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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 AND CONNECTED TRANSACTION
INVOLVING ACQUISITION OF 24% INTERESTS IN
MEDIA MAGIC TECHNOLOGY LIMITED
WITH ISSUE OF CONSIDERATION SHARES
AND CONVERTIBLE BONDS
AND
RESUMPTION OF TRADING**

Financial Adviser to the Company



INCUB Corporate Finance Limited

INTRODUCTION

Reference is made to the announcements dated 22 August 2006 and 23 November 2006 and the circulars dated 7 September 2006 and 14 December 2006 respectively in relation to the acquisition of an aggregate of approximately 51% indirect interests in Media Magic by the Company. The acquisition of the aggregate of approximately 51% indirect interests in Media Magic has been carried out in two stages, namely the acquisition of 20% indirect interests in Media Magic, which was completed on 22 August 2006 followed by the acquisition of 31% indirect interests in Media Magic, which was completed on 5 January 2007.

FIRST SALE AND PURCHASE AGREEMENT

The Board announces that on 5 November 2007, after trading hours, Upper Power, a wholly-owned subsidiary of the Company, entered into the First Sale and Purchase Agreement with Vendor A, pursuant to which, Vendor A has agreed to sell, and Upper Power, as Purchaser, has agreed to purchase, the 5,000 Sale Shares, representing approximately 9% of the total issued share of Media Magic as at the date of the First Sale and Purchase Agreement, for a total consideration of HK\$76,320,000 which shall be settled by Upper Power in cash and by procuring the Company to issue the Consideration Shares and the Convertible Bonds to Vendor A.

Upon completion of the First Sale and Purchase Agreement, the Company will issue the Consideration Shares and the Completion Convertible Bonds to Vendor A as described below in the sub-section headed "Consideration" of the section headed "First Sale and Purchase Agreement". Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and Conversion Shares. The Directors will seek a specific mandate from the Shareholders at the SGM to allot and issue the Consideration Shares and Conversion Shares.

SECOND SALE AND PURCHASE AGREEMENT

The Board also announces that on 5 November 2007, after trading hours, Upper Power, a wholly-owned subsidiary of the Company, entered into the Second Sale and Purchase Agreement with Vendor B, pursuant to which, Vendor B has agreed to sell, and Upper Power, as Purchaser, has agreed to purchase, the 8,333 Sale Shares, representing approximately 15% of the total issued share of Media Magic as at the date of the Second Sale and Purchase Agreement, for a total consideration of HK\$127,200,000 which shall be settled by Upper Power in cash and by procuring the Company to issue the Consideration Shares and the Convertible Bonds to Vendor B.

Upon completion of the Second Sale and Purchase Agreement, the Company will issue the Consideration Shares and the Completion Convertible Bonds to Vendor B as described below in the sub-section headed "Consideration" of the section headed "Second Sale and Purchase Agreement". Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and Conversion Shares. The Directors will seek a specific mandate from the Shareholders at the SGM to allot and issue the Consideration Shares and Conversion Shares.

Before the Acquisition, Media Magic is an indirect subsidiary of the Company. Upon completion of the Sale and Purchase Agreements, the Company will hold indirectly 75% equity interests in Media Magic with Media Magic continues to be a subsidiary of the Company and with its consolidated accounts being consolidated with that of the Group.

The Acquisition constitutes a major and connected transaction for the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

GENERAL

A circular will be despatched as soon as practicable within 21 days after publication of this announcement to the Shareholders containing among other things, (i) details of the Acquisition, (ii) a letter from the Independent Board Committee containing its advice in respect of the Acquisition; (iii) a letter from an independent financial advisor to the Independent Board Committee and Independent Shareholders containing its advice in respect of the Acquisition; and (iv) a notice convening the SGM, in compliance with the GEM Listing Rules.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on Tuesday, 6 November 2007 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on Tuesday, 13 November 2007.

INTRODUCTION

Reference is made to the announcements dated 22 August 2006 and 23 November 2006 (the “**Announcements**”) and the circulars dated 7 September 2006 and 14 December 2006 (the “**Circulars**”) respectively in relation to the acquisition of an aggregate of approximately 51% indirect interests in Media Magic by the Company. The acquisition of the aggregate of approximately 51% indirect interests in Media Magic has been carried out in two stages, namely the acquisition of 20% indirect interests in Media Magic, which was completed on 22 August 2006 followed by the acquisition of 31% indirect interests in Media Magic, which was completed on 5 January 2007.

On 5 November 2007, Upper Power entered into the Sale and Purchase Agreements, pursuant to which, Vendor A and Vendor B have agreed to sell, and Upper Power, as purchaser, has agreed to purchase, in aggregate the 13,333 MM Shares (representing approximately 24% of the total issued shares of Media Magic) for a total consideration of HK\$203,520,000 which shall be settled by Upper Power in cash and by procuring the Company to allot and issue the Consideration Shares and the Convertible Bonds. Details of the respective Sale and Purchase Agreements are described below.

THE FIRST SALE AND PURCHASE AGREEMENT

Date: 5 November 2007

Parties:

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

Vendor: Vendor A, being a director of Media Magic and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company, thus a connected person of the Company

As at the date of the First Sale and Purchase Agreement, Media Magic is beneficially owned as to approximately 9% by Vendor A, approximately 16.3% by Vendor B, approximately 16.3% by Winner Gain Investments Limited, approximately 7.4% by Morning Sun Technology Limited and approximately 51% by Upper Power.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Winner Gain Investments Limited and Morning Sun Technology Limited and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The 5,000 Sale Shares represent approximately 9% of the total issued shares of Media Magic as at the date of the First Sale and Purchase Agreement and the entire interests held by the Vendor A in Media Magic.

Consideration

The total consideration for the sale and purchase of the 5,000 Sale Shares is HK\$76,320,000, of which HK\$47,520,000 (the "**Basic Consideration of the First Sale and Purchase Agreement**") shall be settled by the Purchaser upon Completion in the following manner:

- (i) out of the Deposits of HK\$15,000,000:
 - (a) HK\$7,500,000 shall be payable in cash within five Business Days from the date of the First Sale and Purchase Agreement;
 - (b) HK\$3,750,000 shall be payable in cash on the date two weeks from the date of the First Sale and Purchase Agreement; and
 - (c) HK\$3,750,000 shall be payable in cash on the date one month from the date of the First Sale and Purchase Agreement.
- (ii) HK\$3,750,000 shall be payable in cash on Completion.
- (iii) as to HK\$27,570,000 by the Purchaser by procuring the Company to allot and issue 61,266,667 Consideration Shares to Vendor A credited as fully paid, at the Issue Price and 50% of the 61,266,667 Consideration Shares will be locked up until Profit Guarantee is achieved as elaborated in the sections headed "Profit Guarantee" and "Consideration Shares" below.
- (iv) as to HK\$1,200,000 by the Purchaser by procuring the Company to issue at Completion the Completion Convertible Bonds to Vendor A, which shall then be delivered to the Purchaser as escrow until the fulfillment of the Profit Guarantee, the details of which can be found in the section headed "Profit Guarantee".

