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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)

MAJOR TRANSACTION INVOLVING THE ACQUISITION OF 55% EQUITY INTERESTS IN BOOMTECH LIMITED

Financial adviser to the Company



INCUB Corporate Finance Limited

THE AGREEMENT

The Board is pleased to announce that on 13 January 2012 (after trading hours of the Stock Exchange), the Purchaser entered into the Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan at a total consideration of HK\$60,400,000.

The Consideration has been/shall be satisfied by the Purchaser in the follow manner: (i) HK\$7,500,000 has been paid by the Purchaser to the Vendor within three business days after signing the MOU as deposit and part payment of the Consideration; (ii) HK\$8,000,000 shall be paid by the Purchaser to the Vendor within three business days after signing the Agreement as further deposit and part payment of the Consideration; (iii) HK\$12,500,000 shall be paid by the Purchaser in cash upon Completion; (iv) HK\$24,150,000 shall be satisfied by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price and credited as fully paid upon Completion to the Vendor; and (v) the balance of HK\$8,250,000 shall be satisfied by the Purchaser by procuring the Company to issue the Promissory Note to the Vendor upon Completion.

* For identification purposes only

The Sale Shares represent 55% of the total issued share capital of the Target Company.

The Acquisition is subject to fulfillment of the conditions precedent as detailed in the paragraph headed “Conditions precedent” in this announcement. Upon Completion, the Company will be interested in 55% equity interests in the Target Company and members of the Target Group will be accounted for as indirect non wholly-owned subsidiaries of the Company.

IMPLICATION OF THE GEM LISTING RULES

The Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

As more time is needed to prepare the financial information of the Enlarged Group to be included in the circular in relation to the Acquisition, a circular containing, among other things, further details of the Acquisition and a notice convening the SGM will be despatched to the Shareholders on or before 5 March 2012.

Reference is made to the announcement of the Company dated 1 November 2011 in relation to, among other matters, the Acquisition. On 13 January 2012 (after trading hours of the Stock Exchange), the Purchaser entered into the Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan at a total consideration of HK\$60,400,000.

THE AGREEMENT

Date: 13 January 2012 (after trading hours of the Stock Exchange)

Parties:

Purchaser: the Purchaser, a wholly-owned subsidiary of the Company

Vendor: Brilliant Bloom Investments Limited

Guarantors: Mr. Ng Yui Wah Sonny and Mr. Wu Zhi Nan

Target: The Target Company

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The entire issued share capital in the Vendor is wholly and beneficially owned by the First Guarantor. The Second Guarantor is one of the directors of the Target Company as at the date hereof. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantors are merchants who have extensive experience in conducting businesses in Hong Kong and the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Guarantors and their respective associates is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan.

The Sale Shares represent 55% of the issued share capital of the Target Company. As at the date of this announcement, the Target Company is beneficially owned as to 55% by the Vendor and 45% by an Independent Third Party. As at 31 December 2011, there was a shareholders' loan of HK\$1,379,175 due to the Vendor from the Target Company and the Sale Loan will be assigned to the Purchaser upon Completion.

Upon Completion, the Target Company will be beneficially owned as to 55% by the Purchaser and 45% by an Independent Third Party.

Consideration

The total consideration of HK\$60,400,000, which has been or shall be settled in the following manner:

- i. HK\$7,500,000 has been paid by the Purchaser to the Vendor within three business days after signing the MOU (the "**First Deposit**") and part payment of the Consideration;
- ii. HK\$8,000,000 shall be paid by the Purchaser to the Vendor within three business days after signing the Agreement (the "**Second Deposit**", together with the First Deposit, the "**Deposits**") and part payment of the Consideration;
- iii. HK\$12,500,000 by the Purchaser in cash on Completion;
- iv. HK\$24,150,000 by the Purchaser by procuring the Company to allot and issue the Consideration Shares to the Vendor at the Issue Price and credited as fully paid on Completion; and
- v. the balance of HK\$8,250,000 by the Purchaser by procuring the Company to issue the Promissory Note to the Vendor on Completion.

As a security for the repayment refund of the Deposits by the Vendor pursuant to the Agreement as disclosed in the section headed “Long Stop Date” below, (i) a share charge (the “**Share Charge**”) in respect of 55% equity interests in the Target Company; and (ii) a deed of assignment by way of security (the “**Deed of Assignment as Security**”) in respect of the Sale Loan have been executed by the Vendor in favour of the Purchaser immediately upon signing of the Agreement.

