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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Palmpay China (Holdings) Limited (the “Company”), you should at once hand this circular to the purchaser or to the bank manager, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) PROPOSALS FOR GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES;  
(2) PROPOSED REFRESHMENT  
OF SHARE OPTION SCHEME MANDATE LIMIT;  
(3) RE-ELECTION OF DIRECTORS;  
(4) ADOPTION OF THE NEW SHARE OPTION SCHEME;  
AND  
(5) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the Annual General Meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 24 August 2011 at 10:30 a.m. is set out on pages 26 to 30 of this circular. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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

25 July 2011

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

“Annual General Meeting”	the annual general meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 24 August 2011 at 10:30 a.m., a notice of which is set out on pages 26 to 30 of this circular
“Board”	the board of Directors
“business days”	any day on which the Stock Exchange is open for transaction of business
“Bye-laws”	the bye-laws of the Company
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted by the Company on 18 October 2001
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate proposed to be granted to the Directors at the Annual General Meeting to issue further new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) granting such mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	21 July 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Share Option Scheme”	the share option scheme to be proposed to be adopted by the Company at the Annual General Meeting with effect from 18 October 2011 the principal terms of which are set out in Appendix III to this circular
“Notice”	the notice of the Annual General Meeting

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## DEFINITIONS

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“Option(s)”	(a) right(s) granted to subscribe for Shares pursuant to the Existing Share Option Scheme or, if after its expiry, pursuant to the New Share Option Scheme
“Participants”	being (A) (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive directors (including, without limitation, independent non-executive directors) of the Company and/or any of its subsidiaries; and (iii) any consultant, supplier or customer of the Company and/or any of its subsidiaries under the Existing Share Option Scheme; or (B) any employee (whether full-time or part-time and including Directors) of the Company, any of its subsidiary or any entity (the “ <b>Invested Entity</b> ”) in which the Group holds any equity interest or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Options under the New Share Option Scheme (as the case may be)
“Registrar”	Tricor Tengis Limited, Hong Kong branch share registrar and transfer office of the Company at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) granting such mandate
“Repurchase Resolution”	the ordinary resolution to approve the Repurchase Mandate
“Scheme Mandate Limit”	the number of Shares which may be issued upon exercise of all Options of the Company which shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Existing Share Option Scheme or of the refreshment of such limit
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Yuan Shengjun (*Chairman and Chief Executive Officer*)  
Mr. Chan Francis Ping Kuen (*Deputy chairman*)  
Mr. Chan Hin Wing, James

*Independent non-executive Directors:*

Mr. Kwok Chi Sun, Vincent  
Mr. Yeung Kam Yan  
Mr. Cheung Chi Hwa, Justin

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 1601  
16/F., Ruttonjee House  
Ruttonjee Centre  
11 Duddell Street  
Central  
Hong Kong

25 July 2011

*To the Shareholders*

Dear Sir/Madam,

**(1) PROPOSALS FOR GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES;  
(2) PROPOSED REFRESHMENT  
OF SHARE OPTION SCHEME MANDATE LIMIT;  
(3) RE-ELECTION OF DIRECTORS;  
(4) ADOPTION OF THE NEW SHARE OPTION SCHEME;  
AND  
(5) NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information relating to ordinary resolutions to be proposed at the forthcoming Annual General Meeting to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 24 August 2011 at 10:30 a.m. including but not limited to (i) granting the Directors general mandates for the issue and repurchase of Shares; (ii) the re-election of the retiring Directors; and (iii) the approval of refreshment of the Scheme Mandate Limit; and (iv) adoption of the New Share Option Scheme.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### PROPOSED GENERAL MANDATES TO ALLOT AND ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 19 August 2010, Shareholders passed ordinary resolutions granting the Directors general mandates to allot and issue Shares and repurchase Shares in accordance with the GEM Listing Rules. As at the Latest Practicable Date, the general mandate has been utilised as to 90,400,000 Shares in association with the issue of consideration Shares which was announced on 27 January 2011, represents approximately 84.13% of Shares which may be allotted and issued under the general mandate. Unless otherwise renewed, the existing mandates to issue and repurchase Shares will lapse at the conclusion of the forthcoming Annual General Meeting.