The remaining balance of the total consideration for the 5,000 Sale Shares (excluding the Basic Consideration of the First Sale and Purchase Agreement) of HK\$28,800,000 (the “**Balance of the First Sale and Purchase Agreement**”) shall be payable by Upper Power to Vendor A upon the production of evidence to the reasonable satisfaction of Upper Power that the audited consolidated net profits after tax and extraordinary or exceptional items of Media Magic, based on Hong Kong Financial Reporting Standards, in the following manners:

- (a) (i) HK\$28,800,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate is equal to or greater than HK\$53,000,000; or (ii) HK\$14,400,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK\$43,000,000 but less than HK\$53,000,000. For the avoidance of doubt, if Media Magic Group fails to achieve the above earn out amount of HK\$43,000,000 for the financial year ending 31 March 2009, the Purchaser’s obligation to pay to Vendor A the amount of the Consideration as referred to in this (a) and (b) (as referred below) are deemed satisfied and fulfilled; and
- (b) subject to the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK\$43,000,000 but less than HK\$53,000,000, HK\$14,400,000 by the Purchaser by procuring the Company to issue the 2010 Earn Out Convertible Bonds provided that the Averaged Actual Profit as shown in the Guarantee Certificate shall not be less than HK\$53,000,000. For the avoidance of doubt, if Media Magic Group fails to achieve the Averaged Actual Profit of HK\$53,000,000, the Purchaser’s obligation to pay to Vendor A such amount of the Consideration as referred to in this (b) is deemed satisfied and fulfilled.

The payments referred to in items (ii), (iii) and (iv) above shall be made on Completion.

THE SECOND SALE AND PURCHASE AGREEMENT

Date: 5 November 2007

Parties:

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

Vendor: Vendor B, being a substantial shareholder of Media Magic and thus a connected person of the Company

As at the date of the Second Sale and Purchase Agreement, Media Magic is beneficially owned as to approximately 9% by Vendor A, approximately 16.3% by Vendor B, approximately 16.3% by Winner Gain Investments Limited, approximately 7.4% by Morning Sun Technology Limited and approximately 51% by Upper Power.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Winner Gain Investments Limited and Morning Sun Technology Limited and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The 8,333 Sale Shares represent approximately 15% of the total issued shares of Media Magic as at the date of the Second Sale and Purchase Agreement and approximately 92% interests by the Vendor B in Media Magic. Upon completion of the Acquisition, Vendor B will hold 722 MM Shares of approximately 1.3% interest in Media Magic.

Consideration

The total consideration for the sale and purchase of the 8,333 Sale Shares is HK\$127,200,000, of which HK\$79,200,000 (the "**Basic Consideration of the Second Sale and Purchase Agreement**") shall be settled by the Purchaser upon Completion in the following manner:

- (i) out of the Deposits of HK\$25,000,000:
 - (a) HK\$12,500,000 shall be payable in cash within five Business Days from the date of the Second Sale and Purchase Agreement;
 - (b) HK\$6,250,000 shall be payable in cash on the date two weeks from the date of the Second Sale and Purchase Agreement; and
 - (c) HK\$6,250,000 shall be payable in cash on the date one month from the date of the Second Sale and Purchase Agreement.
- (ii) HK\$6,250,000 shall be payable in cash at Completion.
- (iii) as to HK\$45,950,000 by the Purchaser by procuring the Company to allot and issue the 102,111,111 Consideration Shares to Vendor B credited as fully paid, at the Issue Price and 50% of the 102,111,111 Consideration Shares will be locked up until Profit Guarantee is achieved as elaborated in the sections headed "Profit Guarantee" and "Consideration Shares" below.
- (iv) as to HK\$2,000,000 by the Purchaser by procuring the Company to issue at Completion the Completion Convertible Bonds to Vendor B, which shall then be delivered to the Purchaser as escrow until the fulfillment of the Profit Guarantee the details of which can be found in the section headed "Profit Guarantee".

The remaining balance of the total consideration for the 8,333 Sale Shares (excluding the Basic Consideration of the Second Sale and Purchase Agreement) of HK\$48,000,000 (the “**Balance of the Second Sale and Purchase Agreement**”) shall be payable by Upper Power to Vendor B upon the production of evidence to the reasonable satisfaction of Upper Power that the audited consolidated net profits after tax and extraordinary or exceptional items of Media Magic, based on Hong Kong Financial Reporting Standards, in the following manners:

- (a) (i) HK\$48,000,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate is equal to or greater than HK\$53,000,000; or (ii) HK\$24,000,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK\$43,000,000 but less than HK\$53,000,000. For the avoidance of doubt, if Media Magic Group fails to achieve the above earn out amount of HK\$43,000,000 for the financial year ending 31 March 2009, the Purchaser’s obligation to pay to Vendor A the amount of the Consideration as referred to in this (a) and (b) (as referred below) are deemed satisfied and fulfilled; and
- (b) subject to the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK\$43,000,000 but less than HK\$53,000,000, HK\$24,000,000 by the Purchaser by procuring the Company to issue the 2010 Earn Out Convertible Bonds provided that the Averaged Actual Profit as shown in the Guarantee Certificate shall not be less than HK\$53,000,000. For the avoidance of doubt, if Media Magic Group fails to achieve the Averaged Actual Profit of HK\$53,000,000, the Purchaser’s obligation to pay to Vendor A such amount of the Consideration as referred to in this (b) is deemed satisfied and fulfilled.

The payments referred to in items (ii), (iii) and (iv) above shall be made on Completion.

Source of Funding

Cash portion of the Consideration will be financed by net proceeds from previous fund raising exercises (including placing of warrants completed on 11 September 2007, top-up placing completed on 23 April 2007, open offer completed on 28 February 2007 and placing of warrants completed on 27 October 2006) and internal resources of the Group.

In order to facilitate the payment of the cash consideration for the Acquisition which might exceed the remaining net proceeds originally set aside for investments from previous fund raising exercises (the placing and top-up subscription which has been completed and published on 23 April 2007), the Directors decided to reallocate approximately HK\$4.24 million as originally intended to be applied towards general working capital in relation to the top-up placing completed on 23 April 2007 for partial payment for this Acquisition.

The terms of the Consideration Shares and the Convertible Bonds are set out under the section headed “Terms of the Consideration Shares” and “Terms of the Convertible Bonds” below respectively.