The Consideration represents approximately 7.32 price-earnings multiple of the Profit Guarantee (as disclosed in the following section) and equity interests to be acquired in the Target Company (i.e. HK\$15,000,000 x 55% = HK\$8,250,000). The total consideration represents approximately 9.76 price-earnings multiple of the Profit Guarantee after tax and equity interests to be acquired in the Target Company (i.e. HK\$15,000,000 x 75% x 55% = HK\$6,187,500). The Directors consider that such 9.76 price-earnings multiple is a reasonable price-earnings ratio considering the prevailing price-earnings multiple of listed companies in the PRC engaged in similar business of the Target Group which range from approximately 16 times to approximately 30 times.

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

The total consideration was agreed between the Purchaser and the Vendor after arm’s length negotiations.

Having considered that (i) the business development and prospects of the Target Group in the medium to long term; (ii) the Profit Guarantee; (iii) in case the Profit Guarantee is not fulfilled, the Consideration will be adjusted downwards; and (iv) the escrow arrangement of the Promissory Note, the Directors consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The cash portion of the Consideration is intended to be funded by the internal resources of the Group (including the net proceeds of the open offer of the Company of approximately HK\$28.87 million which was completed on 19 September 2011). The net proceeds of the open offer remains unutilized as at date of this announcement.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (1) all necessary consents and approvals required to be obtained on the part of the Vendor and the Guarantors in respect of the sale of Sale Shares and the Sale Loan having been obtained;
- (2) all necessary consents and approvals required to be obtained on the part of the Purchaser and the Company in respect of the acquisition of Sale Shares and the Sale Loan having been obtained;

- (3) there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of the warranties provided by the Vendor or the terms of the Agreement;
- (4) the passing by the Shareholders at the SGM to be convened and held of ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares and the issue of the Promissory Note;
- (5) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (6) completion of the Reorganization;
- (7) the obtaining of a PRC legal opinion from the PRC legal adviser in form and substance satisfactory to the Purchaser in relation to the legality and validity of the Agreement and the transactions contemplated thereunder, the establishment and subsistence of Reese Compaq and Outwitting Huanyu, the Reorganisation, the legality, validity and enforceability of the Control Agreements;
- (8) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Group; and
- (9) the execution of a deed of release by the Purchaser to take effect simultaneously upon Completion in relation to the Share Charge and the Deed of Assignment as Security.

Conditions (3) and (8) above are waivable by the Purchaser under the Agreement while all the other conditions are incapable of being waived. The Purchaser has no current intention to waive such conditions as at the date of this announcement.

Completion

Completion shall take place within three (3) Business Days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Company will be interested in 55% equity interests in the Target Company and members of the Target Group will be accounted for as indirect non wholly-owned subsidiaries of the Company.

The Group will appoint directors to take majority control of the board of directors of each of the companies in the Target Group upon Completion. The Company does not have intention to change the board composition of the Company upon Completion. In particular, the Guarantors will not be appointed as director of the Company.

Long Stop Date

If all of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Agreement shall cease and terminate and neither party shall have any obligations towards each other save and except for any antecedent breach of the Agreement. In such event, the Vendor shall forthwith return the Deposits to the Purchaser.

If all of the conditions are fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, but Completion does not take place as a result of the sole default of the Purchaser, the Vendor shall be entitled to forfeit the Deposits paid by the Purchaser (not as penalty) and neither party shall have any obligations and liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If all of the conditions are fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, but Completion does not take place as a result of other than the sole default of the Purchaser, the Vendor shall forthwith refund the Deposits paid by the Purchaser together with a sum equivalent to the Deposits as liquidated damages (and not as penalty) to the Purchaser and neither party shall have any obligations or liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights or remedies.

PROFIT GUARANTEE

Pursuant to the Agreement, the Vendor and the Guarantors have covenanted and guaranteed to the Purchaser that the audited consolidated net profit before taxation and extraordinary items of the Target Company, based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and to be audited by an accounting firm approved by the Purchaser for the 15 months ending 31 March 2013 shall not be less than HK\$15,000,000.

