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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)

DISCLOSEABLE TRANSACTION INVOLVING SUBSCRIPTION OF SERIES A PREFERRED SHARES IN iPEER MULTIMEDIA INTERNATIONAL LTD.

Financial Adviser to the Company



INCUB Corporate Finance Limited

DISCLOSEABLE TRANSACTION

The Board announces that on 20 March 2008, Beaming Investments, an indirect wholly-owned subsidiary of the Company, entered into the Shares Purchase Agreement, pursuant to which, iPeer Multimedia, as issuer, has agreed to allot and issue, and Beaming Investments, as subscriber, has agreed to subscribe for 1,500,000 Series A Preferred Shares for a subscription price of USD1,500,000 (equivalent to approximately HK\$11,700,000) which shall be settled in cash. Each of iPeer Multimedia and its ultimate beneficial owners is an Independent Third Party.

In addition, pursuant to the Shares Purchase Agreement (i) iPeer Multimedia, has also agreed to allot and issue, and Keen Sky, being other subscriber, its ultimate beneficial owner being Mr. Lau Kim Hung, Jack, a substantial Shareholder, has also agreed to subscribe for 1,500,000 Series A Preferred Shares for a subscription price of USD1,500,000 (equivalent to approximately HK\$11,700,000) which shall be settled in cash; and (ii) iPeer Multimedia shall allot and issue a remaining 1,000,000 Series A Preferred Shares for a subscription price of USD1,000,000 (equivalent to approximately HK\$7,800,000) to other institutional investors at its own discretion, but as at the date of this announcement, insofar as the Directors are aware, such negotiation has not yet been finalized.

* *For identification purpose only*

The subscription of the Series A Preferred Shares by Beaming Investments, Keen Sky and other subscribers are severally but not jointly.

The Subscription Shares (assuming conversion in full into the ordinary shares of iPeer Multimedia) make up approximately 1.29% of the issued ordinary share capital of iPeer Multimedia as enlarged by the allotment and issue of the 3,000,000 Series A Preferred Shares subscribed by Beaming Investments and Keen Sky; and approximately 1.28% of the issued ordinary share capital of iPeer Multimedia as enlarged by the allotment and issue of the 4,000,000 Series A Preferred Shares assuming the remaining 1,000,000 Series A Preferred Shares has been subscribed by other institutional investors.

The First Closing will take place on or before 28 March 2008 or such later date as mutually agreed by the parties to the Shares Purchase Agreement.

The Subscription constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other matters, details of the Subscription will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

INTRODUCTION

On 20 March 2008, Beaming Investments, an indirect wholly-owned subsidiary of the Company, entered into the Shares Purchase Agreement, pursuant to which, iPeer Multimedia, as issuer, has agreed to allot and issue, and Beaming Investments, as subscriber, has agreed to subscribe for the Subscription Shares for a total subscription price of USD1,500,000 (equivalent to approximately HK\$11,700,000) which shall be settled in cash.

In addition, pursuant to the Shares Purchase Agreement (i) iPeer Multimedia, has also agreed to allot and issue, and Keen Sky, being other subscriber, its ultimate beneficial owner being Mr. Lau Kim Hung, Jack, a substantial Shareholder, has also agreed to subscribe for 1,500,000 Series A Preferred Shares for a subscription price of USD1,500,000 (equivalent to approximately HK\$11,700,000) which shall be settled in cash; and (ii) iPeer Multimedia shall allot and issue a remaining 1,000,000 Series A Preferred Shares for a subscription price of USD1,000,000 (equivalent to approximately HK\$7,800,000) to other institutional investors at its own discretion but as at the date of this announcement, insofar as Directors are aware, such negotiation has not yet been finalized.

The subscription of the Series A Preferred Shares by Beaming Investments, Keen Sky and other subscribers are severally but not jointly.

THE SHARES PURCHASE AGREEMENT

Date: 20 March 2008

- Parties:
- (1) iPeer Multimedia, as issuer;
 - (2) Beaming Investments, as subscriber, an indirect wholly-owned subsidiary of the Company;
 - (3) Keen Sky, as subscriber, a company incorporated in BVI on 6 February 2008 and engaged in the business of investment holding. Keen Sky has not conducted any business since its incorporation.

