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## **China Post E-Commerce (Holdings) Limited** **中郵電貿(控股)有限公司\***

*(Formerly known as Intcera High Tech Group Limited 大陶精密科技集團有限公司\*)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8041)**

Website: <http://www.cpech.com>

### **DISCLOSEABLE TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES IN RELATION TO EXERCISE OF OPTION TO ACQUIRE FURTHER INTEREST IN INFO-SOURCE MEDIA LIMITED**



**Financial adviser to China Post E-Commerce (Holdings) Limited**



**SOMERLEY LIMITED**

Reference is made to the announcements of the Company dated 12 January 2009 and 3 February 2009 in relation to the acquisition of 10% of the issued share capital of Info-source Media Limited.

On 19 August 2009 (after trading hours), the Purchaser (a wholly owned subsidiary of the Company) has given notice to the Vendor to exercise the Call Option to purchase 1,000 Option Shares, representing 10% of the issued share capital of the Target, pursuant to terms of the Sale and Purchase Agreement.

\* For identification purpose only

Pursuant to the Sale and Purchase Agreement, the total consideration is HK\$28,800,000 for the 1,000 Option Shares, which shall be satisfied as to HK\$14,400,000 by way of cash, and the balance of HK\$14,400,000 by the allotment and issue of 35,820,895 new Shares to the Vendor credited as fully paid at the issue price of HK\$0.402 upon completion for the Purchase of the Option Shares.

Based on the relevant percentage ratio calculations under the GEM Listing Rules, The Purchase of the Option Shares, when aggregated with the Acquisition under Rule 19.22 of the GEM Listing Rules, constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcements of the Company dated 12 January 2009 and 3 February 2009 in relation to the acquisition of 10% of the issued share capital of Info-source Media Limited (the “Announcements”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise stated.

Pursuant to the Sale and Purchase Agreement, the Vendor granted to the Purchaser the Call Option to purchase from the Vendor, from time to time on the Call Option Date, whole or part of the Option Shares then held by the Vendor, for a purchase price equal to the Exercise Price (subject to adjustments) multiplied by the number of such Option Shares being sold by the Vendor to the Purchaser on such Call Option Date.

## **PURCHASE OF THE OPTION SHARES**

On 19 August 2009 (after trading hours), the Purchaser (a wholly owned subsidiary of the Company) has given notice (the “Notice”) to the Vendor to exercise the Call Option to purchase 1,000 Option Shares (the “Purchase of the Option Shares”), representing 10% of the issued share capital of the Target, pursuant to terms of the Sale and Purchase Agreement.

### **Total consideration**

Pursuant to the Sale and Purchase Agreement, the total consideration (the “Option Consideration”) is HK\$28,800,000 for the 1,000 Option Shares, which shall be satisfied as to HK\$14,400,000 by way of cash, of which HK\$12,000,000 have been paid to the Vendor prior to the date of this announcement and the remaining HK\$2,400,000 shall be paid to the Vendor on the date of completion for the Purchase of the Option Shares (the “Option Completion Date”), and the balance of HK\$14,400,000 by the allotment and issue of 35,820,895 new shares of HK\$0.05 each in the share capital of the Company (“Shares”) (the “Option Consideration Shares”) on the Option Completion Date to the Vendor credited as fully paid at the issue price of HK\$0.402 per Option Consideration Share (the “Option Issue Price”), which is the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Notice pursuant to the Sale and Purchase Agreement.

## **Conditions precedent**

Completion for the Purchase of the Option Shares (“Option Completion”) shall be conditional upon and subject to:

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Company in respect of the transactions contemplated under the Notice having been obtained;
- (b) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the transactions contemplated under the Notice;
- (c) (if required under the GEM Listing Rules) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the transactions contemplated under the Notice, including but not limited to the allotment and issue of the Option Consideration Shares to the Vendor, credited as fully paid; and
- (d) the Listing Division of the Stock Exchange granting listing of and permission to deal in the Option Consideration Shares.