Basis of Consideration

The Consideration is determined after arm's length negotiation between Upper Power and the Vendors with reference to (i) the future prospect and business plan of the Media Magic Group and PalmPay (互聯視通); (ii) the Profit Guarantee; (iii) the earn out amounts of HK\$43,000,000 and HK\$53,000,000 respectively as described above; and (iv) the profit earning ratios of a number of listed companies engaging similar business in the telecommunication sector in the PRC (listed on Shanghai Stock Exchange and Shenzhen Stock Exchange) and Hong Kong ranging from about 3 to 348 times. For details of Media Magic and its future prospect and business plan and the Profit Guarantee, please refer to the sections headed "INFORMATION ON MEDIA MAGIC GROUP" and "REASONS FOR THE ACQUISITION" and "Profit Guarantee" respectively below.

The Basic Consideration is calculated based on the Profit Guarantee times 16 price earnings multiple and equity interests to be acquired in Media Magic, i.e. $\text{HK\$}33,000,000 \times 16 \times 24\% = \text{HK\$}126,720,000$ while the Balance is calculated based on the excess of HK\$53,000,000 over the Profit Guarantee of HK\$33,000,000 times 16 price earnings multiple and equity interests to be acquired in Media Magic, i.e. $\text{HK\$}20,000,000 \times 16 \times 24\% = \text{HK\$}76,800,000$.

The Consideration of HK\$203,520,000 for the Acquisition together with the total consideration of HK\$16,120,000 paid under the Former Sale and Purchase Agreement (the "**Total Consideration**") represents approximately 60.02 times based on attributable 55% equity interests in the Media Magic Group's audited net assets value of HK\$6,653,196 as at 31 March 2007, i.e. HK\$3,659,258. The Consideration alone represents approximately 127.46 times based on attributable 24% equity interests in the Media Magic Group's audited net assets value of HK\$6,653,196 as at 31 March 2007, i.e. HK\$1,596,767. The financial information on the Media Magic Group is further provided in the section headed "Information on Media Magic Group" below.

The Directors consider that the prospect of a service based business lies on its earning potentials, rather than on its net asset value, as such, comparison with the price earnings multiple is a more reasonable reference rather than comparison with the net asset value of the Media Magic Group.

In view of the above, the Directors (excluding the independent non-executive Directors who would give their views on the terms of the Acquisition after having been advised by the independent financial adviser) consider the Consideration to be fair and reasonable and that the Sale and Purchase Agreements are on normal commercial terms and their terms are fair and reasonable and the entering into of the Sale and Purchase Agreements are in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is subject to, among other matters, the following conditions having been fulfilled or waived under the Sale and Purchase Agreements (as the case may be):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the Sale and Purchase Agreements and the transactions contemplated thereby having been obtained;

- (b) the passing by the Shareholders at the SGM approving the Sale and Purchase Agreements and the transactions contemplated hereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendors at the Issue Price credited as fully paid, the issue of the Convertible Bonds and allotment and issue of the Conversion Shares;
- (c) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) in relation to the Sale and Purchase Agreements and the transaction contemplated thereby;
- (d) the Warranties remaining true and accurate in all respects;
- (e) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Conversion Shares; and
- (f) the First Sale and Purchase Agreement having become unconditional (save for the conditions for the Second Sale and Purchase Agreement to become unconditional); and the Second Sale and Purchase Agreement having become unconditional (save for the conditions for the First Sale and Purchase Agreement to become unconditional).

The Directors are not aware of any consents or approvals that are required to be obtained on the part of Upper Power (except for procuring the Company to obtain Independent Shareholders' approval on the Acquisition, the issue of the Convertible Bonds and the allotment and issue of Consideration Shares and Conversion Shares at the SGM) and the Vendors under condition (a) above. Pursuant to the Sale and Purchase Agreements, all conditions except (c) and (d) are not waivable by Upper Power, however, Upper Power does not have any intention to waive such conditions (c) and (d).

Profit Guarantee

Pursuant to the Sale and Purchase Agreements, the Vendors have joint and severally guaranteed and warranted to Upper Power that the audited consolidated net profit after tax and extraordinary or exceptional items of Media Magic Group for the year ending 31 March 2009 shall not be less than HK\$33 million (to be prepared in accordance with generally accepted accounting principles in Hong Kong).

If the Profit Guarantee is not achieved, the Vendor shall set off against the payment obligations of the Company under the Convertible Bonds and the Locked Up Consideration Shares on a dollar to dollar basis in an amount calculated as follows:

$$A = (\text{Profit Guarantee} - 2009 \text{ Actual Profit}) \times 24\% \times 16)$$

Where A is the amount to be set off in the event there is any shortfall of the Profit Guarantee (subject to a maximum amount of HK\$203,520,000).

In the event that the Completion Convertible Bonds and the Locked Up Consideration Shares are insufficient to settle A, the Vendors shall pay to the Purchaser such shortfall in cash to the Purchaser.

For the avoidance of doubt, should the Group record a loss in its 2009 Actual Profit, the compensation amount will be the aggregation of the amount of such loss (expressed in positive figure).

Having considered (i) the business model and historical performance of the Media Magic Group (which will be elaborated under the heading “INFORMATION OF MEDIA MAGIC GROUP”); (ii) the business co-operations that have been secured by PalmPay (互聯視通) thus far, which are further elaborated under the section headed “Information on Media Magic Group” below; (iii) the Profit Guarantee is given for the year ending 31 March 2009 of Media Magic, which is about 17 months time from now; (iv) co-operation agreements with China Unicom secured and to be secured; and (v) the market prospect of the telecommunication sector in the PRC. The Vendors are confident in the earnings potentials of the Media Magic Group and are optimistic about the fulfillment of the Profit Guarantee.

Based on the Directors’ assessment (excluding the independent non-executive Directors) on the business prospect of Media Magic Group in meeting to determine the Profit Guarantee, the Directors (excluding the independent non-executive Directors) are satisfied that there is reasonable assurance of fulfilling the Profit Guarantee requirement in view of the above factors set out by the Vendors, with the contractual provision put in place to safeguard compensation to the Company should the Profit Guarantee cannot be fulfilled by Media Magic Group. Further announcement will be made by the Company in the event the Profit Guarantee is not achieved.

Long stop date

The Sale and Purchase Agreements provide that should the satisfaction of all of its conditions, if not waived by Upper Power, not occur on or before 31 December 2007 or such later date (the “**Long Stop Date**”) as Upper Power and the Vendors may agree, the Sale and Purchase Agreements shall terminate and neither Upper Power nor the Vendors shall have any liability thereunder other than antecedent breaches.

Completion

Completion of the Sale and Purchase Agreements shall take place on or before 4:00 p.m within three Business Days after all the conditions of the Sale and Purchase Agreements having been fulfilled or waived or such later date as may be agreed between the Vendors and the Purchaser. The completion of the Sale and Purchase Agreements are inter-conditional upon each other.