Consideration Adjustment:

In the event the Actual Net Profit is less than the Profit Guarantee, the Vendor shall compensate the Purchaser an amount (the “**Shortfall**”) equivalent to:

$$\text{Shortfall} = (\text{Profit Guarantee} - \text{Actual Net Profit}) \times 55\%$$

For the avoidance of doubt, if there is loss for the Target Group for the 15 months ending 31 March 2013, the profit shall be treated as zero and the Shortfall shall be:

$$\text{Shortfall} = \text{Profit Guarantee} \times 55\%$$

The Shortfall shall be set off against the face value of the Promissory Note on a dollar for dollar basis.

If the Profit Guarantee is fulfilled, the Promissory Note would be returned to the Vendor.

The Profit Guarantee was arrived at after arm's length negotiation between the Purchaser and the Vendor and the Guarantor with reference to the business prospects and business development of the Target Group.

CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 25.53% to the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on 12 January 2012, being the last trading day immediately prior to the entering into of the Agreement;
- (ii) a discount of approximately 25.69% to the average of the closing prices of HK\$0.0942 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 January 2012, being the last trading day immediately prior to the entering into of the Agreement;
- (iii) a discount of approximately 25.85% to the average of the closing prices of HK\$0.0944 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 12 January 2012, being the last trading day immediately prior to the entering into of the Agreement; and
- (iv) a discount of approximately 22.22% to the net asset value per Share of HK\$0.09 based on the audited consolidated financial statements of the Group as at 31 March 2011 divided by 1,380,795,656 Shares.

The Issue Price was determined by the Board after taking into consideration of the prevailing Share prices and the Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 24.99% of the existing issued share capital of the Company and approximately 19.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued on the date of Completion.

In addition, the Vendor undertakes to and covenants with the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 6 months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Consideration Shares, or any interests therein or grant any options or rights in respect of more than such amount of Consideration Shares without prior approval from the Purchaser.

APPLICATION FOR LISTING

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

TERMS OF THE PROMISSORY NOTE

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK\$8,250,000

Interest

The Promissory Note does not carry any interest.

Maturity

A fixed term of two years from the date of issue of the Promissory Note.

Early repayment

After the Target Group has achieved the Profit Guarantee, the Company may, at its option, repay the Promissory Note in whole or in part (in multiples of HK\$1,000,000) by giving a prior written notice to the Vendor, commencing from the date after the Profit Guarantee has been achieved up to the date immediately prior to the maturity date of the Promissory Note. There will not be any premium or discount to the payment obligations under the Promissory Note for any early repayment.

Assignment

After the Target Group has achieved the Profit Guarantee, the Promissory Note may be transferred or assigned by the holder of the Promissory Note to any party (other than a connected person of the Company) in integral multiples of HK\$1,000,000.

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:

Shareholders	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>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Starryland Profits Limited ^{Note 1}	346,404,682	25.09	346,404,682	20.07
Mr. Lau Kim Hung, Jack ^{Note 1}	4,483,200	0.32	4,483,200	0.26
Ms. Chan Yiu Kan Katie ^{Note 1}	1,480,000	0.11	1,480,000	0.09
Other associates	<u>15,848,532</u>	<u>1.15</u>	<u>15,848,532</u>	<u>0.92</u>
Starryland and its concert parties and associates	368,216,414	26.67	368,216,414	21.34
Director				
Mr. Yuan Shengjun ^{Note 2}	14,804,800	1.07	14,804,800	0.86
Vendor	–	–	345,000,000	19.99
Public	<u>997,774,442</u>	<u>72.26</u>	<u>997,774,442</u>	<u>57.81</u>
Total	<u><u>1,380,795,656</u></u>	<u><u>100.00</u></u>	<u><u>1,725,795,656</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 346,404,682 Shares. Under the SFO, Mr. Lau is deemed to be interested in 346,404,682 Shares. Mr. Lau also beneficially owns 4,483,200 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.