Keen Sky is a wholly-owned subsidiary of New Horizon which is wholly-owned by Mr. Lau Kim Hung, Jack, a substantial Shareholder.

New Horizon is principally engaged in direct investments and holds a portfolio of investments in Hong Kong and the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of iPeer Multimedia and its ultimate beneficial owners is an Independent Third Party.

Major terms of the Shares Purchase Agreement

Total funds to be raised USD4,000,000 (equivalent to approximately HK\$31,200,000)

Total number of Series A Preferred Shares to be issued 4,000,000

Issue price per Series A Preferred Share USD1.00

Dividend 6% per annum, payable annually, cumulative in nature

Conversion of the Series A Preferred Shares The Series A Preferred Shares shall automatically convert upon the earlier of (i) the consent of the holders representing 51% of the Series A Preferred Shares outstanding; or (ii) consummation of a qualified initial public offering by iPeer Multimedia. For the avoidance of doubt, no further payment will be made by holders of the Series A Preferred Shares upon conversion of the Series A Preferred Shares and all accrued and unpaid dividends of the then outstanding Series A Preferred Shares shall be settled on or before conversion of Series A Preferred Shares

Redemption right	<p>The Series A Preferred Shares, unless otherwise converted, could be redeemed at the option of the holders of the Series A Preferred Shares for an amount in cash for all or part of the then outstanding Series A Preferred Shares with a 6% annual premium plus all accrued and unpaid dividends thereon upon the earlier of: (i) June 30, 2009; or (ii) 30 days after the monthly financial report of iPeer Multimedia or such other evidence upon request by the holders of Series A Preferred Shares has been received by the holders of Series A Preferred Shares to show that iPeer Multimedia has operating cash reserve of not less than USD7 million (equivalent to approximately HK\$54.6 million) whether resulted from revenue or from special event, such as from sale of certain operating assets approved by the board of directors of iPeer Multimedia</p> <p>Parties to the Shares Purchase Agreement agree that the amount of the premium and dividend payable upon redemption shall not exceed 9% per annum on the redeemed Series A Preferred Shares</p>
Transferability	Transferable either to the ultimate beneficial owner(s) of the holders of the Series A Preferred Shares or a wholly-owned subsidiary of the transferor
Voting rights	For so long as any Series A Preferred Shares are outstanding, the holders of Series A Preferred Shares shall be entitled to have one vote for each ordinary share of iPeer Multimedia into which each Series A Preferred Share is convertible on an as-converted basis

THE SUBSCRIPTION

Subscription Shares

Pursuant to the Shares Purchase Agreement, Beaming Investments has agreed to subscribe for, and iPeer Multimedia has agreed to allot and issue, the Subscription Shares (assuming conversion in full into the ordinary shares of iPeer Multimedia), representing (i) approximately 1.32% of the issued ordinary share capital of iPeer Multimedia as at the date of the Shares Purchase Agreement; (ii) approximately 1.31% of the total issued ordinary share capital of iPeer Multimedia as enlarged by the allotment and issue of the Subscription Shares; (iii) approximately 1.29% of the issued ordinary share capital of iPeer Multimedia as enlarged by the allotment and issue of the 3,000,000 Series A Preferred Shares subscribed by Beaming Investments and Keen Sky; and (iv) approximately 1.28% of the issued ordinary share capital of iPeer Multimedia as enlarged by the allotment and issue of the 4,000,000 Series A Preferred Shares assuming the remaining 1,000,000 Series A Preferred Shares has been subscribed by other institutional investors.

Subscription price

The total subscription price for the Subscription Shares is USD1,500,000 (equivalent to approximately HK\$11,700,000) which shall be paid in cash upon the First Closing.

The USD1,500,000 (equivalent to approximately HK\$11,700,000) subscription price will be paid by the internal resources of the Group.