If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, or such later date as the Vendors and the Purchaser may agree, the Vendor shall forthwith refund to the Purchaser the Deposits paid by the Purchaser, without interest and the Sale and Purchase Agreements shall cease and determine and thereafter neither party shall have any obligation and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

If the conditions set out above have been fulfilled or waived on or before the Long Stop Date, but Completion does not take place as a result of the sole default of the Purchaser, the Vendors may forthwith determine the Sale and Purchase Agreements by giving notice of termination in writing to the Purchaser to such effect, in which event the Vendors shall be entitled to forfeit the Deposits paid by the Purchaser absolutely 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 save for any antecedent breaches of the terms thereof.

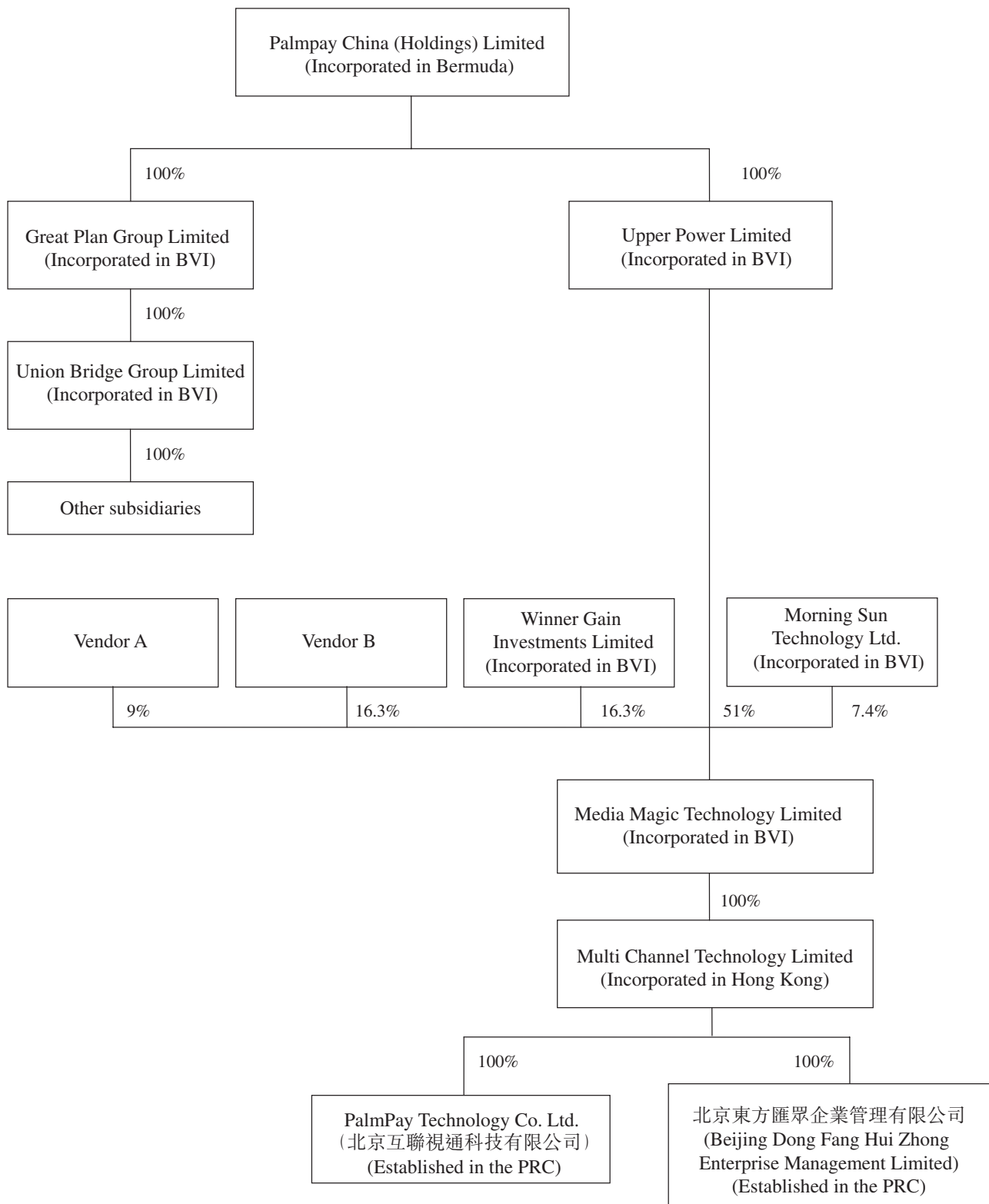
If the conditions set out above have been fulfilled or waived on or before the Long Stop Date, but Completion does not take place otherwise than as a result of the sole default of the Purchaser, the Purchaser may forthwith determine the Sale and Purchase Agreements by giving notice of termination in writing to the Vendors to such effect, in which event the Vendors shall forthwith refund the Deposits paid by the Purchaser without interest plus an amount equivalent to an amount of the Deposits, to the Purchaser 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 save for any antecedent breaches of the terms thereof.

Before the Acquisition, Media Magic is an indirect subsidiary of the Company. Upon completion of the Sale and Purchase Agreements, the Company will hold indirectly 75% equity interests in Media Magic with Media Magic continues to become a subsidiary of the Company and with its consolidated accounts being consolidated with that of the Group.