In order to ensure flexibility, when it is desirable, to allot and issue additional Shares or to repurchase Shares, the Directors will seek approval from the Shareholders to grant new general mandates to issue and repurchase Shares at the forthcoming Annual General Meeting.

At the Annual General Meeting, ordinary resolutions will be proposed such that the Directors be given (i) an unconditional general mandate to allot, issue and deal with unissued Shares or underlying Shares (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Bye-laws) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the issued Shares as at the date of granting of the General Mandate; and (ii) an unconditional general mandate to repurchase Shares on the Stock Exchange, of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued Shares as at the date of granting of the Repurchase Mandate.

The General Mandate and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or (iii) the revocation or variation of the General Mandate or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

As at the Latest Practicable Date, total number of the issued Shares were 627,647,828 Shares. Assuming there are no Shares being repurchased or issued before the date of the Annual General Meeting, the maximum number of Shares which may be allotted and issued under the General Mandate to be refreshed at the Annual General Meeting will be 125,529,565 Shares and the maximum number of Shares which may be repurchased under the Repurchase Mandate at the Annual General Meeting will be 62,764,782.

### EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate required to be given pursuant to the GEM Listing Rules, in particular Rule 13.08 of the GEM Listing Rules, is set out in Appendix I to this circular. The insertion of the explanatory statement is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions relating to the Repurchase Mandate.

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## LETTER FROM THE BOARD

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### **DIRECTORS PROPOSED TO BE RE-ELECTED**

In accordance with the Bye-law of the Company and the Appendix 15 of the GEM Listing Rules, Mr. Yuan Shengjun, Chan Francis Ping Kuen and Chan Hin Wing, James will retire and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the Directors proposed to be re-elected are set out in Appendix II to this circular.

### **PROPOSED REFRESHMENT OF EXISTING SHARE OPTION SCHEME MANDATE LIMIT**

The Company adopted the Existing Share Option Scheme by way of written resolution of the Shareholders on 18 October 2001. Under the rules of the Existing Share Option Scheme:

- (i) the number of Shares subject to Options that may be granted shall not exceed 10% of the Shares in issue as at the date of approval of the Existing Share Option Scheme;
- (ii) the Company may seek Shareholders' approval to refresh the Scheme Mandate Limit. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Existing Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Existing Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (iii) the Company may seek separate approval from the Shareholders in general meeting to grant Options beyond the Scheme Mandate Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought; and
- (iv) the overall limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Existing Share Option Scheme and any other option scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

Under existing Scheme Mandate Limit, the Directors are authorised to grant Options to subscribe for up to 53,724,782 Shares under the Share Option Scheme. As at the Latest Practicable Date, the said Scheme Mandate Limit remained unutilised. Pursuant to the announcement of the Company dated 15 July 2011, the Company and the holders of Options have agreed to cancel all outstanding Options granted but not exercised in accordance with the provisions of the Existing Share Option Scheme, hence, there are no outstanding Options as at the Latest Practicable Date.

The Directors consider that the refreshment of the Scheme Mandate Limit will allow the Company to have more flexibility to provide incentives to Participants by way of granting Options to them. If the refreshment of the existing Scheme Mandate Limit was approved at the Annual General Meeting, based on 627,647,828 Shares in issue as at the Latest Practicable Date and assuming no



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## **LETTER FROM THE BOARD**

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further Shares are issued and/or repurchased after the Latest Practicable Date and up to the date of the Annual General Meeting, the existing Scheme Mandate Limit will be refreshed (which will be expired on 17 October 2011 pursuant to the Existing Share Option Scheme) allowing the Directors to grant Options up to a total of 62,764,782 Shares, representing 10% of the issued share capital of the Company as at the date of the Annual General Meeting.

