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**CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED**  
**中國能效科技(集團)有限公司\***

*(formerly known as Palmpay China (Holdings) Limited 中國掌付(集團)有限公司\*)*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 8047)**

**CAPITAL REORGANIZATION**

**Financial Adviser to the Company**



**INCU Corporate Finance Limited**

**CAPITAL REORGANIZATION**

The Directors proposed to effect the Capital Reorganization which involves (i) the Reduction of Issued Share Capital involving the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.05 to HK\$0.01; (ii) the Share Subdivision involving a subdivision of each of the authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) into 5 New Shares of HK\$0.01 each; (iii) the Share Premium Reduction involving the cancellation of the entire sum standing to the credit of the Company's share premium account as at the date of the SGM; and (iv) the transfer of the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction to the contributed surplus account of the Company.

The Capital Reorganization is conditional upon, among others, the passing of the necessary special resolution by the Shareholders at the SGM and the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

\* For identification purpose only

## **GENERAL**

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

## **CAPITAL REORGANIZATION**

The Directors proposed to effect the Capital Reorganization in the following manner:

- (i) Reduction of Issued Share Capital – involving the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.05 to HK\$0.01;
- (ii) Share Subdivision – involving the subdivision of each of the authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) into 5 New Shares of HK\$0.01 each;
- (iii) Share Premium Reduction – involving the cancellation of the entire sum standing to the credit of the Company’s share premium account as at the date of the SGM; and
- (iv) the transfer of the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction to the contributed surplus account of the Company.

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

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

As at 30 September 2012, the amount standing to the credit of the share premium account of the Company amounted to approximately HK\$163.51 million.

As at the date of this announcement, the Company has an authorised share capital of HK\$200,000,000 divided into 4,000,000,000 Shares, of which 1,725,795,656 Shares have been issued and are fully paid or credited as fully paid. Based on the issued share of 1,725,795,656 Shares, the credit arising from the Reduction of Issued Share Capital will be approximately HK\$69.03 million.

## **Conditions of the Capital Reorganization**

The Capital Reorganization will be completed upon fulfilling all the following conditions:

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

## **Reasons for Capital Reorganization and impact on the Company and the Shareholders**

The Capital Reorganization is proposed in order to provide the Company with more flexibility in possible future fund raisings. The transfer of the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction to the contributed surplus account of the Company will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

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

## **FREE EXCHANGE OF SHARE CERTIFICATES**

Subject to the Capital Reorganization becoming effective, Shareholders may submit share certificates for the Shares to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for New Shares during the time to be specified under the circular. Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate issued or cancelled, whichever is higher.

Nevertheless, share certificates for the Shares will not be acceptable for trading purposes but will continue to be good evidence of legal title and may be exchanged for new share certificates for New Shares at any time.

## **EFFECT ON THE SHARE CAPITAL OF THE COMPANY**

The following table shows the effects on the share capital of the Company under the Reduction of Issued Share Capital and the Share Subdivision on the basis of the existing issued share capital of the Company and assuming no further issue of Shares or no further Shares will be repurchased by the Company from the date of this announcement up to the date on which the Reduction of Issued Share Capital and the Share Subdivision become effective:

### **Authorised share capital**

4,000,000,000	Shares with a par value of HK\$0.05 each as at the date of this announcement	HK\$200,000,000.00
20,000,000,000	New Shares with a par value of HK\$0.01 each after the Reduction of Issued Share Capital and the Share Subdivision becoming effective	HK\$200,000,000.00

### **Issued share capital (paid up or credited as fully paid):**

1,725,795,656	Shares with a par value of HK\$0.05 each as at the date of this announcement	HK\$86,289,782.80
1,725,795,656	New Shares with a par value of HK\$0.01 each after the Reduction of Issued Share Capital and the Share Subdivision becoming effective	HK\$17,257,956.56

## **EXPECTED EFFECTIVE DATE OF THE CAPITAL REORGANIZATION**

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganization will become effective on the date of passing of the necessary resolution approving the Capital Reorganization. The legal advisers have confirmed that, subject to the conditions of the Capital Reorganization as set out above being satisfied, the proposed cancellation of the entire sum standing to the credit of the Company's share premium account will be in compliance with the laws of Bermuda.

## **WARNING**

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

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

## GENERAL

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

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

## DEFINITIONS

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

“Authorisation”	the proposed authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time
“Board”	the board of directors of the Company from time to time
“Capital Reorganization”	the capital reorganisation of the Company involving the Reduction of Issued Share Capital, the Share Subdivision and the Share Premium Reduction
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	China Neng Xiao Technology (Group) Limited ( <i>formerly known as Palmpay China (Holdings) Limited</i> ), a company incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
“Directors”	the directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the GEM listing committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange

“New Share(s)”	shares of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation taking effect
“Reduction of Issued Share Capital”	the proposed reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.05 to HK\$0.01
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Capital Reorganization
“Shares”	existing shares of HK\$0.05 each in the share capital of the Company prior to the completion of the Capital Reorganization
“Shareholders”	holders of Shares
“Share Premium Reduction”	the proposed cancellation of the entire sum standing to the credit of the Company’s share premium account as at the date of the SGM
“Share Subdivision”	the proposed subdivision of each of the authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) into 5 New Shares of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China

By order of the Board  
**China Neng Xiao Technology (Group) Limited**  
**Yuan Shengjun**  
*Chairman*

Hong Kong, 9 October 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 China Neng Xiao Technology (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its posting and the Company’s website at [www.nengxiao.com.hk](http://www.nengxiao.com.hk)*