All conditions precedent cannot be waived. The Vendor and the Purchaser agree that the Option Completion shall take place within 2 Business Days after fulfillment of the above conditions. The Vendor and Purchaser shall use their best endeavours to procure fulfillment of the above conditions on or before 31 August 2009. If the above conditions cannot be satisfied on or before 4:00 p.m. on 30 November 2009, or such later date as the Vendor and the Purchaser may agree, the Vendor shall forthwith refund all moneys paid pursuant to the Notice to the Purchaser (without interest or compensation) and neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms on the Notice.

## **Restriction on disposals**

The Vendor undertakes to the Purchaser and the Company that the Vendor shall not sell, transfer or otherwise dispose of the Option Consideration Shares for a period of 12 months (the “Lock Up Period”) commencing from the Option Completion Date unless with the prior written consent of the Purchaser and the Company, provided that JL Investments Capital Limited (“JL”), the controlling Shareholder, shall not sell, transfer or otherwise dispose of any Shares held by it during the Lock Up Period after the Option Completion Date (such sale, transfer or disposal shall not include (i) any top up placing conducted by the Company involving JL or (ii) the transfer of Shares as a result of exercise of options by each of Galaxy Asset Management (H.K.) Limited and Provenance Place Company Limited pursuant to an agreement, details of which has been disclosed in an announcement dated 26 May 2009 issued by the Company).

In the event JL sells, transfers or disposes of any Shares held by it during the Lock Up Period other than by reason of the matters permitted in the above paragraph, the Vendor shall be free to sell, transfer or dispose of any Shares held by it from the date JL sells, transfers or disposes of any Shares held by it.

The Purchaser undertakes to the Vendor that the Purchaser shall not sell, transfer or otherwise dispose of the 1,000 Option Shares acquired under the Purchase of the Option Shares for a period of 12 months commencing from the Option Completion Date unless with the prior written consent of the Vendor.

## **BASIS OF THE OPTION CONSIDERATION**

The Option Consideration of HK\$28,800,000 was arrived at after arm's length negotiations between the Purchaser and the Vendor at the entering of the Sale and Purchase Agreement, with reference to, among other things, the Target's 15-year exclusive right to operate electronic video in outlets of Guangdong Postal, the existing LCD network in major cities in Pearl River Delta Region and the future prospects of the Target Group in the E-commerce business in the PRC.

## **OPTION CONSIDERATION SHARES**

The Option Consideration Shares, having a total cash value of approximately HK\$13.8 million based on the closing share price of the Company of HK\$0.385 as at the date of this announcement, will be allotted and issued to the Vendor on the Option Completion Date. The Option Consideration Shares will be issued at the Option Issue Price of HK\$0.402 per Option Consideration Share, which is the average closing price of the Shares as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Notice pursuant to the Sale and Purchase Agreement. The Option Issue Price represents:

- (i) a premium of approximately 4.4% over the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the date of the Notice;
- (ii) a premium of approximately 1.3% over the average closing price per Share of approximately HK\$0.397 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Notice;
- (iii) a premium of approximately 1.9% over the average closing price per Share of approximately HK\$0.3945 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Notice; and
- (iv) a premium of approximately 272.2% over the latest unaudited consolidated net assets value attributable to equity holders of the Company per Share of approximately HK\$0.108 as at 30 June 2009 (as calculated by the equity attributable to equity holders of the Company of approximately HK\$182,626,000 as at 30 June 2009 and the number of outstanding Shares of 1,685,234,924 as at the date of this announcement).

The Company will allot and issue an aggregate of 35,820,895 Option Consideration Shares, representing approximately:

- (i) 2.13% of the existing issued share capital of the Company; and
- (ii) 2.08% of the issued share capital of the Company as enlarged by the Option Consideration Shares.

The Option Consideration Shares are to be issued by the Company under the general mandate (the “2009 General Mandate”) granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company up to 20% of the issued share capital of the Company pursuant to the ordinary resolution of the Shareholders passed in the annual general meeting of the Company held on 27 April 2009. Up to the date of this announcement, 106,000,000 Shares has been utilised, and therefore a maximum of 176,646,984 Shares can be issued under the 2009 General Mandate. The Option Consideration Shares, when fully paid, will rank pari passu in all respects with all the Shares in issue on the Option Completion Date. An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Option Consideration Shares.