The proposed refreshment of the Scheme Mandate Limit will be conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, such number of Shares, representing 10% of the Shares in issue as at the date of the Annual General Meeting, which may fall to be allotted and issued pursuant to the exercise of Options granted under the refreshed Scheme Mandate Limit.

An ordinary resolution will be proposed at the Annual General Meeting to refresh the Scheme Mandate Limit so that the total number of Shares which may be issued upon exercise of all Options to be granted under Existing Share Option Scheme and any other scheme(s) of the Company should not exceed 10% of the Shares in issue as at the date of passing of the resolution refreshing the existing Scheme Mandate Limit.

### **ADOPTION OF THE NEW SHARE OPTION SCHEME**

The Company has no intention to terminate the Existing Share Option Scheme but the Existing Share Option Scheme will be expired on 17 October 2011. As the Latest Practicable Date, there are no outstanding Options granted under the Existing Share Option Scheme. No Option can be granted under of the Existing Share Option Scheme upon its expiry.

Taken into account that the Existing Share Option Scheme will be expired on 17 October 2011, the Directors propose to adopt the New Share Option Scheme with effect from 18 October 2011. The New Share Option Scheme is designed to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the Group. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

The rules of the New Share Option Scheme provide that the Board can determine the eligibility of participant, the number of options to be granted to the grantee (subject to the requirement of the GEM Listing Rules), the date of grant, the option period, minimum holding period, the subscription price (subject to the requirement of the GEM Listing Rules), performance target and any other terms that the Board consider appropriate to impose on the Options. The Board believes that the above can serve to protect the value of the Company and to have flexibility in attracting and retaining high-calibre personnel to contribute to the Group.

The Directors are of the view that even though an Invested Entity may not be a subsidiary of the Company and the Company may have limited influence on its operation, the Company can still share of profits an Invested Entity if it is an associate or receive dividend income if it is an investment. In order to maximize return of the Company, it is essential to retain high-calibre personnel of the Company's invested entities who are responsible for business operation, the grant of the Company's

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## LETTER FROM THE BOARD

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Options to those selected key management of the Company's invested entities will help retain high-calibre personnel and will give those key management an incentive to operate the business positively and generate much revenue and profits, as a result, the Group can enjoy profits or dividend from those Invested Entities.

The New Share Option Scheme shall take effect from 18 October 2011, subject to the passing of the ordinary resolution of the Shareholders at the Annual General Meeting to adopt the New Share Option Scheme and is conditional upon the Listing Committee of the Stock Exchange granting the approval of listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options granted under the New Share Option Scheme.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Existing Share Option Scheme, the New Share Option Scheme, and any other scheme(s) of the Company must not exceed 10% of the issued share capital of the Company as at the date of the Annual General Meeting.

None of the Directors is a trustee of the New Share Option Scheme or has direct or indirect interest in the trustee.

As at the Latest Practicable Date, the issued share capital of the Company comprised 627,647,828 Shares. Assuming there is no change in the issued share capital of the Company prior to the Annual General Meeting, the number of Shares issuable pursuant to the New Share Option Scheme prescribed in Note (1) of Rule 17.03(3) of the Listing Rules will be 62,764,782 Shares, presenting approximately 10% of the total issued share capital of the Company as the date of approval of the New Share Option Scheme. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, on the Stock Exchange any Share which may be issued and allotted upon the exercise of any option which may be granted under the New Share Option Scheme.

Copies of the New Share Option Scheme are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the Annual General Meeting.

### **ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 24 August 2011 at 10:30 a.m. is set out on pages 26 to 30 of this circular.

A form of proxy for the Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the Annual General Meeting in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the Annual General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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Pursuant to Rule 17.47(4) of the GEM Listing Rules, all the resolutions proposed to be approved at a general meeting must be taken by poll. An announcement will be made by the Company after the Annual General Meeting on the result of the Annual General Meeting.