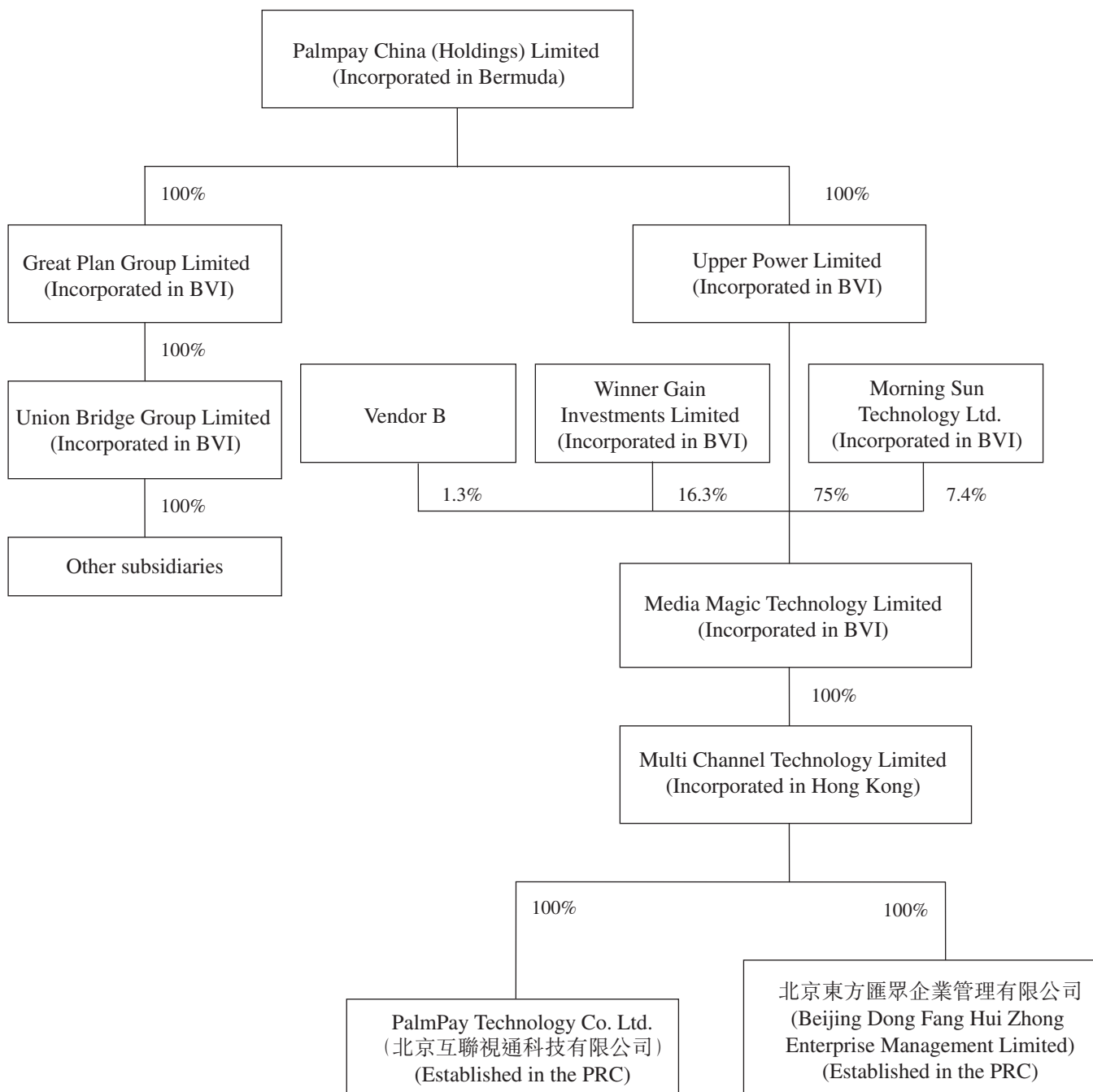
Group Structure

The diagram below shows separately the structure of the Group immediately before and after completion of the Acquisition:

Before completion of the Acquisition:



After completion of the Acquisition



THE CONSIDERATION SHARES

The 163,377,778 new Shares will be issued at an Issue Price of HK\$0.45 per Consideration Share, 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 premium of approximately 2.27% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements;
- (ii) a premium of approximately 2.27% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements;
- (iii) a premium of approximately 2.27% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements; and
- (iv) a premium of approximately 462.5% over the net asset value per Share of approximately HK\$0.08 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,118,967,500 as at the date of this announcement.

The Vendors undertake to and covenant with Upper Power that, it will not, within the period commencing on the date of completion of the Sale and Purchase Agreements and ending on the date falling 21 months thereafter until the Profit Guarantee is achieved, transfer or otherwise dispose of or create any encumbrance or other rights in respect of 50% of 163,377,788 the Consideration Shares (the “**Locked Up Consideration Shares**”).

Based on the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements, the Consideration Shares have a total market value of approximately HK\$71,886,222.

The Consideration Shares of 163,377,778, of which 61,266,667 new Shares will be issued to Vendor A and 102,111,111 new Shares will be issued to Vendor B, representing approximately 14.6% of the existing issued share capital of the Company, approximately 12.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 11.44% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

The 61,266,667 new Shares will be issued to Vendor A representing approximately 5.48% of the existing issued share capital of the Company, approximately 4.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 4.29% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

The 102,111,111 new Shares will be issued to Vendor B representing approximately 9.13% of the existing issued share capital of the Company, approximately 7.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 7.15% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

The Issue Price was arrived at by the Vendors and the Purchaser after taking into consideration of (i) the average recent trading prices of the Shares during the course of negotiation; (ii) 21 months lock-up period for the Locked Up Consideration Shares which may secure the medium-term commitment on the part of the Vendors in the Consideration Shares that minimizes fluctuations in prices of the Shares caused by the Vendors in short run and (iii) the Issue Price represents a premium of approximately 462.5% over the net asset value per Share of HK\$0.08, the Directors (excluding the independent non-executive Directors) consider that the Issue Price is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Mandate to issue Consideration Shares

As at the date of this announcement, the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 23 August 2007 has been utilised 99.65% for the issue of 223,000,000 warrants to an Independent Third Party. Details of the issue of the aforesaid warrants have been set out in an announcement of the Company dated 27 August 2007.

The Directors will seek a specific mandate from the Shareholders at the SGM to allot and issue the Consideration Shares.

Application for listing

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

THE CONVERTIBLE BONDS

To satisfy part of the Consideration, the Company will issue to the Vendors (or its nominees) the Convertible Bonds in the principal amount of HK\$80,000,000 by issue of the Completion Convertible Bonds, the 2009 Earn Out Convertible Bonds and the 2010 Earn Out Convertible Bonds.

The following is a summary of the principal terms of the Convertible Bonds:

Initial Conversion Price: HK\$0.55 per Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues. Such adjustments will be certified by an independent approved merchant bank or the auditors of the Company for the then time being.

The Initial Conversion Price of HK\$0.55 per Conversion Share represents:

- (i) a premium of approximately 25% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements;
- (ii) a premium of approximately 25% over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements;
- (iii) a premium of approximately 25% to/over the closing price of HK\$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements; and
- (iv) a premium of approximately 587.5% over the net asset value per Share of approximately HK\$0.08 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,118,967,500 as at the date of this announcement.

The Initial Conversion Price was determined after arm's length negotiations among the Purchaser, the Vendors and the Company with reference to average recent market price of the Shares and the Issue Price and reference to the Warrant Price. The Initial Conversion Price is set at a greater price than the Issue Price and represents a premium of 22.2% over the Issue Price in view of (i) the maturity of the Convertible Bonds of over one year; (ii) the Completion Convertible Bonds to be placed in escrow for over 17 months from now and (iii) the issue of 2009 Earn Out convertible Bonds and 2010 Earn Out Convertible Bonds is subject to the fulfillment of certain conditions as described under the sub-section headed "Consideration" which is expected to be issued 17 months from now which means there will be no immediate issue and allotment of Conversion Shares.