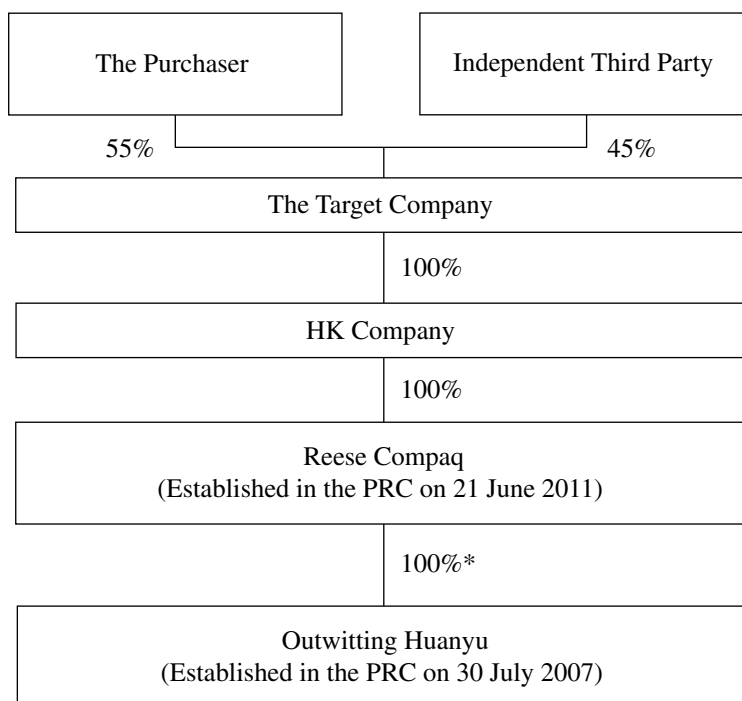
2. Mr. Yuan Shengjun is an executive Director, chairman and chief executive officer of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is incorporated in the British Virgin Islands. Upon completion of the Reorganization, the Target Group, through Outwitting Huanyu which holds Class C qualification in lightening protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質) to principally engage in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC.

Target Group structure

Set out below is the group structure of the Target Group immediately after completion of Reorganization and Completion:



* Under contractual arrangements disclosed in the following section.

The contractual arrangements

Pursuant to and immediately upon the completion of the Reorganization, the Target Company, through Reese Compaq will obtain the rights to have effective control over the operation of Outwitting Huanyu and the right to enjoy the economic benefits in the business and/or asset of Outwitting Huanyu, and that Outwitting Huanyu will be accounted for as a 100% owned subsidiary of the Target Group in which their financial results be consolidated with that of the Target Group. Accordingly, Reese Compaq has entered into a set of control agreements (the “**Control Agreements**”) with Outwitting Huanyu and its respective shareholders holding the entire equity interests of Outwitting Huanyu. Outwitting Huanyu is held as to 85% by Ms. Chen Jiao and 15% by Mr. Jia Jun Long. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Ms. Chen Jiao and Mr. Jia Jun Long and their respective associates is an Independent Third Party. Ms. Chen Jiao is the director and the legal representative of Outwitting Huanyu. As advised by the Vendor, completion of the Control Agreements, as part of the Reorganization which is one of the conditions precedent to the Agreement, will take place on or before Completion.

Set out below are the major terms of the Control Agreements executed amongst Reese Compaq, Outwitting Huanyu and its respective shareholders and directors:

1) *Loan agreement*

Pursuant to the loan agreement executed on 30 December 2011, an interest free loan in the aggregate amount of not more than RMB12 million will be provided by Reese Compaq to the existing shareholders of Outwitting Huanyu, of which RMB2 million has been utilized for the exclusive use for repaying their contributions in the registered capital of Outwitting Huanyu and a facility of RMB10 million will be utilized for future general working of Outwitting Huanyu if and when required. The loan is for a term of five (5) years from the date of the loan agreement.

2) *Share charge*

Pursuant to the share charge executed on 30 December 2011, all existing shareholders of Outwitting Huanyu pledged their entire equity interests in Outwitting Huanyu to Reese Compaq, in which each of them will convey to Reese Compaq all their interests in the dividends, distribution, capital bonus and other assets distributed, payable or paid by Outwitting Huanyu for securing the repayment obligations of the shareholders of Outwitting Huanyu under the loan agreement.

3) *Exclusive share purchase agreement*

For the purposes of obtaining the rights to purchase all (or part) of the equity interest in Outwitting Huanyu, Reese Compaq entered into the exclusive share purchase agreement on 30 December 2011 with the shareholders of Outwitting Huanyu pursuant to which, an irrevocable and exclusive right was granted by the shareholders to Outwitting Huanyu (or its nominee) to purchase all (or part) of the shareholders' equity interest in Outwitting Huanyu for a period of five (5) years from the date of the agreement (extendable at the option of Reese Compaq). The consideration will be determined based on the higher of the outstanding loan amount under the loan agreements and the minimum amount of consideration as permissible under the then PRC laws and regulations.