The subscription price for each Subscription Share, i.e. USD1.00 is determined after arm's length negotiation between Beaming Investments, the Company and iPeer Multimedia with reference to (i) historical issue price of ordinary class of shares of iPeer Multimedia with the latest issue at approximately USD0.50; (ii) dividend yield per Subscription Share; (iii) redemption premium of Series A Preferred Shares; (iv) future prospects of iPeer Multimedia which will be elaborated under the section "REASONS FOR AND THE ESTIMATED BENEFITS FROM THE SUBSCRIPTION" below; and (v) the commercial synergies to be accrued with the future cooperation between iPeer Multimedia and the Company which will be elaborated under the section "REASONS FOR AND THE ESTIMATED BENEFITS FROM THE SUBSCRIPTION" below.

The Board considers that the Shares Purchase Agreement is on normal commercial terms and its terms are fair and reasonable and the entering into of the Shares Purchase Agreement is in the interest of the Company and the Shareholders as a whole. For details of iPeer Multimedia and its future prospect and business plan, please refer to the section headed "REASONS FOR AND THE ESTIMATED BENEFITS FROM THE SUBSCRIPTION" below.

Conditions precedent

The First Closing is subject to, among other matters, the following conditions having been fulfilled or waived (as the case may be):

- (a) all necessary consents and approvals required to be obtained on the part of Beaming Investments, the Company and iPeer Group in respect of the Subscription and the matters contemplated thereunder having been obtained;
- (b) the subscribers of Series A Preferred Shares being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of iPeer Group;
- (c) amendment to the constitutional documents of iPeer Multimedia to include major terms of the Series A Preferred Shares; and
- (d) the representations and warranties remaining true and accurate in all respects.

Pursuant to the Shares Purchase Agreement, no conditions are waivable by the parties. After all conditions have been fulfilled, completion of the Subscription will take place on 28 March 2008 (or such other date as may be mutually agreed between the parties thereto).

Long-stop date and Closing

The Shares Purchase Agreement provides that should the satisfaction of all of its conditions, the First Closing will be on 28 March 2008, being the First Closing Date (or such other date as may be mutually agreed between the parties thereto); the Second Closing (if any) for the remaining USD1 million (equivalent to approximately HK\$7,800,000) Series A Preferred Shares to be subscribed by other institutional investors(s) other than Beaming Investments and Keen Sky will be on or before 30 April 2008 (or such other date as may be mutually agreed between the parties thereto).

Pursuant to the Shares Purchase Agreement, it is understood by the parties to the Shares Purchase Agreement that iPeer Multimedia has no obligation to conduct the Second Closing.

Board representation of iPeer Multimedia

Pursuant to the Shares Purchase Agreement, the board of director of iPeer Multimedia shall consist of five directors, among which one will be appointed by Beaming Investments, and four are mutually appointed by the existing ordinary shareholders of iPeer Multimedia.

As at the date of this announcement, Beaming Investments has yet to appoint one member to the board of directors of iPeer Multimedia.

REASONS FOR AND THE ESTIMATED BENEFITS FROM THE SUBSCRIPTION

Business of iPeer Multimedia and its future development

iPeer Multimedia is a company incorporated in the Cayman Islands on 4 January 2006.

iPeer Group begins its business as an online music service provider in Taiwan since 2006 and gradually evolves to become a total solution provider for digital content industry by expanding into the digital music market in the PRC as one of the leading online music service providers under the brand name “Kuro.cn”(酷樂) in late 2007. As part of the business model of iPeer Multimedia, iPeer Multimedia also has 40% interest in a Taiwanese label company, HIM International Music Inc., which is a company, engaged in the production of musical content and agency business to the pop singing groups such as S.H.E, Fahrenheit (飛輪海), Tank, Power Station (動力火車) and Stars Reunion (星光幫) in Taiwan.