### SHAREHOLDERS ABSTAIN FROM VOTING

There is no Shareholder that is materially interested in the proposed resolutions and therefore none of the Shareholders will be required to abstain from voting in respect of the proposed resolutions at the Annual General Meeting.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the date of this announcement, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

### RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 in this circular misleading.

### RECOMMENDATION

The Directors believe that the general mandate to issue Shares, the refreshment of Scheme Mandate Limit, general mandate to repurchase Shares (for the sake of enhancing the net asset value per share and/or earnings per share), the re-election of Directors and the adoption of the New Share Option Scheme are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders to vote in favour of relevant resolutions to be proposed at the Annual General Meeting.

### FURTHER INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Palmpay China (Holdings) Limited**  
**Yuan Shengjun**  
*Chairman*

This appendix serves as an explanatory statement, as required pursuant to Rule 13.08 of the GEM Listing Rules, to provide information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchases of Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the Repurchase Resolution.

### **The Repurchase Mandate**

The Repurchase Resolution to be proposed at the Annual General Meeting relates to the grant of a general and unconditional mandate to the Directors to repurchase Shares on GEM, provided that the number of Shares which the Company is authorized to purchase on GEM or on another stock exchange recognised for this purpose by the SFC and the Stock Exchange, may not exceed 10% of the issued share capital of the Company and the total number of warrants to subscribe for or purchase Shares (or other relevant class of securities) authorized to be so purchased may not exceed 10% of the warrants of the company (or such other relevant class of securities, as the case may be), in each case as at the date of the resolution granting the Repurchase Resolution.

The Repurchase Mandate will continue to be in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held or the Repurchase Mandate is revoked or varied by an ordinary resolution passed in a general meeting by the Shareholders, whichever is the earliest.

### **Reasons for Share Repurchase**

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the relevant time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

### **Share Capital**

As at the Latest Practicable Date, the Company has in issue an aggregate of 627,647,828 Shares which are fully paid.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that there are no Shares being issued and/or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase Shares of up to a maximum of 62,764,782 Shares equivalent to 10% of the issued share capital of the Company. The Shares repurchased by the Company shall, subject to applicable laws, be automatically cancelled upon such repurchase.

### **Funding of Repurchases**

In repurchasing Shares, the Company may only apply its internal resources legally available for such purpose in accordance with the memorandum of association of the Company, the Bye-laws, the GEM Listing Rules and the applicable laws and regulations of Bermuda.

The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 31 March 2011) in the event that the proposed repurchases pursuant to the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing.

### Share Prices

The highest and lowest prices at which Shares have been traded on GEM during each of the previous twelve months preceding the Latest Practicable Date are as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2010</b>		
July	0.990	0.760
August	1.025	0.700
September	0.840	0.685
October	0.785	0.680
November	0.740	0.580
December	0.615	0.310
<b>2011</b>		
January	0.685	0.345
February	0.600	0.370
March	0.420	0.250
April	0.270	0.234
May	0.260	0.213
June	0.228	0.162
July (up to and including the Latest Practicable Date)	0.195	0.150

### Shares Repurchases made by the Company

The Company has not repurchased its own Shares (whether on GEM or otherwise) in the previous six months prior to the Latest Practicable Date.

### Directors' Undertaking

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase Shares under the Repurchase Mandate in accordance with the GEM Listing Rules and the laws of Bermuda and in accordance with the regulations set out in the Bye-laws.

### Effect of the Takeovers Code

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date and to the best of the knowledge and belief of the Directors, the following persons had interests in the Shares representing 10% or more of the voting power at any general meeting of the Company:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Starryland Profits Limited (Note 1)	Beneficial	123,452,341(L)	19.67%	21.88%
Lau Kim Hung, Jack (Note 1)	Interests in controlled corporation	123,452,341(L)	19.67%	21.88%
	Beneficial	2,241,600(L)	0.36%	0.40%
	Deemed	240,000(L)	0.04%	0.04%
Chan Yiu Kan, Katie (Note 1)	Deemed	125,693,941(L)	20.03%	22.26%
	Beneficial	240,000(L)	0.04%	0.04%

(L) denotes Long position

#### Notes:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Mr. Lau Kim Hung, Jack is deemed to be interested in 123,452,341 Shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 240,000 Shares held by Ms. Chan Yiu Kan Katie.

