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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)

**PROPOSED OPEN OFFER OF NOT LESS THAN 917,897,828 AND
NOT MORE THAN 1,010,215,932 OFFER SHARES
AT HK\$0.025 PER OFFER SHARE
PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE)**

Underwriter



Colors Securities Limited

Financial adviser to the Company



INCU Corporate Finance Limited

* for identification purposes only

PROPOSED OPEN OFFER

The Company proposes to raise not less than approximately HK\$22.95 million and not more than approximately HK\$25.26 million, before expenses, by issuing not less than 917,897,828 Offer Shares and not more than 1,010,215,932 Offer Shares at the Subscription Price of HK\$0.025 per Offer Share on the basis of one Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance. Qualifying Shareholders are not entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders.

EXPECTED TIMETABLE

The Record Date and the dates for the closure of the register of members of the Company will be announced by the Company in due course. No transfer of Shares will be registered during this period.

WARNING OF THE RISK OF DEALINGS IN THE SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalization of the Company by more than 50% within the 12-month period immediately preceding this announcement, the Open Offer is not subject to the Shareholders' approval. The Company will send the Prospectus Documents containing, among other matters, details of the Open Offer, to the Qualifying Shareholders.

The Company will send the Prospectus to Prohibited Shareholders for their information only. The Company will not send any application forms to the Prohibited Shareholders, if any, and the holders of the 2010 Warrants and the 2012 Warrants.

PROPOSED OPEN OFFER

The Board is pleased to announce that on 11 December 2012 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer. Details of the proposed Open Offer are set out as follows:

Issue statistics

Basis of the Open Offer:	one Offer Share for every two Shares held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.025 per Offer Share
Number of Shares in issue as at the date of this announcement:	1,835,795,656 Shares
Number of Offer Shares:	not less than 917,897,828 Offer Shares and not more than 1,010,215,932 Offer Shares
Aggregate nominal value of the Offer Shares	not less than approximately HK\$9,178,978.28 and not more than HK\$10,102,159.32
Number of Offer Shares undertaken to be taken up or procured to be taken up by Mr. Lau, Starryland and Mrs. Lau:	Mr. Lau has undertaken in favour of the Company and the Underwriter that he will and he will procure Starryland to accept their respective entitlements under the Open Offer for an aggregate of 175,443,941 Offer Shares Mrs. Lau has irrevocably undertaken to the Company and the Underwriter to subscribe for the 740,000 Offer Shares to which Mrs. Lau is entitled under the Open Offer
Number of Offer Shares underwritten by the Underwriter:	not less than 741,713,887 Offer Shares and not more than 834,031,991 Offer Shares, being the number of the Offer Shares less the Undertaken Shares

As at the date of this announcement, the Company has outstanding 24,636,209 2010 Warrants and outstanding 160,000,000 2012 Warrants which in aggregate entitle holders thereof to subscribe for 184,636,209 Shares. Save as disclosed above, the Company does not have any other outstanding securities in issue which are convertible or exchangeable into Shares as at the date of this announcement. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

Subscription Price

The Subscription Price of HK\$0.025 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 73.40% to the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 72.71% to the average of the closing prices of HK\$0.0916 per Share quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
3. a discount of approximately 73.49% to the average of the closing prices of HK\$0.0943 per Share quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day; and
4. a discount of approximately 64.79% to the theoretical ex-entitlement price of HK\$0.071 based on the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Last Trading Day.

The net Subscription Price per Offer Share (after deducting all relevant expenses) will be approximately HK\$0.023. The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the current market conditions. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will offer the Offer Shares for subscription to Qualifying Shareholders only. The Prospectus will be sent to the Prohibited Shareholders and holders of the 2010 Warrants and 2012 Warrants for information only. The Company will not send any Application Forms to the Prohibited Shareholders and the holders of the 2010 Warrants and the 2012 Warrants. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date and to qualify for the Open Offer, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on the Latest Lodging Date.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. To determine the identities of the Prohibited Shareholders and in compliance with the GEM Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the offer of the Offer Shares to Overseas Shareholders such as whether the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or requirements of the relevant body or stock exchange. If based on the legal opinions provided by the relevant overseas legal advisers to the Company, the Directors consider that, it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries, the Directors will exercise their discretion given to them under the Bye-Laws to exclude such Overseas Shareholders from the Open Offer. The Company will disclose the results of the enquiry in the Prospectus regarding the legal restrictions on the allotment and issue of the Offer Shares to the Overseas Shareholders.

The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders.

Status of the Offer Shares

The Offer Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of Offer Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Share Certificates for Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed “Conditions of the Open Offer” below, share certificates for all fully-paid Offer Shares will be posted to those Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares by ordinary post at their own risks.