Interest rate:

The Convertible Bonds will not carry any interest

- Transferability:** Save for the Completion Convertible Bonds, the Bondholder(s) may assign or transfer the Convertible Bonds to Independent Third Parties in whole or in part in integral multiples of HK\$1,000,000 or if the outstanding principal amount of the Convertible Bonds is less than HK\$1,000,000, the whole but not part of the Convertible Bonds may be assigned or transferred.
- Conversion:** Save for the Completion Convertible Bonds, the Vendors will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares during the Conversion period in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion.
- Conversion period:** Save for the Completion Convertible Bonds, Bondholder(s) shall have the right to convert, from the date of issue of the Convertible Bonds up to and including the respective maturity dates of the 2009 Earn Out Convertible Bonds and 2010 Earn Out convertible Bonds, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares.
- Conversion Shares:** Upon full conversion of the Convertible Bonds at the Initial Conversion Price, an aggregate of 145,454,545 Conversion Shares will be issued by the Company (representing approximately 13% of the existing issued share capital of the Company, approximately 11.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 10.19% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be allotted and issued at the Initial Conversion Price.
- The Conversion Shares to be allotted and issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attached to the Convertible Bonds are exercised. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued upon exercise by the Vendors.
- Voting:** A Bondholder will not be entitled to receive notice of, attend or vote, at any general meeting of the Company by reason only of it being a Bondholder.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Ranking: The Convertible Bonds will rank pari passu with all other present and future unsecured and un-subordinated obligations of the Company.

Redemption: Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the Convertible Bonds on the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds.

The Company may at any time before the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds by serving prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at par.

Any amount of the Convertible Bond(s) which remains outstanding on the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued.

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the Completion Convertible Bonds:

Principal amount: HK\$3,200,000, of which HK\$1,200,000 to Vendor A and HK\$2,000,000 to Vendor B

Maturity: 31 December 2010

Transferability: The transferability of the Completion Convertible Bonds commences until the Profit Guarantee is being satisfied.

Conversion period: The Completion Convertible Bonds can only be converted after the Profit Guarantee is being satisfied until the end of the maturity date on 31 December 2010.

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the 2009 Earn Out Convertible Bonds:

- Principal amount:
- (i) HK\$76,800,000, of which HK\$28,800,000 to Vendor A and HK\$48,000,000 to Vendor B; or as the case may be
 - (ii) HK\$38,400,000, of which HK\$14,400,000 to Vendor A and HK\$24,000,000 to Vendor B

Maturity: 31 December 2010

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the 2010 Earn Out Convertible Bonds:

Principal amount: HK\$38,400,000, of which HK\$14,400,000 to Vendor A and HK\$24,000,000 to Vendor B

Maturity: 30 September 2011

An application will be made by the Company for the listing of and permission to deal in the Conversion Shares to be issued.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,118,967,500 Shares in issue, 22,000,000 outstanding share options and 223,000,000 non-listed warrants issued on 11 September 2007.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, 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; and (iii) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds at the Initial Conversion Price assuming no further Shares (including exercise of non-listed warrants and share options) will be issued or no Shares will be repurchased before the allotment and issue of the Consideration Shares and Conversion Shares:

Shareholders	As at the date of this announcement before the allotment and issue of the Consideration Shares and Conversion Shares				Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Starryland Profits Limited (<i>Note 1</i>)	322,795,000	28.85%	322,795,000	25.18%	322,795,000	22.61%
Mr. Lau Kim Hung, Jack (<i>Note 1</i>)	<u>5,160,000</u>	<u>0.46%</u>	<u>5,160,000</u>	<u>0.40%</u>	<u>5,160,000</u>	<u>0.36%</u>
Subtotal	327,955,000	29.31%	327,955,000	25.57%	327,955,000	22.97%
Hsu Tung Sheng (<i>Note 2</i>)	3,000,000	0.27%	3,000,000	0.23%	3,000,000	0.21%
Ho Hoi Lap (<i>Note 2</i>)	2,120,000	0.19%	2,120,000	0.17%	2,120,000	0.15%
Vendor A (<i>Note 3</i>)	18,220,000	1.63%	79,486,667	6.20%	134,032,121	9.39%
Vendor B (<i>Note 4</i>)	3,720,000	0.33%	105,831,111	8.25%	196,740,202	13.78%
Public	<u>763,952,500</u>	<u>68.27%</u>	<u>763,952,500</u>	<u>59.57%</u>	<u>763,952,500</u>	<u>53.51%</u>
Total	<u>1,118,967,500</u>	<u>100.00%</u>	<u>1,282,345,278</u>	<u>100.00%</u>	<u>1,427,799,823</u>	<u>100.00%</u>

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack who does not hold any position in the Group.
2. Mr. Hsu Tung Sheng is executive Director and chief executive officer of the Company, Dr. Ho Hoi Lap is non-executive Director and chairman of the Company.
3. Vendor A is the younger brother of Mr. Hsu Tung Sheng. Vendor A and his parties acting in concert will hold less than 30% total issued Shares after Completion.
4. Vendor B and his parties acting in concert will hold less than 30% total issued Shares after Completion.

INFORMATION ON THE VENDORS

Vendor A is a director of Media Magic and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company and a previous vendor of Media Magic in relation to the Former Sale and Purchase Agreement. Vendor A does not have any relationship with Mr. Lau Kim Hung, Jack, a substantial Shareholder.

Vendor B, apart from being substantial shareholder of Media Magic, does not assume any role in Media Magic. Vendor B does not have any relationship with Mr. Lau Kim Hung, Jack and the previous vendors of Media Magic in relation to the Former Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor A and Vendor B are independent to each other.

Vendor A, Vendor B, Mr. Lau Kim Hung, Jack and the previous vendor of Media Magic in relation to the Former Sale and Purchase Agreement are not parties acting in concert.

INFORMATION ON THE MEDIA MAGIC GROUP

Business carried on by Media Magic and PalmPay (互聯視通)

Media Magic is a company incorporated in BVI on 5 January 2004 and commenced operation from September 2006, which principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc., for mobile phone users in the PRC through franchising and cooperation with telecommunication business licensed providers.

PalmPay (互聯視通), being the principal operating subsidiary of the Media Magic Group, is a PRC enterprise established on 20 March 2005, which is currently engaged principally in the mobile payment gateway business in the PRC. The mobile payment gateway business refers to the provision of online mobile payment services such as online shopping and payment of service bills by the services providers to mobile phone users. The product variety of PalmPay (互聯視通) has been enlarged as compared with that at the time of its commencement of business in September 2006. PalmPay (互聯視通) is currently selling a variety of products through its mobile payment platforms, such as IP cards, virtual game cards and insurance products.

Set out below is a summary of key financial data of the Media Magic Group, which has been prepared based on the generally accepted accounting principles in Hong Kong.

