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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)**

**(1) SUPPLEMENTAL AGREEMENT  
IN RELATION TO THE DISCLOSEABLE TRANSACTION  
INVOLVING THE  
ACQUISITION OF 50.1% EQUITY INTERESTS IN  
CHINA OPTIC COMMUNICATION TECHNOLOGY LIMITED;  
(2) CLARIFICATION ANNOUNCEMENT; AND  
(3) RESUMPTION OF TRADING**

**Financial adviser to the Company**



**INCUB Corporate Finance Limited**

### **THE SUPPLEMENTAL AGREEMENT**

Reference is made to the Announcement dated 25 January 2011 in relation to the Acquisition.

The Board wishes to announce that on 26 January 2011 (after trading hours), the Purchaser entered into the Supplemental Agreement with the Vendors and the Guarantors to amend certain terms of the Agreement.

\* For identification purposes only

Pursuant to the Supplemental Agreement, the Sale Shares have been adjusted to 50.1% of the total issued share capital of the Target Company and the Consideration has been adjusted to HK\$67,036,000, which shall be payable/satisfied by the Purchaser (i) as to HK\$20,000,000 in cash on Completion to the Vendors; and (ii) as to HK\$42,036,000 by procuring the Company to allot and issue the Consideration Shares at the Issue Price and credited as fully paid on Completion to the Vendors; and (iii) as to HK\$5,000,000 by procuring the Company to issue the Promissory Note to the First Vendor on Completion.

Save for the Sale Shares and the Consideration, all other terms and conditions of the Agreement shall remain in full force and effect in all respects.

## **CLARIFICATION**

The Company wishes to clarify a typographical error in relation to the trading suspension time which was inadvertently made in the Suspension Announcement. Trading in shares of the Company was suspended with effect from 10:00 a.m. on 26 January 2011 instead of 9:30 a.m. on 26 January 2011.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 10:00 a.m. on 26 January 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 27 January 2011.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 25 January 2011 in relation to the Acquisition (the “**Announcement**”). Unless otherwise stated herein, terms used in the Announcement shall have the same meaning as used therein.

## **THE SUPPLEMENTAL AGREEMENT**

The Board wishes to announce that on 26 January 2011 (after trading hours), the Purchaser entered into a supplemental agreement to the Agreement (the “**Supplemental Agreement**”) with the Vendors and the Guarantors to amend certain terms of the Agreement.

### **The Sale Shares**

Pursuant to the Supplemental Agreement, the Sale Shares have been adjusted to 501 ordinary shares of the Target Company, representing 50.1% of the total issued share capital of the Target Company as at the date of the Supplemental Agreement, which is owned as to 201 shares by the First Vendor, as to 140 shares by the Second Vendor and as to 160 shares by the Third Vendor.

## Consideration

Pursuant to the Supplemental Agreement, the Consideration has been adjusted to HK\$67,036,000, which shall be payable/satisfied in the following manner:

- i. as to HK\$20,000,000 by the Purchaser in cash on Completion to the Vendors, of which HK\$5,029,940.12, HK\$6,986,027.94 and HK\$7,984,031.94 will be paid to the First Vendor, the Second Vendor and the Third Vendor respectively;
- ii. as to HK\$42,036,000 by the Purchaser by procuring the Company to allot and issue 452,000,000 Shares or 90,4000,000 New Shares (the “**Consideration Shares**”) at the Issue Price and credited as fully paid on Completion to the Vendors, of which Consideration Shares in the principal amount of HK\$16,864,742.51, HK\$11,746,586.83 and HK\$13,424,670.66 will be allotted and issued to the First Vendor, the Second Vendor and the Third Vendor respectively; and
- iii. as to HK\$5,000,000 by the Purchaser by procuring the Company to issue the a promissory note in the amount of HK\$5,000,000 (the “**Promissory Note**”) to the First Vendor on Completion.

As a security for the Profit Guarantee, the Promissory Note of HK\$5,000,000 once issued, will be escrowed by the Company or its nominee and will only be released to the First Vendor upon fulfillment of the Profit Guarantee. In case if the Profit Guarantee is not fulfilled, all or part of the Promissory Note will be set off against to make up the Shortfall.

The Consideration represents approximately 11.15 price-earnings multiples of the Profit Guarantee (as disclosed in the following section) and equity interests to be acquired in the Target Company (i.e.  $\text{HK\$12,000,000} \times 11.15 \times 50.1\% = \text{approximately HK\$67,036,000}$ ).

