immediately following completion of the Open Offer on the assumption as set out in Note 2	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Starryland	123,452,341	19.67	246,904,682	19.67	296,404,682	23.61
Mr. Lau	2,241,600	0.36	4,483,200	0.36	4,483,200	0.36
Mrs. Lau	240,000	0.04	480,000	0.04	480,000	0.04
Hsu Tung Sheng	13,088,666	2.09	26,177,332	2.09	26,177,332	2.09
Hsu Tung Chi	15,214,800	2.42	30,429,600	2.42	30,429,600	2.42
Other associates	3,620,800	0.57	7,241,600	0.57	3,620,800	0.29
Starryland and its concert parties and associates	157,858,207	25.15	315,716,414	25.15	361,595,614	28.81
<i>Director</i>						
Mr. Yuan	7,402,400	1.18	14,804,800	1.18	14,804,800	1.18
Public	462,387,221	73.67	924,774,442	73.67	462,387,221	36.83
Partners	–	–	–	–	178,972,543	14.26
Phoenix	–	–	–	–	237,535,478	18.92
Total	<u>627,647,828</u>	<u>100.00</u>	<u>1,255,295,656</u>	<u>100.00</u>	<u>1,255,295,656</u>	<u>100.00</u>

### Notes:

1. Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
2. Assuming none of the Shareholders (save for the Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and Mr. Yuan who have undertaken to subscribe for, or procure the subscription of their pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriters will take up the 466,008,021 Underwritten Shares in full pursuant to the terms of the Underwriting Agreement, of which Starryland has agreed to underwrite not more than 49,500,000 Offer Shares in the first place, Partners has agreed to underwrite not more than 178,972,543 Offer Shares in the second place and Phoenix has agreed to underwrite not more than 237,535,478 Offer Shares in the third place.
3. Partners and Phoenix have entered and/or will enter into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, save as Starryland, none of Partners, Phoenix and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respectively ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

## **FUNDS RAISED DURING THE PAST 12 MONTHS**

During the past 12 months immediately preceding the date of this announcement, the Company has not conducted any fund raising activities.

## **REASONS FOR THE OPEN OFFER**

The Group is principally engaged in the provision of telecommunication optic fiber business and payment by deduction business in the PRC.

As stated in the 2010/2011 Annual Report of the Company, the Group will continue to explore investment opportunities in other telecommunication related enhancement maintenance, security and value-added peripheral business which the Group believes will have promising future and generate significant profitability in medium to long term. The Board considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

## **USE OF PROCEEDS**

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$28.87 million will be used to finance future investments in the telecommunication related business, business development of the Group and towards general working capital.

## **EXPECTED TIMETABLE**

The expected timetable for the Open Offer and change of the board lot size is set out below:

*2011*

Despatch of the Circular with notice of SGM	Thursday, 28 July
Latest time for lodging proxies	11:00 a.m. on Saturday, 13 August
SGM to approve Open Offer	11:00 a.m. on Monday, 15 August
Announcement of the result of the SGM	Monday, 15 August
Last day of dealings in the Shares on cum-rights basis	Tuesday, 16 August



First day of dealings in the Shares on ex-rights basis	9:00 a.m. on Wednesday, 17 August
Latest time for lodging transfer of Shares to qualify for the Open Offer	4:30 p.m. on Thursday, 18 August
Register of members closes (both days inclusive)	Friday, 19 August to Thursday, 25 August
Record Date	Thursday, 25 August
Despatch of Prospectus Documents	Friday, 26 August
Register of members reopens	Friday, 26 August
Latest time for acceptance of and payment for Offer Shares	4:00 p.m. on Friday, 9 September
Latest time for the termination of the Underwriting Agreement	4:00 p.m. on Thursday, 15 September
Announcement of the allotment results	Monday, 19 September
Despatch of certificates for fully-paid Offer Shares	Tuesday, 20 September
Expected first date of dealings in fully-paid Offer Shares and effective date of change of the board lot size from 5,000 Shares to 20,000 Shares	9:00 a.m. on Thursday, 22 September
Designated broker starts to stand in the market to provide matching services	Thursday, 22 September
Last day for the designated broker to stand in the market to provide matching services	Friday, 14 October

All times and dates in this announcement refer to Hong Kong local times and dates. Dates of deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be announced or notified to Shareholders as and when appropriate.