The Directors (including the independent non-executive Directors) consider that the Purchase of the Option Shares, including the terms of the Option Consideration Shares and the Option Issue Price, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE

For illustrative purpose, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Option Completion:

	As at the date of this announcement		Immediately upon Option Completion (Note 2)	
	Shares	Approx. %	Shares	Approx. %
Mr. Lau Chi Yuen, Joseph (“Mr. Lau”), a Director (Note 1)	664,400,000	39.43	664,400,000	38.61
The Vendor	72,000,000	4.27	107,820,895	6.26
Other public Shareholders	<u>948,834,924</u>	<u>56.30</u>	<u>948,834,924</u>	<u>55.13</u>
Total number of issued Shares	<u><u>1,685,234,924</u></u>	<u><u>100.00</u></u>	<u><u>1,721,055,819</u></u>	<u><u>100.00</u></u>

*Notes:*

1. These Shares are held by JL, which is wholly owned by Mr. Lau. Mr. Lau is therefore deemed to be interested in the Shares held by JL.
2. Assuming there is no acquisition and/or disposal of Shares from the date of this announcement up to the Option Completion Date.

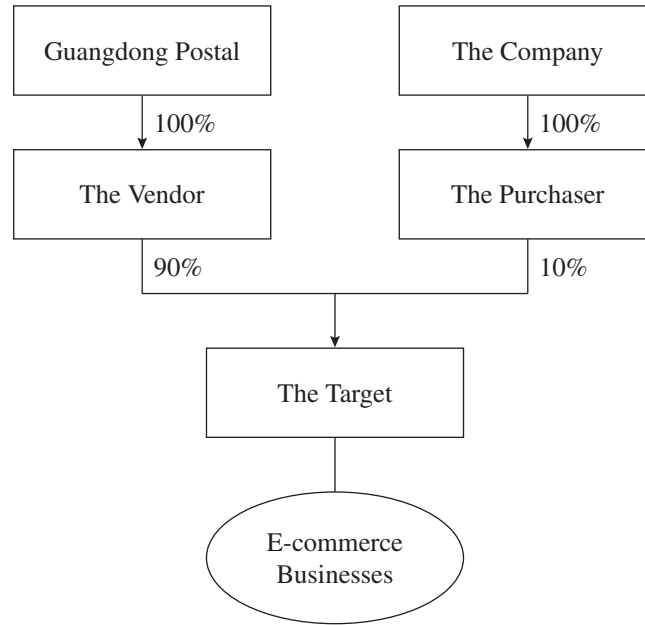
## **INFORMATION OF THE TARGET GROUP**

Info-Source Media Limited, a company incorporated in Hong Kong with limited liability, was founded in November 2007. The Target is principally engaged in the provision of state-of-the-art E-commerce platform through Guangdong Postal's powerful physical network, sophisticated information network and strong post bank capital support with a broad portfolio of media advertising platforms including bank location network, in-store network, post outlets network, commercial location network, direct marketing network, magazine distribution network, wireless and outdoor light-emitting-diode (LED) network. Each of the media advertising platforms covers specific demographics of different suburban and urban consumers at various out-of-home media interaction points, from liquid crystal display to highly accurate targeted direct mail, from golden-collar to blue-collar.