4) *Management appointment agreement*

Pursuant to the management appointment agreement executed on 30 December 2011, Outwitting Huanyu shall appoint the person(s) nominated by Reese Compaq as directors to the board of directors of Outwitting Huanyu thereby creating an effective control on the board of directors of Outwitting Huanyu. In addition, Reese Compaq has the right to remove directors, the general manager and legal representatives of each of Outwitting Huanyu and replace them with its nominees as it thinks fit.

5) *Exclusive consultancy service agreement*

Pursuant to the exclusive consultancy service agreement executed on 30 December 2011, Reese Compaq will provide consultancy services to each of Outwitting Huanyu in return for service fees for a term of five (5) years.

6) *Directors' undertakings*

The existing director of Outwitting Huanyu undertakes to pass a copy of all notices of directors' meetings received from Outwitting Huanyu to Reese Compaq and to vote in accordance with the voting instructions given by Reese Compaq on any directors' resolutions proposed at the directors' meeting respectively. The directors also procure that such other new directors to be introduced will provide the same undertaking.

7) *Shareholders' undertakings*

The existing shareholders of Outwitting Huanyu undertake to Reese Compaq to vote in accordance with the directions of Reese Compaq on any resolution proposed at a general meeting of the shareholders of Outwitting Huanyu respectively.

The Company has reviewed the Control Agreements provided by the Vendor and discussed with the PRC legal advisers. As advised by the PRC legal adviser, the Control Agreements entered into among the Target Group with Outwitting Huanyu and its respective shareholders are legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC and could give effect to the completion of the Reorganization.

The Control Agreements taken as a whole, upon completion the Target Group will be able to govern the financial and operating policies of Outwitting Huanyu and the Target Group enjoys all of the economic benefits of Outwitting Huanyu because (i) the board of directors of Outwitting Huanyu will be controlled by Reese Compaq pursuant to the management appointment agreements and the directors' undertakings; (ii) the general meeting of Outwitting Huanyu will be controlled by Reese Compaq pursuant to the shareholders' undertakings and the directors' undertakings; and (iii) all the benefits arising from entire equity interests in Outwitting Huanyu will be entirely conveyed to Reese Compaq pursuant to the share charge, exclusive consultancy service agreement and loan agreement.

In view of (i) the execution of the respective Control Agreements will ensure the consolidation of the financial results of Outwitting Huanyu to the Target Group as advised by the auditor of the Company; (ii) the Control Agreements are legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC as advised by the PRC legal adviser; (iii) the Control Agreements are entered amongst the parties thereto on normal commercial terms; and (iv) the potential benefits from the Acquisition, the Directors considered that such contractual arrangements are in the interest of the Group and the Shareholders as a whole.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Company based on its management account prepared in accordance with the Hong Kong accounting standards:

	From 28 July 2010 (date of incorporation) to 31 March 2011 (unaudited) HK\$'000	Nine months from 1 April 2011 to 31 December 2011 (unaudited) HK\$'000
Turnover	–	1,686
Net profit/(loss) before taxation	(25)	217
Net profit/(loss) after taxation	(25)	160

	As at 31 March 2011 (unaudited) <i>HK\$'000</i>	As at 31 December 2011 (unaudited) <i>HK\$'000</i>
Net asset/(liability) value	(25)	164

Set out below is the audited financial information of Outwitting Huanyu prepared in accordance with the PRC accounting standards:

	For the year ended 31 December 2010 (audited) <i>RMB'000</i>	For the year ended 31 December 2011 (audited) <i>RMB'000</i>
Turnover	6,855	5,004
Net profit/(loss) before taxation	64	(2,898)
Net profit/(loss) after taxation	64	(2,898)

	As at 31 December 2010 (audited) <i>RMB'000</i>	As at 31 December 2011 (audited) <i>RMB'000</i>
Net asset/(liability) value	1,843	(1,054)

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of energy and other resources management and conservation system and integrated solutions, telecommunication optic fiber business and payment by deduction business in the PRC.