No application for excess Offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

Fractions of Offer Shares

Fractional entitlements of Offer Shares will not be allotted and issued. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriter.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	11 December 2012 (after trading hours)
Underwriter:	Colors Securities Limited Colors Securities Limited and its ultimate beneficial owners are third parties independent of and are not connected with the Company or any connected persons of the Company (as defined in the GEM Listing Rules)
Number of Offer Shares:	not less than 917,897,828 Offer Shares and not more than 1,010,215,932 Offer Shares
Number of Underwritten Shares:	Not less than 741,713,887 Offer Shares and not more than 834,031,991 Offer Shares
Commission:	3.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares to be determined on the Record Date

As the underwriting commission payable to the Underwriter (i) was determined after arm's length negotiations between the Company and the Underwriter; (ii) is on normal commercial terms and (iii) is comparable with market rate, the Directors consider the terms of the Underwriting Agreement (including but not limited to the underwriting commission) to be fair and reasonable and the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
 - (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of all the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 3.5% underwriting commissions described above shall not be payable to the Underwriter, and the Open Offer will not proceed.

UNDERTAKINGS

As at the date of this announcement, Mr. Lau is wholly and beneficially interested in 4,483,200 Shares. Starryland, a company wholly and beneficially owned by Mr. Lau is interested in 346,404,682 Shares. Mrs. Lau is beneficially interested in 1,480,000 Shares. Pursuant to the Underwriting Agreement, Mr. Lau has irrevocably undertaken to the Company and the Underwriter (i) that he will not dispose of the Shares he is interested in before the Record Date and to subscribe for the 2,241,600 Offer Shares to which Mr. Lau is entitled under the Open Offer; (ii) to procure Starryland not to dispose of the Shares Starryland is interested in before the Record Date and to subscribe for the 173,202,341 Offer Shares to which Starryland is entitled under the Open Offer. Mrs. Lau has irrevocably undertaken to the Company and the Underwriter that she will not dispose of the Shares she is interested in before the Record Date and to subscribe for the 740,000 Offer Shares to which she is entitled under the Open Offer.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares either unconditionally or subject to conditions which the Company accepts and satisfaction of such conditions (if any) by no later than the Prospectus Posting Date;

- (d) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;
- (e) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (f) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (g) compliance with and performance of all the undertakings and obligations of the Underwriter under the terms of the Underwriting Agreement;
- (h) compliance with and performance of all undertakings and obligations of Mr. Lau under the Mr. Lau undertaking;
- (i) compliance with and performance of all undertakings and obligations of Mrs. Lau under the Mrs. Lau undertaking;
- (j) all requirements and conditions imposed by the Stock Exchange or under the GEM Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination; and
- (k) the entering into of binding agreements by the Underwriter with certain sub-underwriters, which shall be independent third parties, for sub-underwriting the Offer Shares, such that none of (i) the Underwriter together with its parties acting in concert (having the meaning under the Takeovers Code) nor (ii) any of the sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below (for illustration purpose only):

- (i) assuming no exercise of the outstanding 2010 Warrants and 2012 Warrants on or before the Record Date:

	As at the date of this announcement		Immediately upon completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately upon completion of the Open Offer (assuming no Qualifying Shareholders takes up his/her/its entitlements under the Open Offer other than the Undertaken Shares)	
	Shares	%	Shares	%	Shares	%
		(approx.)		(approx.)		(approx.)
Substantial Shareholders						
Mr. Lau	4,483,200	0.24	6,724,800	0.24	6,724,800	0.24
Starryland Profits Limited	346,404,682	18.87	519,607,023	18.87	519,607,023	18.87
Mrs. Lau	1,480,000	0.08	2,220,000	0.08	2,220,000	0.08
Other party acting in concert with Mr. Lau	3,954,932	0.22	5,932,398	0.22	3,954,932	0.14
Subtotal	356,322,814	19.41	534,484,221	19.41	532,506,755	19.34
Brilliant Bloom Investments Limited	325,000,000	17.70	487,500,000	17.70	325,000,000	11.80
Public Shareholders	1,154,472,842	62.89	1,731,709,263	62.89	1,154,472,842	41.92
Underwriter	–	0.00	–	0.00	741,713,887	26.94
Total	1,835,795,656	100.00	2,753,693,484	100.00	2,753,693,484	100.00

- (ii) assuming all the outstanding 2010 Warrants and 2012 Warrants are exercised in full on or before the Record Date:

	On the Record Date (Assuming all 24,636,209 outstanding 2010 Warrants and 160,000,000 outstanding 2012 Warrants are exercised in full and the Shares are issued before the Record Date)		Immediately upon completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately upon completion of the Open Offer (assuming no Qualifying Shareholders takes up his/her/its entitlements under the Open Offer other than the Undertaken Shares)	
	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)
Substantial Shareholders						
Mr. Lau	4,483,200	0.22	6,724,800	0.22	6,724,800	0.22
Starryland Profits Limited	346,404,682	17.14	519,607,023	17.14	519,607,023	17.14
Mrs. Lau	1,480,000	0.07	2,220,000	0.07	2,220,000	0.07
Other party acting in concert with Mr. Lau	3,954,932	0.20	5,932,398	0.20	3,954,932	0.13
Subtotal	356,322,814	17.63	534,484,221	17.63	532,506,755	17.56
Brilliant Bloom Investments Limited	325,000,000	16.09	487,500,000	16.09	325,000,000	10.73
Public Shareholders	1,339,109,051	66.28	2,008,663,576	66.28	1,339,109,051	44.19
Underwriter	–	0.00	–	0.00	834,031,991	27.52
Total	2,020,431,865	100.00	3,030,647,797	100.00	3,030,647,797	100.00

Note:

- The Underwriter will enter into sub-underwriting agreements with sub-underwriters. It is expected that at the close of the Open Offer, save for Starryland and Brilliant Bloom Investments Limited, there will not be any substantial Shareholder holding 10% or more shareholding in the Company.

FUNDS RAISED DURING THE PAST 12 MONTHS

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds
12 July 2012	Issue of 270,000,000 warrants	Approximately HK\$10.35 million has been raised (including the 2012 Warrants exercised as at the date of this announcement)	To apply for business development of the existing business of the Company and for future potential investment opportunities and general working capital of the Company	Fully utilized as general working capital as planned

Save as disclosed above, the Company did not raise any other funds by issue of equity securities the 12 months immediately preceding the date of this announcement.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of payment gateway business, manufacturing and trading of products relating to telecommunications, electric power network systems and equipment, the provision of energy management business, and the provision of integrated solutions for lightning electromagnetic pulse protection business. The Group also have investment in an associate engaging in the manufacturing and trading of products related to optimal optical fibres.

The Board considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$21.05 million will be used to finance future investments in the existing business, business development of the Group and towards general working capital.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Open Offer and the associated trading arrangements, including the date of despatch of the share certificates in respect of the Offer Shares, will be announced by the Company in due course.

GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalization of the Company by more than 50% within the 12 months period immediately preceding this announcement, the Open Offer is not subject to the Shareholders' approval. The Company will send the Prospectus Documents containing, among other matters, details of the Open Offer, to the Qualifying Shareholders.

The Company will send the Prospectus containing, among other documents, details of the Open Offer, to the Qualifying Shareholders. The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders if any, as soon as practicable.

DEFINITIONS

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

“Application Form(s)”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Neng Xiao Technology (Group) Limited (previously known as Palmpay China (Holdings) Limited), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	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
“Last Trading Day”	11 December 2012, being the date of the Underwriting Agreement, which is a trading day of the Stock Exchange
“Latest Lodging Date”	4:30 p.m. on a date to be announced (or such other date and/or time as the Underwriter and the Company may agree), being the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Time for Acceptance”	4:00 p.m. on a date to be announced (or such later time or date as may be agreed between the Company the Underwriter), being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate Underwriting Agreement
“Mr. Lau”	Mr. Lau Kim Hung, Jack, a substantial Shareholder of the Company

“Mrs. Lau”	Ms. Chan Yiu Kan, Katie, spouse of Mr. Lau
“Offer Share(s)”	Not less than 917,897,828 and not more than 1,010,215,932 new Shares to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“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
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Prospectus”	a prospectus to be issued by the Company containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	the date for the despatch of the Prospectus Documents to be announced
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders

“Record Date”	the date by reference to which entitlements to the Open Offer are to be determined
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Starryland”	Starryland Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr. Lau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.025 per Offer Share
“Undertaken Shares”	an aggregate of 176,183,394 Offer Shares which have been undertaken to be accepted by Mr. Lau, Starryland (procured by Mr. Lau) and Mrs. Lau of their respective entitlements under the Open Offer
“Underwriter”	Colors Securities Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement amongst the Company and the Underwriter dated 11 December 2012 in relation to the Open Offer
“Underwritten Shares”	not less than 741,713,887 Offer Shares and not more than 834,031,991 Offer Shares, being all Offer Shares less such number the Undertaken Shares
“2010 Warrants”	24,636,209 warrants entitling the holder(s) thereof to subscribe for Shares issued by the Company on 12 April 2010, which will expire on 11 April 2013
“2012 Warrants”	160,000,000 warrants entitling the holder(s) thereof to subscribe for Shares issued by the Company on 26 July 2012, which will expire on 25 July 2015

“HK\$” Hong Kong dollars

“%” per cent.

By order of the Board
China Neng Xiao Technology (Group) Limited
Mr. Chan Francis Ping Kuen
Executive Director

Hong Kong, 11 December 2012

As at the date of this announcement, the executive Directors are 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 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 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.nengxiao.com.hk.