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PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

SHARE CONSOLIDATION AND CAPITAL REDUCTION

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The Directors proposed to effect (a) the Share Consolidation of every five (5) Shares of HK\$0.05 each in the issued share capital of the Company into one (1) issued Consolidated Share of HK\$0.25 each in the issued share capital of the Company; and (b) the Capital Reduction involving the reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.20 on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.05.

The Share Consolidation and Capital Reduction are conditional upon the passing of special resolution by the Shareholders at the SGM and the expected timetable is set out in this announcement below.

GENERAL

A circular containing, amongst other things, further information on the Share Consolidation and Capital Reduction and the Authorisation and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

* *For identification purposes only*

SHARE CONSOLIDATION AND CAPITAL REDUCTION

The Directors proposed to reorganise the share capital of the Company in the following manner:

- (a) Share Consolidation of every five (5) Shares of HK\$0.05 each in the issued share capital of the Company into one (1) issued Consolidated Share of HK\$0.25 in the issued share capital of the Company; and
- (b) Capital Reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.20 each on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.05.

The credit of HK\$107,449,565.72 arising from the Capital Reduction will be credited to the contributed surplus account of the Company.

Under Bermuda law, the amount standing to the credit of the contributed surplus account is a distributable reserve and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the bye-laws of the Company.

The Board also proposes to put forward to the Shareholders to approve the Authorisation, i.e. to authorise the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time.

As at the date of this announcement, the Company has an authorised share capital of HK\$200,000,000 divided into 4,000,000,000 Shares, of which 2,686,239,143 Shares have been issued and are fully paid or credited as fully paid.

Assuming there will be no change in the issued share capital of the Company from the date of this announcement up to the date on which the Share Consolidation and Capital Reduction become effective, the share capital structure of the Company will be as follows:

	Immediately before Share Consolidation and Capital Reduction	Immediately after Share Consolidation and Capital Reduction
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Par value	HK\$0.05 per Share	HK\$0.05 per New Share
Number of authorised shares	4,000,000,000 Shares	4,000,000,000 New Shares
Amount of issued share capital	HK\$134,311,957.15	HK\$26,862,391.43
Number of issued shares	2,686,239,143 Shares	537,247,828 New Shares
Amount of unissued share capital	HK\$65,688,042.85	HK\$173,137,608.57
Number of unissued shares	1,313,760,857 Shares	3,462,752,171 New Shares

Conditions of the Share Consolidation and Capital Reduction

The Share Consolidation and Capital Reduction will be completed upon fulfilling all the following conditions:

- (a) the passing of the necessary special resolution by the Shareholders at the SGM of the Company to approve the Share Consolidation and Capital Reduction;
- (b) compliance with the relevant procedures and requirements under Bermuda laws and the GEM Listing Rules to effect the Share Consolidation and Capital Reduction; and
- (c) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Share Consolidation and Capital Reduction.

Reasons for Share Consolidation and Capital Reduction and impact on the Company and the Shareholders

The Share Consolidation and Capital Reduction are proposed in order to provide the Company with more flexibility in possible future fund raisings. The crediting of the credits arising from the Capital Reduction to the contributed surplus account of the Company will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Directors (including the independent non-executive Directors) are of the view that the Share Consolidation and Capital Reduction will not have a material financial effect on the financial position of the Group. Other than the expenses to be incurred in relation to the Share Consolidation and Capital Reduction, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

Application for listing of New Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares arising from the Share Consolidation and Capital Reduction and all necessary arrangements will be made for the New Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

EXPECTED TIMETABLE

2011

Despatch of the circular regarding the Share Consolidation and Capital Reduction	5 January
Publication of the notice of SGM.	5 January
Latest time for lodging the form of proxy for the SGM	11:00 a.m., 26 January
SGM	11:00 a.m., 28 January
Publication of SGM results announcement	28 January

The following events is conditional on the fulfilment of the conditions for the implementation of the Share Consolidation and Capital Reduction, the dates are therefore tentative:

Effective date of the Share Consolidation and Capital Reduction	9:30 a.m. on 31 January
Commencement of dealings in New Shares	31 January
Original counter for trading in Shares in board lots of 5,000 Shares (in the form of Existing Share Certificates) closes	9:30 a.m. on 31 January
Temporary counter for trading in New Shares in board lots of 1,000 New Shares (in the form of Existing Share Certificates) opens	9:30 a.m. on 31 January
First day of free exchange of Existing Share Certificates for New Share Certificates	31 January
First day of operation of odd lot trading facility	16 February
Original counter for trading in New Shares in board lots of 5,000 New Shares (in the form of New Share Certificates) reopens	9:30 a.m. on 16 February
Parallel trading in New Shares (in the form of New Share Certificates and Existing Share Certificates) commences	9:30 a.m. on 16 February
Temporary counter for trading in New Shares in board lots of 1,000 New Shares (in the form of Existing Share Certificates) closes	4:00 p.m. on 8 March
Parallel trading New Shares (in the form of New Share Certificates and Existing Share Certificates) ends	4:00 p.m. on 8 March
Last day of operation of odd lot trading facility	8 March
Last day for free exchange of Existing Share Certificates for New Share Certificates	4:00 p.m. 10 March

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above depends on the results of the SGM and are therefore for indicative purpose only. An announcement will be made regarding any changes to the expected timetable as and when appropriate.

EXCHANGE OF SHARE CERTIFICATES

Subject to the Share Consolidation and Capital Reduction becoming effective, which is expected to be on Monday, 31 January 2011, the Existing Share Certificates will cease to be valid for trading purposes after 4:00 p.m. on Tuesday, 8 March 2011. The Shareholders may, on or after Monday, 31 January 2011 until Thursday, 10 March 2011 (both days inclusive) submit their Existing Shares Certificates (in yellow colour) for Shares to the Branch Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expenses of the Company, for New Share Certificates (on the basis of five (5) Shares for one (1) Consolidated Share). It is expected that the New Share Certificates (in green colour) for the Consolidated Shares will be available for collection within 10 business days after the submission of the Existing Share Certificates to the Branch Registrar for exchange. Thereafter, Existing Share Certificates will remain effective as documents of legal title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by the Shareholders to the Branch Registrar.

The New Share Certificates will be issued in green colour in order to distinguish them from the Existing Share Certificates which are in yellow colour.

Arrangement on odd lot trading

In order to facilitate the trading odd lots (if any) of the New Shares, the Company will appoint a securities firm to provide matching services on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Details of the odd lot matching arrangements will be set out in the circular in relation to the Share Consolidation and Capital Reduction to be despatched to the Shareholders.

WARNING

Shareholders and potential investors should also be aware of and take note that the Share Consolidation and Capital Reduction are conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions of the Share Consolidation and Capital Reduction" in the section headed "Share Consolidation and Capital Reduction". Therefore, the Share Consolidation and Capital Reduction may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The SGM will be held to consider and, if thought fit, approve the special resolution in respect of the Share Consolidation and Capital Reduction and the Authorisation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders will be required to abstain from voting on the resolutions to be proposed at the SGM.

A circular containing, amongst other things, further information on the Share Consolidation and Capital Reduction and the Authorisation and a notice to convene the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Authorisation”	the proposed authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time
“Bermuda Registrar”	the Registrar of Companies in Bermuda
“Board”	the board of directors of the Company from time to time
“Capital Reduction”	the proposed reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.20 each on each of the issued Consolidated Shares so that the nominal value of each issued Consolidated Share will be reduced from HK\$0.25 to HK\$0.05
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on GEM
“Consolidated Shares”	shares of HK\$0.25 each in the issued share capital of the Company upon the Share Consolidation taking effect
“Directors”	the directors of the Company from time to time
“Existing Shares”	issued shares of HK\$0.05 each of the Company

“Existing Share Certificates”	certificates for the Existing Shares in yellow colour
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Legal Advisers”	Conyers, Dill & Pearman, the Company’s legal advisers as to the laws of Bermuda
“New Shares”	shares of HK\$0.05 each in the share capital of the Company upon the Share Consolidation and Capital Reduction taking effect
“New Share Certificates”	certificates for the New Shares in green colour
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Share Consolidation and Capital Reduction and the Authorisation
“Shares”	existing shares of HK\$0.05 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every five (5) existing Shares of HK\$0.05 each in the issued share capital of the Company into one (1) issued Consolidated Share of HK\$0.25 each in the issued share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

By order of the Board of
Palmpay China (Holdings) Limited
Mr. Chan Francis Ping Kuen
Executive Director

Hong Kong, 21 December 2010

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Yuan Shengjun 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) for at least 7 days from the date of its posting and the Company’s website at www.palmpaychina.com.