The Board considers that the Acquisition represents a significant step forward on development of the Group's telecommunication related enhancement, maintenance, security and value-added peripheral business in the PRC. According to the Twelve Five Years Plan launched by the PRC National Council, enhance construction of conservancy and disaster prevention and mitigation system are among the top priority projects of the PRC Government, of which lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection is a key part in natural disaster prevention and mitigation system. The Acquisition is in line with the PRC Government policy and will also capitalize the existing business connections and scope of business activities of the Group.

As informed by the management of the Target Group, Outwitting Huanyu has successfully granted Class C qualification in lightening protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質) from the Beijing Meteorological Bureau in August 2011 and since then, the Target Group has already recorded turnover of approximately RMB3,340,000 from August 2011 to December 2011. Leveraging on the experiences and connections of management of the Target Group as well as the increase in emphasis of the lightening protection as a result of the Wenzhou railway accident in the PRC, the Target Group has secured several lightening protection projects for operation in 2012 and the management of the Target Group is optimistic about the business development of the Target Group.

The Directors view that the Acquisition is in the interest of the Group and the Shareholders as a whole in view of its profitability potential in the future.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

As more time is needed to prepare the financial information of the Enlarged Group to be included in the circular in relation to the Acquisition, a circular containing, among other things, further details of the Acquisition and a notice convening the SGM will be despatched to the Shareholders on or before 5 March 2012.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the 55% equity interests of the Target Company through the purchase of the Sale Shares and the Sale Loan by the Purchaser as contemplated under the Agreement
“Actual Net Profit”	the actual audited consolidated net profit before taxation and extraordinary items of the Target Company, based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards for the 15 months ending 31 March 2013
“Agreement”	the conditional agreement dated 13 January 2012 entered into among the Purchaser, the Vendor and the Guarantors in relation to the Acquisition

“associates”	has the same meaning ascribed to such term under the GEM Listing Rules
“business day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$60,400,000
“Consideration Shares”	the 345,000,000 new Shares to be issued and allotted to the Vendor as part of the Consideration
“Control Agreements”	has the meaning ascribed thereto in the section headed “Contractual arrangements” in this announcement
“Director(s)”	the director(s) of the Company from time to time
“Enlarged Group”	the Group as enlarged by the Acquisition
“First Guarantor”	Mr. Ng Yui Wah Sonny
“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
“Guarantors”	together the First Guarantor and the Second Guarantor
“HK Company”	Fantastic Limited, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.07 per Consideration Share
“Long Stop Date”	30 April 2012 (or such later date as the Purchaser and the Vendor may agree), being the last day for the fulfillment or waiver of the conditions precedent of the Agreement
“MOU”	the non-legally binding memorandum of understanding dated 1 November 2011 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Acquisition
“New Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Outwitting Huanyu”	北京智勝環宇科技有限公司 (unofficial English name as Beijing Outwitting Huanyu Technology Company Limited), a limited company established in the PRC
“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
“Profit Guarantee”	the profit guarantee that the audited consolidated net profit before taxation of the Target Company for the 15 months ending 31 March 2013 will not be less than HK\$15,000,000
“Promissory Note”	a promissory note in a principal sum of HK\$8,250,000 to be issued by the Company to the Vendor upon Completion to satisfy in part of the Consideration
“Purchaser”	Power Chance Holdings Limited, a company incorporated in British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company

“Reese Compaq”	北京瑞斯康柏科技有限公司 (unofficial English name as Beijing Reese Compaq Technology Company Limited), a limited company established in the PRC
“Reorganization”	the reorganization of the Target Group, as contemplated under the Agreement
“Sale Loan”	any and all obligations, indebtedness or liabilities due by the Target Group to the Vendor on Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, of which will be assigned by the Vendor to the Purchaser upon Completion by way of loan assignment agreement
“Sale Shares”	55 ordinary shares of the Target Company, representing 55% of the total issued share capital of the Target Company as at the date of the Agreement
“Second Guarantor”	Mr. Wu Zhi Nan
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares and the Promissory Note
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Boomtech Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Company Shares”	the ordinary shares of US\$1.00 each in the share capital of the Target Company
“Target Group”	the Target Company and its subsidiaries, after completion of the Reorganization

“Vendor”	Brilliant Bloom Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 13 January 2012

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) for at least 7 days from the date of its posting and the Company’s website at www.palmpaychina.com.