Leveraging on its experience in the provision of online music service and its application of proprietary digital rights protection technology in the Taiwan market, iPeer Multimedia succeeded in developing a unique business model to provide digital music to end users in the PRC by cooperating with leading device manufacturers in the PRC (such as a well-renowned PRC mobile phone manufacturer and the second largest mobile phone IC chips manufacturer), top 4 international labels companies and other overseas and local label companies (with more than 1 million digital music contents in aggregate as of today) and sales channels, payment platform providers and aims at becoming a superior integrated digital entertainment service provider in the PRC.

C-Media Electronics Inc., (“C-Media”) a company listed on Taiwan Stock Exchange Corporation, and Mr. Eric Cheng, being the founder, chairman and chief executive officer of C-Media are strategic shareholders of iPeer Multimedia, hold approximately 18.95% and 43.47% interest in iPeer Multimedia as at the date of this announcement respectively. C-Media is also a strategic partner of iPeer Group, being the sole agent distributing the iPeer Group’s products in the PRC.

As of the date of this announcement, more than 280,000 mobile phones embedded with iPeer Multimedia’s proprietary digital rights protection technology have been distributed in the PRC. It is expected that in the future, new model of portable devices including but not limited to mobile phones, MP3, MP4, digital picture frame, set-top box, portable speakers, desk-top PC and notebooks, etc. with the embedded proprietary digital rights protection technology will be distributed in the PRC to widen the membership base of iPeer Multimedia.

According to the Ministry of Information of the PRC, there are 548 million mobile phone users in the PRC by the end of 2007, representing an annual growth rate of 18.7%, the mobile phone penetrations rate is 41.6%. The internet users in the PRC have reached 210 million by the end of 2007, representing an annual growth rate of 53.3%. According to other researches conducted by the China Internet Network Information Center, approximate 180 million of the internet users are using the internet for music entertainment purpose.

In view of (i) the impressive growth rates in the numbers of internet and mobile phone users in the PRC; (ii) the increasing demand for digital entertainment content in the PRC; (iii) the increasing popularity of internet and portable devices for enjoyment; and (iv) the strong economic performance of the PRC, the management of iPeer Multimedia is optimistic about its digital entertainment business in the PRC.

As stated in the Shares Purchase Agreement, iPeer Multimedia shall within three years from the First Closing, seek an initial public offering of its securities on a recognized regional or national exchange or quotation system in an internationally recognized stock exchange. Should the potential initial public offering be materialized, the Company will benefit and maximize its return through the listing of iPeer Multimedia.

Strategic cooperation between iPeer Multimedia and the Company

Beaming Investments is an investment holding company, and is an indirect wholly-owned subsidiary of the Company.

The Group is principally engaged in the provision of mobile payment gateway services which currently comprises sale of IP cards and virtual game cards in 12 major provinces and municipal cities in the PRC. As indicated in the annual report 2006/2007 of the Company, the Group intends to look for other opportunities to diversity its revenue base, explore new markets and develop new products so as to optimize Shareholders’ interests.

The Board believes that the Subscription could provide the Group with a business opportunity to take part in the digital content industry which is of great potential and prospect in the PRC. Subject to the First Closing, the Company will become one of the strategic shareholders of iPeer Multimedia. As a further step to enter into the digital content industry, the Company and iPeer Multimedia intend to co-operate to enhance the service scope of existing business of iPeer Multimedia in the PRC with the Company being engaged in the provision of payment platform to the end users of iPeer Multimedia. Besides the dividend yield of Series A Preferred Shares, the Directors view the Subscription as an investment with great potential and will provide an opportunity for the Company to diversify its revenue base through participating in the digital content industry in the PRC.

Through cooperating with iPeer Multimedia for the provision of payment platform to the end users of iPeer Multimedia, the Board believes that both iPeer Multimedia and the Company will enjoy substantial commercial synergies. On the one hand, iPeer Multimedia could rely on the Company's cost-effective, efficient and reliable payment platform to strengthen its business model, to promote its business, enlarge its client base as well as to enhance quality of services. On the other hand, the Company could leverage on its convenient payment system to diversify its revenue source and introduce strategic partners to iPeer Group for the increase in variety of contents such as ELicense. ELicense is one of the leading Japan-based copyright management company specialized in the digital media industry to provide international copyright management and consultancy services and other copyright-related businesses. ELicense owns or is licensed with a large amount of copyright protected items which may serve as mobile value-added services or merchandises. Toyota Tsusho Corporation (豐田通商) and other large international corporations are shareholders of ELicense.