Ms. Chan Yiu Kan Katie, being the spouse of Mr. Lau Kim Hung, Jack, is deemed to be interested in 123,452,341 Shares held by Starryland Profits Limited and 240,000 Shares held by Mr. Lau Kim Hung, Jack.

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above Shareholders would be increased to approximately the respective percentages shown in the last column above. The Directors are not aware of such increase would give rise to an obligation for it to make a general offer for the Shares under Rules 26 and 32 of the Takeovers Code. As at the Latest Practicable Date, none of the shareholders or a group of shareholders acting in concert (within the meaning under the Code), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

Assuming that there is no issue of Shares between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than the prescribed minimum percentage of 25% of the Shares being held by the public as required by the Stock Exchange. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed minimum percentage.

#### **Directors' Dealings**

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates presently intends to sell any Shares to the Company under the Repurchase Mandate in the event that the Repurchase Resolution is passed by the Shareholders at the Annual General Meeting.

#### **Connected Persons**

The Company has not been notified by any connected persons (as defined in the GEM Listing Rules) of the Company that they have a present intention to sell any Shares to the Company or its subsidiaries, nor have they undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Resolution is passed by the Shareholders at the Annual General Meeting.

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, controlling shareholder or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

Set out below are details of the Directors who will be proposed to retire by rotation and be re-elected at the Annual General Meeting pursuant to the Bye-laws:

**1. Mr. Yuan Shengjun**

Mr. Yuan Shengjun (“**Mr. Yuan**”), aged 39, was appointed as an executive Director and Chief Executive Officer on 1 June 2009 and redesignated as chairman of the Company on 1 January 2011. Mr. Yuan holds a double degree of law and economics from the Renmin University (人民大學) of the People’s Republic of China (“**PRC**”). Mr. Yuan has over 10 years’ experience in advisory on management, operation and strategic planning. Mr. Yuan is responsible for management function and business operation of Media Magic Technology Limited and its subsidiaries which are currently principally engaged in the provision of payment gateway services in the PRC.

As at the Latest Practicable Date, save for being directors of six subsidiaries of the Group, namely Media Magic Technology Limited, Multi Channel Technology Limited, PalmPay Technology Company Limited, Brilliant Ally Limited, China Optic Communication Technology Limited (BVI) and China Optic Communication Technology Limited (HK), Mr. Yuan does not hold any other positions in the Company or any of its subsidiaries and did not hold any directorship or other major appointments in any other listed companies in the last three years.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirement of Rule 17.50(2) of the GEM Listing Rules.

*Interests in Shares*

As at the Latest Practicable Date, Mr. Yuan is interested in 7,402,400 Shares. Pursuant to the announcement of the Company dated 15 July 2011, the Company and the holders of Options have agreed to cancel all outstanding Options granted but not exercised in accordance with the provisions of the Existing Share Option Scheme, hence, Mr. Yuen does not hold any Options as at the Latest Practicable Date. Save for the disclosed, Mr. Yuan has no other interests in Shares or underlying Shares which is within the meaning of Part XV of the SFO.

*Remuneration*

Mr. Yuan has entered into a letter of appointment with the Company for an initial term of one year commencing on 1 June 2009, which will continue thereafter until being terminated by either party by giving not less than one month’s notice. His emolument in connection with his position as an executive Director and chief executive officer is HK\$10,000 per month with reference to market terms, qualifications and work experience of Mr. Yuan plus a discretionary year-end bonus to be determined by the Board from time to time.



**2. Mr. Chan Francis Ping Kuen**

Mr. Chan Francis Ping Kuen, aged 52, the executive Director and deputy chairman of the Company, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive Director and the deputy chairman of the Company on 22 May 2007. As at the Latest Practicable Date, he is the directors of four subsidiaries of the Group, namely Upper Power Limited, Media Magic Technology Limited, Multi Channel Technology Limited and PalmPay Technology Company Limited.