	From 1 April 2007 to 31 August 2007 HK\$ (unaudited)	For the year ended 31 March 2007 HK\$ (audited)	For the year ended 31 March 2006 HK\$ (audited)
Results			
Turnover	11,384,552	3,177,228	–
Profit/(Loss) before tax	6,739,169	1,428,661	(16,395)
Profit/(Loss) before tax (%)	59.20%	44.97%	–
Profit/(Loss) after tax	5,731,148	931,427	(16,395)
Profit/(Loss) after tax (%)	50.34%	29.32%	–
	As at 31 August 2007 HK\$ (unaudited)	As at 31 March 2007 HK\$ (audited)	As at 31 March 2006 HK\$ (audited)
Assets and liabilities			
Total assets	38,088,948	21,309,552	390,900
Net assets value	10,209,796	6,653,196	351,705

As at of the date of this announcement, PalmPay (互聯視通), through cooperation with China Unicom (中國聯通) (i) is in full operation for the provision of mobile payment gateway services in 9 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Guangxi (廣西), Jilin (吉林), Hunan (湖南), Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) (full operation for Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) commenced in October 2007); (ii) has secured cooperation agreement with China Unicom (中國聯通) in providing mobile payment gateway services in Heilongjiang (黑龍江); and (iii) is also in advanced stage of negotiations with China Unicom (中國聯通) for the provision of mobile payment gateway services in 11 other major provinces/municipal cities in the PRC such as Guangdong (廣東), Beijing (北京), Fujian (福建) and Shandong (山東). It is expected by the management of the Media Magic Group that full scale operations for a total of 21 major provinces/municipal cities in the PRC for the provision of mobile payment gateway services will be available by the end of this year.

Based on the unaudited management accounts of the Media Magic Group for September 2007, the monthly turnover of the Group is approximately HK\$3 million for the one month ended 30 September 2007 which comprises contribution from 5 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Guangxi (廣西), Jilin (吉林) and Hunan (湖南) for the sale of mainly IP cards and virtual game cards.

As for the insurance products, PalmPay has secured co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) for the sale of accident insurance products through mobile payment gateway. Trial run has been carried out in Guangxi (廣西) in October 2007 and in Jilin (吉林) in November 2007 and it is expected that sale of accident insurance products will expand to other major provinces/municipal cities gradually. Driven by the strong economic growth which leads to increasing number of travelers (for business or otherwise) in the PRC and the increasing awareness of the importance of insurance amongst the PRC citizens, there will be an increasing demand for accident insurance products in the PRC. Given the convenience of subscription of insurance package through mobile, the Directors expect that there will be a promising prospect from the sale of accident insurance products through the mobile payment gateway.

The accounts of the Media Magic Group were consolidated into the Group upon completion of its acquisition on 5 January 2007. From the above figures, the monthly turnover from the mobile payment gateway services increased by 283% since its accounts being consolidated with that of the Group and thus its contribution to total turnover of the Group has been increasing. Moreover, following full scale operations of the mobile payment gateway services in 21 major provinces/municipal cities in the PRC by the end of this year, the Directors believe that the Media Magic Group will generate steady source of income as well as bringing promising returns to the Group in the near future.

REASON FOR THE ACQUISITION

Upper Power is an investment holding company. The Group is principally engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry as well as the provision of mobile payment gateway services.

As indicated in the first quarterly report 2007-2008 of the Company, during the period under review, the trading and manufacturing of electronic devices and components remained the main source of the income of the Group. The profit margin for trading and manufacturing of electronic devices and components was low while it provided a stable income to the Group. The acquisition of the Media Magic Group (i.e. 51% equity interests) which is a service based business has a much higher profit margins than that of the trading and manufacturing industry and thus not only diversified the sources of income for the Group but also improved the overall profit margins of the Group. Furthermore, the Acquisition has provided cost and operation efficiency and other synergy to the Group. The Board believes that the business of the provision of diversified mobile value-added services is of great potential and prospects in the PRC which can strengthen the Group's financial performance as well as optimize Shareholders' interests in the long run.

Taking into account (i) the future prospect and potential of the telecommunication sector in the PRC and PalmPay (互聯視通); (ii) there is an increasing number of mobile phone users in the PRC (current users have already reached 461 million by the end of December 2006 according to the statistics released by the MII and eMarketer has forecasted that the number of mobile phone subscribers in the PRC will reach 635 million by 2010) under the environment of fast economic growth in the PRC and in light of this, it is expected that there will be a growing demand for diversified mobile value-added services; (iii) the benefits of consolidating the business of the Media Magic Group as described above; and

(iv) opportunities for the acquisition of a further 24% equity interests in Media Magic, the Directors (excluding independent non-executive Directors who would give their views on the terms of the Acquisition after having been advised by the independent financial adviser) view that it is the right time to increase its stake in Media Magic to capture potential opportunities in the booming mobile phone market in the PRC and to achieve business growth for the Group and are of the view that the terms of the Sale and Purchase Agreements, are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

The Transactions (the aggregate of transactions under the Former Sale and Purchase Agreement (which was discloseable transaction to the Company) and the Sale and Purchase Agreements) constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Vendor A is a director of Media Magic, which being a subsidiary of the Company and younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company, Vendor A is a connected person of the Company. As Vendor B is a substantial shareholder of Media Magic, which being a subsidiary of the Company, Vendor B is also a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

Approval of the Independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Acquisition and the transactions contemplated thereunder including but not limited to the issue of the Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares.

Vendor A and Vendor B and their respective associates, are, in aggregate, interested in 24,940,000 Shares representing approximately 2.23% of the total issued Shares i.e. 1,118,967,500 Shares as at the date of this announcement and are required to abstain from voting in respect of the Acquisition and the transactions contemplated thereunder at the forthcoming SGM. Save as disclosed, no other Shareholders have material interest in the Acquisition and the transactions contemplated thereunder and are required to abstain from voting in respect of the approval of the Acquisition and the transactions contemplated thereunder at the forthcoming SGM.

The Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser to advise the Independent Board Committee and the Independent Shareholders will be appointed accordingly.

A circular will be despatched as soon as practicable within 21 days after publication of this announcement to the Shareholders containing among other things, (i) details of the Acquisition, (ii) a letter from the Independent Board committee containing its advice and recommendation in respect of the Acquisition; (iii) a letter from an independent financial advisor to the Independent Board Committee and Independent Shareholders containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Acquisition; and (iv) a notice convening the SGM, in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on Tuesday, 6 November 2007 pending release of this announcement. Application has been made by the Company for resumption of trading in the Shares from 9:30 a.m. on Tuesday, 13 November 2007.