Seeing the huge potential of the digital content market in the PRC, and taking into account the benefits of the Subscription as described above including dividend yield, the diversified income sources and the synergic effect of the cooperation, the Directors are of the view that the terms of the Subscription, are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

Financial information of iPeer Multimedia

According to the unaudited management accounts of iPeer Multimedia (which were prepared in accordance with generally accepted accounting principles in Taiwan provided by iPeer Multimedia, iPeer Multimedia recorded an unaudited loss before taxation of approximately USD1,358,000 (equivalent to approximately HK\$10,592,400) and unaudited loss after taxation of approximately USD1,358,000 (equivalent to approximately HK\$10,592,400) for the year ended 31 December 2007.

iPeer Multimedia recorded an audited loss of before taxation of approximately USD1,512,000 (equivalent to approximately HK\$11,793,600) and audited loss after taxation of approximately USD1,138,000 (equivalent to approximately HK\$8,876,400) for the year ended 31 December 2006.

The unaudited net assets of iPeer Multimedia as at 31 December 2007 was approximately USD53,428,000 (equivalent to approximately HK\$416,738,400) and the audited net assets as at 31 December 2006 was approximately USD8,883,000 (equivalent to approximately HK\$69,287,400).

GEM LISTING RULES IMPLICATIONS

The Subscription constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other matters, details of the Subscription will be despatched to the Shareholders as soon as practicable in compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associates”	has the same meaning ascribed to such term under the GEM Listing Rules
“Beaming Investments”	Beaming Investments Limited, a company incorporated in BVI, an indirect wholly-owned subsidiary of the Company
“Board”	board of the Directors
“BVI”	the British Virgin Islands
“Closing”	together, the First Closing and the Second Closing
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company, from time to time
“First Closing”	the closing for the subscription of 1,500,000 Series A Preferred Shares by Beaming Investments and 1,500,000 Series A Preferred Shares by Keen Sky
“First Closing Date”	28 March 2008 or such other date as iPeer Multimedia, Beaming Investments and Keen Sky may mutually agree
“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”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“iPeer Multimedia”	iPeer Multimedia International Ltd., a company incorporated in the Cayman Islands
“iPeer Group”	iPeer Multimedia and its subsidiaries and its affiliate(s)
“Keen Sky”	Keen Sky Holdings Limited, a company incorporated in BVI, its ultimate beneficial owner is Mr. Lau Kim Hung, Jack, a substantial Shareholder
“New Horizon”	New Horizon Capital (Group) Limited, a company incorporated in BVI, and is wholly-owned by Mr. Lau Kim Hung, Jack, a substantial Shareholder
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Second Closing”	the closing for the subscription of 1,000,000 Series A Preferred Shares by other institutional investors
“Second Closing Date”	30 April 2008 or such other date as iPeer Multimedia and such other subscribers may mutually agree
“Series A Preferred Shares”	4,000,000 new iPeer Multimedia series A preferred shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares pursuant to the Shares Purchase Agreement

“Shares Purchase Agreement”	the conditional Series A Preferred Shares Purchase Agreement dated 20 March 2008 entered into between Beaming Investments, iPeer Multimedia and Keen Sky relating to the subscription and issue of 3,000,000 Series A Preferred Shares
“Subscription Shares”	an aggregate of 1,500,000 new Series A Preferred Shares of iPeer Multimedia to be subscribed by Beaming Investments pursuant to the Shares Purchase Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“USD”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 26 March 2008

For the purpose of this announcement, unless otherwise indicated, conversion of USD into HK\$ is calculated at the approximate exchange rate of USD1.00 to HK\$7.80. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi 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:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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 remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from its date of publication and the Company’s website at www.palmpaychina.com.