As at the Latest Practicable Date, Mr. Chan Francis Ping Kuen is also is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on the main board of the Stock Exchange.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules.

*Interests in Shares*

Pursuant to the announcement of the Company dated 15 July 2011, the Company and the holders of Options have agreed to cancel all outstanding Options granted but not exercised in accordance with the provisions of the Existing Share Option Scheme, hence, Mr. Chan Francis Ping Kuen does not hold any Options and any interests in Shares and underlying Shares within the meaning of Part XV of SFO as at the Latest Practicable Date.

*Remuneration*

Mr. Chan Francis Ping Kuen has entered into a letter of appointment with the Company for a term of one year from 22 May 2007, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. His emolument in connection with his position as an executive Director and deputy chairman is HK\$10,000 per month with reference to market terms, qualifications and working experience, plus a discretionary year-end bonus to be determined by the Board from time to time.

**3. Mr. Chan Hin Wing, James**

Mr. Chan Hin Wing, James, aged 62, the executive Director of the Company, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 35 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. He was appointed as an executive Director on 1 November 2006.

Mr. Chan Hin Wing, James is also the managing director of a company principally engaging in the field of nanotechnology. As at the Latest Practicable Date, apart from being executive Director, Mr. Chan does not hold any positions in the Group and did not hold any directorship and other major appointments in any listed public companies in the last three years.

Other than disclosed above, there is no matter that need to be brought to the attention of the holders of securities of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules.

*Interests in Shares*

Pursuant to the announcement of the Company dated 15 July 2011, the Company and the holders of Options have agreed to cancel all outstanding Options granted but not exercised in accordance with the provisions of the Existing Share Option Scheme, hence, Mr. Chan Hin Wing, James does not hold any Options and any interests in Shares and underlying Shares within the meaning of Part XV of SFO as at the Latest Practicable Date.

*Remuneration*

Mr. Chan Hin Wing, James has entered into a letter of appointment with the Company for a term of one year from 1 November 2006, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. His emolument in connection with his position as an executive Director is HK\$10,000 per month with reference to market terms, qualifications and working experience, plus a discretionary year-end bonus to be determined by the Board from time to time.

*This appendix sets out further information of the New Share Option Scheme and also summarises the rules of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:*

## **NEW SHARE OPTION SCHEME**

### **Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the Annual General Meeting, notice of which is set out on pages 26 to 30 of this circular:

*(a) Purpose of the New Share Option Scheme*

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognize and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

*(b) Administration of the New Share Option Scheme*

The New Share Option Scheme shall be subject to the administration by the Board which may include a duly authorised committee thereof and the decision of the Board shall be final, conclusive and binding on all parties.

*(c) Grant and acceptance of Options*

Subject to the terms of the New Share Option Scheme, the Board may, in its absolute discretion, invite any Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below.

An offer of the grant of an Option shall be made to Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Participant concerned for a period of 7 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the New Share Option Scheme or the Participant to whom such offer is made has ceased to be a Participant.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Participant together with the said consideration of HK\$1.00 is received by the Company.

*(d) Exercise of Options and Price of Shares*

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; (iii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the ten Business Days immediately preceding the date of grant; and (iv) the nominal value of the Share on the date of grant.

*(e) Maximum number of Shares available for issue*

- (i) Subject to the Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time (the "**Overall Limit**"). No Options shall be granted under any share option schemes of the Company (including the New Share Option Scheme) if this will result in the Overall Limit being exceeded.

- (ii) Subject to the Overall Limit, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the “**Scheme Mandate Limit**”), unless Shareholders’ has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
  - (iii) Subject to the Overall Limit, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval (the “**Refreshed Limit**”). Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the Refreshed Limit. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules.
  - (iv) The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 30% of the total issued Shares from time to time. Subject to the Overall Limit, the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules.
- (f) *Grant of Options to connected persons or any of their associates*
- (i) Any grant of Option to a director, chief executive or substantial shareholder (all with the meaning as ascribed under the GEM Listing Rules) of the Company or any of their respective associates (with the meaning as ascribed under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option).