DEFINITIONS

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

“13,333 MM Shares”	13,333 ordinary shares of US\$1 each in the issue share capital of Media Magic, representing approximately 24% of the issued share capital of Media Magic
“2009 Actual Profit”	the actual audited consolidated net profits after tax and extraordinary or exceptional items of Media Magic for the year ending 31 March 2009
“2009 Earn Out Convertible Bonds”	the convertible bonds in the principal amount of HK\$76,800,000, or as the case may be, HK\$38,400,000, to be issued by the Company in favour of the Vendors to satisfy in part of the Consideration
“2010 Earn Out Convertible Bonds”	the convertible bonds in the principal amount of HK\$38,400,000, to be issued by the Company in favour of the Vendors to satisfy in part of the Consideration
“5,000 Sale Shares”	5,000 MM Shares legally and beneficially owned by the Vendor A to be sold to Upper Power under the First Sale and Purchase Agreement
“8,333 Sale Shares”	8,333 MM Shares legally and beneficially owned by the Vendor B to be sold to Upper Power under the Second Sale and Purchase Agreement

“Acquisition”	the acquisition of the 13,333 MM Shares (being 24% of the total issued shares of Media Magic) pursuant to the Sale and Purchase Agreements
“associates”	has the same meaning ascribed to such term under the GEM Listing Rules
“Averaged Actual Profit”	the average of the actual audited consolidated net profits after tax and extraordinary or exceptional items of Media Magic for the years ending 31 March 2009 and 31 March 2010
“Balance”	together the Balance of the First Sale and Purchase Agreement and the Balance of the Second Sale and Purchase Agreement
“Basic Consideration”	together the Basic Consideration of the First Sale and Purchase Agreement and the Basic Consideration of the Second Sale and Purchase Agreement
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Business Days”	a day (other than a Saturday, a Sunday and a public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“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 sale and purchase of the 13,333 MM Shares (being 24% of the total issued shares of Media Magic) in accordance with the terms and conditions of the Sale and Purchase Agreements
“Completion Convertible Bonds”	the convertible bonds in the principal amount of HK\$3,200,000 to be issued by the Company in favour of the Vendors to satisfy in part of the Consideration at Completion
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Consideration”	the aggregate consideration of HK\$203,520,000 for the sale and purchase of the 13,333 MM Shares pursuant to the Sale and Purchase Agreements
“Consideration Shares”	163,377,778 new Shares to be allotted and issued by the Company to the Vendors at the Issue Price as part of the Consideration
“Conversion Shares”	the 145,454,545 new Shares (subject to adjustment) to be allotted and issued to the Bondholder(s) upon conversion of the Convertible Bonds
“Convertible Bonds”	the convertible bonds in aggregate principal of HK\$80,000,000 to be issued by the Company in favour of the Vendors to satisfy in part of the Consideration including the Completion Convertible Bonds, the 2009 Earn Out Convertible Bonds and the 2010 Earn Out Convertible Bonds
“Deposits”	the aggregate payment of HK\$40,000,000 in cash, of which (i) HK\$20,000,000 will be paid by the Purchaser to the Vendors within five Business Days from the date of the Sale and Purchase Agreements; (ii) HK\$10,000,000 will be paid in cash on the date two weeks from the date of the Sale and Purchase Agreements; and (iii) HK\$10,000,000 will be paid in cash on the date one month from the date of the Sale and Purchase Agreements, which shall be refundable if the Acquisition shall not proceed
“Director(s)”	the director(s) of the Company, from time to time
“eMarketer”	a U.S. company specializing in marketing research worldwide
“First Earn Out Period”	for the year ending 31 March 2009
“First Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 5 November 2007 entered into between Upper Power as purchaser and the Vendor A, as vendor for the sale and purchase of the 5,000 MM Shares
“Former Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 11 November 2006 entered into among Upper Power as purchaser and Mr. Hsu Tung Sheng, as vendor for the sale of an aggregate of 17,222 MM Shares, representing approximately 31% of the total issued shares of Meida Magic, thereunder which has been completed on 5 January 2007

“Guarantee Certificate”	the certificate to be given by the auditors for the time being of Media Magic certifying the amount of the 2009 Actual Profit or, as the case may be, the Averaged Actual Profit
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established to advise the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders other than Vendor A, Vendor B and Mr. Hsu Tung Sheng and their respective associates or others who are interested in the proposed the Acquisition at the forthcoming SGM
“Independent Third Party(ies)”	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
“Initial Conversion Price”	HK\$0.55 per Conversion Share, subject to usual anti-dilution adjustments, being the initial price at which the Convertible Bonds may be converted into the Conversion Shares
“Issue Price”	the issue price of HK\$0.45 per Consideration Share
“Locked Up Consideration Shares”	50% of the Consideration Shares will not be transferred or otherwise disposed by the Vendors within the period commencing on the Completion until the Profit Guarantee is achieved
“Media Magic”	Media Magic Technology Limited, a company incorporated in BVI
“Media Magic Group”	Media Magic and its subsidiaries
“MII”	The PRC Ministry of Information Industry (中國信息產業部), including its local counterparts

“MM Shares”	shares in the share capital of Media Magic
“PalmPay (互聯視通)”	PalmPay Technology Co. Ltd. (北京互聯視通科技有限公司), a company established in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Profit Guarantee”	the profit guarantee provided by the Vendors under the Sale and Purchase Agreements in respect of the audited consolidated net profit after tax and extraordinary or exceptional items of Media Magic for the year ending 31 March 2009 which shall not be less than HK\$33,000,000 (to be prepared in accordance with generally accepted accounting principles in Hong Kong)
“Purchaser” or “Upper Power”	Upper Power Limited, a company incorporated in BVI which is a wholly-owned subsidiary of the Company, being the purchaser of the 13,333 MM Shares from the Vendors pursuant to the Sale and Purchase Agreements
“Sale and Purchase Agreements”	together the First Sale and Purchase Agreement and Second Sale and Purchase Agreement
“Second Earn Out Period”	for the year ending 31 March 2010
“Second Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 5 November 2007 entered into between Upper Power as purchaser and the Vendor B, as vendor for the sale and purchase of the 8,333 MM Shares
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition and the transaction contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares, the issue of the Convertible Bonds, and the allotment and issue of the Conversion Shares
“Shareholder(s)”	holder(s) of Shares from time to time
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Transaction”	the aggregate of transactions under the Former Sale and Purchase Agreement which has been completed twelve months before the date of the Sale and Purchase Agreements and the Sale and Purchase Agreements

“Vendor A”	Mr. Hsu Tung Chi, a permanent resident of the Republic of China, who is the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company
“Vendor B”	Mr. Pang Hong Tao, a permanent resident in the PRC
“Vendors”	together, Vendor A and Vendor B
“Warrant Price”	together the issue price of HK\$0.007 and the exercise price of HK\$0.543 for issuing 223,000,000 un-listed warrants of the Company which was completed on 11 September 2007
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 12 November 2007

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Lo Ka Tong and Mr. Chan Hin Wing, James. The non-executive Director and the chairman of the Company is Dr. Ho Hoi Lap. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:

- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this announcement misleading; and*
- (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

This announcement will appear and remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.palmpaychina.com.