## Consideration Adjustment

Pursuant to the Supplemental Agreement, in the event the Actual Net Profit is less than the Profit Guarantee, the Vendors shall compensate the Purchaser an amount (the “**Shortfall**”) equivalent to:

$$\text{Shortfall} = (\text{Profit Guarantee} - \text{Actual Net Profit}) \times 50.1\%$$

For the avoidance of doubt, in case if there is loss for the Target Group, the profit shall be treated as zero and the Shortfall shall be:

$$\text{Shortfall} = \text{Profit Guarantee} \times 50.1\%$$

The Shortfall shall be set off against the Promissory Note. If the face value of the Promissory Note is insufficient to cover the Shortfall, the First Vendor shall pay to the Purchaser in cash within three (3) Business Days the remaining amount of the Shortfall.

If the Profit Guarantee is fulfilled, the Promissory Note will be released to the First Vendor in accordance with the escrow agreement to be executed by the Company, the First Vendor and the Purchaser.

Save for the Sale Shares and the Consideration, all other terms and conditions of the Agreement shall remain in full force and effect in all respects.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and before Completion; (ii) immediately after Completion and the allotment and issue of the Consideration Shares.

	As at the date of this announcement and before Completion		Immediately after Completion and the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
<b>Shareholders</b>				
Starryland Profits Limited	617,261,706	22.98%	617,261,706	19.67%
Mr. Lau Kim Hung, Jack	<u>12,408,000</u>	<u>0.46%</u>	<u>12,408,000</u>	<u>0.40%</u>
Subtotal ( <i>Note 1</i> )	629,669,706	23.44%	629,669,706	20.07%
The First Vendor and its associates	–	–	181,341,317	5.78%
The Second Vendor and its associates	–	–	126,307,385	4.02%
The Third Vendor and its associates	<u>–</u>	<u>–</u>	<u>144,351,298</u>	<u>4.60%</u>
	–	–	452,000,000	14.40%
<b>Directors (<i>Note 2</i>)</b>				
Yuan Shengjun	37,012,000	1.38%	37,012,000	1.18%
Hsu Tung Chi	76,074,000	0.44%	76,074,000	2.42%
Hsu Tung Sheng	<u>11,900,000</u>	<u>2.83%</u>	<u>11,900,000</u>	<u>0.38%</u>
Subtotal	124,986,000	4.65%	124,986,000	3.98%
Public	<u>1,931,583,437</u>	<u>71.91%</u>	<u>1,931,583,437</u>	<u>61.55%</u>
Total	<u><u>2,686,239,143</u></u>	<u><u>100.00%</u></u>	<u><u>3,138,239,143</u></u>	<u><u>100.00%</u></u>

*Notes:*

1. Starryland Profits Limited (“**Starryland**”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Starryland beneficially owns 617,261,706 Shares. Under the SFO, Mr. Lau is deemed to be interested in 617,261,706 Shares. Mr. Lau also beneficially owns 12,408,000 Shares.

Ms. Chan Yiu Kan Katie (“**Ms. Chan**”), the wife of Mr. Lau, is deemed to be interested in their respective shareholding in the Company under the SFO.

2. Mr. Yuan Shengjun is an executive Director, chairman and chief executive officer of the Company. Mr. Hsu Tung Chi is an executive Director of the Company. Mr. Hsu Tung Sheng is a former executive Director of the Company.

The Consideration Shares represent approximately 16.83% of the existing issued share capital of the Company and approximately 14.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

### **Further information of the Vendors and the Target Group**

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Vendors is an investment holding company.

The financial information of the Target Group for the financial year ended 31 December 2010 disclosed in the Announcement was referring to the unaudited financial information of the Target Group from 30 September 2009 (being the date of incorporation of the Target Company) to 31 December 2010.

### **CLARIFICATION**

Reference is made to the announcement dated 26 January 2011 (the “**Suspension Announcement**”) of the Company in relation to the suspension of trading in shares of the Company. The Company wishes to clarify a typographical error in relation to the trading suspension time which was inadvertently made in the Suspension Announcement. Trading in shares of the Company was suspended with effect from 10:00 a.m. on 26 January 2011 instead of 9:30 a.m. on 26 January 2011.

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

Hong Kong, 27 January 2011

*As at the date of this announcement, the executive Directors are Mr. Yuan Shengjun, Mr. Hsu Tung Chi, 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).*