- (ii) Where any grant of Option is proposed to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) and the proposed grant of Option, when aggregated will result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant,
- a) representing in aggregate over 0.1% of the Shares in issue; and
  - b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

then such proposed grant of Option(s) must be subject to approval by Shareholders in a general meeting where all connected persons (as defined in the GEM Listing Rules) of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under the GEM Listing Rules. A Shareholders' circular must be prepared by the Company explaining the proposed grant of Option, disclosing the number and terms (including the Subscription Price and the date of Board meeting for proposing the proposed grant of Options shall be taken as the date of grant for the purpose of calculating the Subscription Price) of the Options proposed to be granted and the recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option) as to voting and any other information as required under the GEM Listing Rules.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

(g) *Maximum entitlement of each Participant*

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue at the date of grant (the "**Individual Limit**"). Where it is proposed that any offer is to be made to a Participant (or where approximate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve (12)-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant or grantee, the number and terms of options to be granted (and options previously granted) to such Participant, the information required under

the Listing Rules. The number and terms (including the subscription price) of options to be granted to such Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(h) Time of Exercise of Options*

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme (the "**Option Period**").

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme.

*(i) Restrictions on the time of grant of Options*

Grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company's quarterly, interim or annual results and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of such results announcement.

*(j) Rights are personal to grantees*

An Option is personal to the grantee and shall not be assignable. An Option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

*(k) Rights on cessation of employment by dismissal*

If the grantee of an Option is an Employee and ceases to be an Employee on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence or other grounds on which an employer would be entitled to terminate his or her employment pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment.

*(l) Rights on death*

If the grantee of an Option is an Employee and ceases to be an Employee by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (k) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent not already exercised) within a period of 12 months following the date of death (or such longer period as the Board may determine), failing which it will lapse.

*(m) Rights on cessation of employment for other reasons*

If the grantee of an Option who is an Employee and ceases to be an Participant for any other reason he or she may exercise the Options (to the extent not already exercised) in whole or in part within a period of three months following the date of such cessation, which date shall be the last actual working with the Company or its Subsidiary, whether salary is paid in lieu of notice or not. If any of the events referred to in paragraph (n) to (p) below occurs during such period, he or she may exercise the Option pursuant to paragraphs (n) to (p) respectively.

*(n) Rights on a general offer*

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in The Hong Kong Codes on Takeovers and Mergers) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within thereafter and up to the close of such offer.

*(o) Rights on winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than four Business Days prior to the propose general meeting)) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.



*(p) Rights on reconstruction, compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than four Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

*(q) Cancellation of Options*

The Board may at any time cancel any Option granted but not exercised if the grantee so agrees. Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (e) (i) above. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

*(r) Effect of alterations to share capital*

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserved, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price per Share and/or (iii) the maximum number of Shares available for subscription and/or; (iv) the method of exercise of the Option as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the grantee shall have the same proportion of the issued share capital of the Company to which he was entitled before such alteration and the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event, but so that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

*(s) Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of associations of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

*(t) Duration of the New Share Option Scheme*

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary thereof, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

*(u) Alterations to the terms of the New Share Option Scheme*

The New Share Option Scheme may be altered in any respect by a resolution of the Board except:

- (i) The provisions relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (iv) Any change to the authority of the Directors or the administrator of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.

(v) *Conditions of the New Share Option Scheme*

**The New Share Option Scheme is conditional upon:**

- (i) **the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and**
- (ii) **the passing of the necessary resolution to approve and adopt the New Share Option Scheme in general meeting.**

(w) *Lapse of Options*

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (p);
- (iii) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph (j) by the grantee of the Option in respect of that or any other Option; and
- (iv) the date of the commencement of the winding-up of the Company.

(x) *Termination*

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

(y) *Miscellaneous*

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (r) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

#### **Present status of the Share Option Scheme**

Application will be made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

As at the date of this circular, no option has been granted or agreed to be granted under the New Share Option Scheme.