## **CHANGE OF BOARD LOT SIZE**

At present, the Shares are traded in board lots of 5,000 Shares each and the market value of each board lot is HK\$850 (based on the closing price of HK\$0.17 per Share on the Last Trading Day) and HK\$550 (based on the theoretical ex-entitlement price of HK\$0.11 per Share on the Last Trading Day). In order to increase the value of each board lot of the Shares so that the value of each board lot

of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 5,000 to 20,000 with effect from Thursday, 22 September 2011. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Phoenix as an agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Thursday, 22 September 2011 to Friday, 14 October 2011 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Mr. Ricky Chan of Phoenix at Unit 3006, 30/F., COSCO Tower, 183 Queen's Road Central, Hong Kong (telephone: (852) 2850 0728 and facsimile: (852) 2541 1022) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The appointed agent, Phoenix, is an independent third party not connected with any of the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

All existing share certificates in board lot of 5,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 5,000 Shares to new share certificates in board lot size of 20,000 Shares is necessary. With effect from Thursday, 22 September 2011, any new certificate of the Shares will be issued in new board lot size of 20,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)).

## **GENERAL**

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, will abstain from voting at the SGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules.

Furthermore, pursuant to Rule 10.42 of the GEM Listing Rules, since no excess application for the Offer Shares is available, approval shall be obtained from the Independent Shareholders in respect of the absence of such arrangement. Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi), Mr. Yuan and their respective associates who have a material interest in the relevant resolution shall abstain from voting. As at the date of this announcement, (i) Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and their associates are interested in an aggregate of 157,858,207 Shares; and (ii) Mr. Yuan is interested in 7,402,400 Shares. Save as disclosed above, other Directors and their respective associates do not hold any Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the date of this announcement, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

An independent board committee of the Company will be established by the Company to give recommendation to the Independent Shareholders in respect of the Open Offer. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The Company will send the Circular containing, among other things, details of the Open Offer, the recommendation from the independent board committee of the Company, the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Open Offer, and a notice convening the SGM to Shareholders as soon as practicable on or before 28 July 2011 in accordance with the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors

“business day”	any day (other than a Saturday or Sunday or public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 4:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular to Shareholders in relation to the Open Offer, which will have annexed thereto the Notice, proposed to be despatched to the Shareholders on or about 28 July 2011 (or such other time as may be agreed between the Company and Starryland on behalf of the Underwriters) in the agreed form
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi), Mr. Yuan and their respective associates

“Last Trading Day”	12 July 2011, being the date of the Underwriting Agreement, which is a trading day of the Stock Exchange
“Latest Lodging Date”	being 4:30 p.m. on Thursday, 18 August 2011 or such other date and/or time as Starryland on behalf of the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on Friday, 9 September 2011 or such later time or date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement
“Mr. Lau”	Mr. Lau Kim Hung, Jack, a substantial Shareholder of the Company
“Mr. Yuan”	Mr. Yuan Shengjun, an executive Director, Chairman and Chief Executive Officer of the Company
“Mrs. Lau”	Ms. Chan Yiu Kan, Katie, spouse of Mr. Lau
“Offer Share(s)”	627,647,828 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Partners”	Partners Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO

“Phoenix”	Phoenix Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Prospectus”	a prospectus to be issued by the Company containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	26 August 2011 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	25 August 2011 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and approve, among other matters, the Open Offer and the transactions contemplated thereby
“Share Option Scheme”	the share option scheme adopted by the Company on 18 October 2001

“Share Options”	options to subscribe for Shares granted under the Share Option Scheme
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Starryland”	Starryland Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr. Lau and one of the Underwriters of the Open Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.05 per Offer Share
“Underwriters”	Starryland, Partners and Phoenix
“Underwriting Agreement”	the underwriting agreement amongst the Company and the Underwriters dated 12 July 2011 in relation to the Open Offer
“Underwritten Shares”	466,008,021 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and Mr. Yuan
“Warrants”	warrants to subscribe for Shares issued by the Company on 12 April 2010
“HK\$”	Hong Kong dollars
“%”	per cent.

By order of the Board  
**Palmpay China (Holdings) Limited**  
**Yuan Shengjun**  
*Chairman*

Hong Kong, 12 July 2011



*As at the date of this announcement, the executive Directors are Mr. Yuan Shengjun, Mr. Chan Francis Ping Kuen and Mr. Chan Hin Wing, James. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin.*

*This announcement, for which the directors of Palmpay China (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its posting and the Company’s website at [www.palmpaychina.com](http://www.palmpaychina.com).*