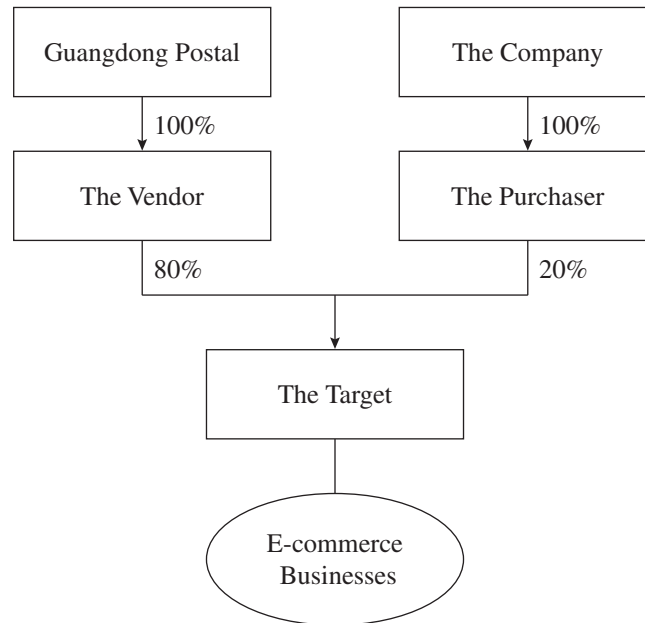
The Target has obtained the 15-year exclusive right to operate electronic video in outlets of Guangdong Postal and has also established liquid crystal display (LCD) network in three major cities in the Pearl River Delta Region, one of the most economic developed regions in the PRC, attracting millions of eyeballs every day.

According to the audited accounts (prepared in accordance with Hong Kong Financial Reporting Standards) of the Target for the period from 23 November 2007 (the date of incorporation of the Target) to 30 November 2008, the Target reported nil turnover and a net loss before and after tax of HK\$3,926,404 during the period, and a net deficit of HK\$3,916,404 as at 30 November 2008.

The following diagram illustrates the shareholding structure of the Target immediately before the Option Completion:



The following diagram illustrates the shareholding structure of the Target immediately after the Option Completion:



## **REASONS FOR THE PURCHASE OF THE OPTION SHARES**

The Group is principally engaged in manufacturing and sale of ceramic blanks and ferrules. As disclosed in the 2008 annual report and 2009 interim report of the Company, the Company is actively searching for business opportunities in, amongst other things, E-commerce. Whenever, there are attractive investment opportunities exists, the Company will expand its arm through strategic acquisition and cooperation. The Directors consider that the Purchase of the Option Shares represents a valuable opportunity for the Company to strengthen its investment in E-commerce businesses.

The Directors consider that the further acquisition of interest in the Target represents a good investment opportunity for the Company to strengthen E-commerce business development in the PRC given the close relationship between the Target and Guangdong Postal which has powerful physical post office network, sophisticated information network and strong post bank capital support, as detailed in the paragraphs under section headed “Information of the Target Group” above. The Target is also expanding the LCD advertising network. The Target will continue to leverage onto the support and strong commitment of Guangdong Postal to develop and expand its E-commerce services with the aim to provide all E-commerce players the best way to reach the PRC. The Group will expand its network to the second and third-line cities of Guangdong Province, build a promotional platform for urban and rural areas and provide “China Post Trade Express (「自由商道」)” services in future.

On 4 March 2009, the Company and the Target entered into a memorandum of understanding (“MOU”) pursuant to which the Target will develop and support the Company with an effective e-commerce platform whereas the Company will identify potential clients interested in using e-commerce platform.

Based on the above, in particular, the Target’s extensive LCD advertising network in Guangdong Province with the strong support of Guangdong Postal, the Board is confident on the prospects of the Target and considers that the Group, through its investment in the Target, will be able to capture the rapid growth of E-commerce business in the PRC and hence, will enhance the Group’s potential share of profits.



## GEM LISTING RULES IMPLICATIONS

Based on the relevant percentage ratio calculations under the GEM Listing Rules, the Purchase of the Option Shares, when aggregated with the Acquisition under Rule 19.22 of the GEM Listing Rules, constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

By order of the Board  
**China Post E-Commerce (Holdings) Limited**  
**Lau Chi Yuen, Joseph**  
*Executive Director*

Hong Kong, 19 August 2009

*As at the date of this announcement, the Board comprises two (2) executive directors, namely, Mr. Lau Chi Yuen, Joseph (Chairman) and Mr. Chung Man Wai, and three (3) independent non-executive directors, namely Dr. Lee Chung Mong, John, Mr. Tam Wing Kin and Mr. Fung Chan Man, Alex.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.*

*This announcement, for which the directors of China Post E-Commerce (Holdings) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Post E-Commerce (Holdings) Limited. 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.*