#### **Values of all options that can be granted under the Share Option Scheme**

The Directors consider that it is not appropriate or helpful to the Shareholders to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, exercise period, interest rate, expected volatility and other relevant variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Palmpay China (Holdings) Limited (the “**Company**”) will be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Wednesday, 24 August 2011 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors (the “**Directors**”) and auditors of the Company and its subsidiaries for the year ended 31 March 2011;
2. (i) To re-elect the retiring Directors namely:
  - (a) Mr. Yuan Shengjun
  - (b) Mr. Chan Francis Ping Kuen
  - (c) Mr. Chan Hin Wing James
- (ii) To authorise the board of Directors (the “**Board**”) to fix their remuneration;
3. To re-appoint Mazars CPA Limited as the auditors of Company and authorise the Board to fix their remuneration;

and, as special business, to consider and, if thought fit, to pass with or without amendments, the following proposed resolutions numbered 4 to 8 as ordinary resolutions of the Company:

#### **Ordinary Resolutions**

4. “**THAT**
  - (i) subject to paragraph (iii) of this resolution, and pursuant to the GEM Listing Rules, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares (“**Shares**”) in the capital of the Company and to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into Shares) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

\* *For identification purpose only*

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the approval in paragraph (i) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below); or (b) the exercise of options granted under any ordinary share option scheme adopted by the Company; or (c) an issue of Shares in lieu of whole or part of a dividend on Shares in accordance with the Bye-laws; or (d) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
  - (a) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution; and
  - (b) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company (the “**Shareholders**”)) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution).

and the authority pursuant to paragraph (i) of this resolution shall be limited accordingly; and

- (iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or the Company Act 1981 of Bermuda (as amended) or any applicable laws of Bermuda to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by the passing of an ordinary resolution by Shareholders in general meeting.

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## NOTICE OF ANNUAL GENERAL MEETING

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“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to overseas Shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. **“THAT**

- (i) subject to paragraph (ii) of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase Shares on GEM or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in connection with all applicable laws and/or the requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and this approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or the Company Act 1981 of Bermuda (as amended) or any applicable laws to be held; and
- (c) the date on which the authority sets out for this resolution is revoked or varied by the passing of an ordinary resolution by Shareholders in general meeting.”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. “**THAT** conditional upon ordinary resolutions numbered 4 and 5 above being passed, the aggregate nominal amount of Shares which are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution numbered 5 above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to ordinary resolution numbered 4 above.”
7. “**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) pursuant to this resolution under the share option scheme of the Company adopted on 18 October 2001 (the “**Existing Share Option Scheme**”) and any other scheme(s) of the Company, representing 10 per cent. of the issued share capital of the Company as at the date on which this resolution is passed:
- (i) approval be and is hereby granted for refreshing the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date on which this resolution is passed; and
  - (ii) the Directors be and are hereby authorised, at their absolute discretion, (i) to grant options to subscribe for Shares within the refreshed Scheme Mandate Limit in accordance with the rules of the Existing Share Option Scheme, and (ii) to allot, issue and deal with Shares pursuant to the exercise of options granted under the Existing Share Option Scheme within the refreshed Scheme Mandate Limit.”
8. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting listing of, and permission to deal in, the shares of HK\$0.05 each in the capital of the Company to be issued pursuant to the exercise of options which may be granted under the new share option scheme of the Company which will take effect from 18 October 2011 (the “**New Share Option Scheme**”, the rules of which are summarized in the circular of the Company dated 25 July 2011 and contained in the document marked “A” produced to the meeting and initialed by the Chairman of the meeting for identification purpose only), the rules of the New Share Option Scheme be and are hereby approved and adopted and that the Directors be and they are hereby authorized to:
- (i) administer the New Share Option Scheme under which the options will be granted to eligible participants under the New Share Option Scheme to subscribe for Shares;
  - (ii) modify and/or amend the rules of the New Share Option Scheme from time to time subject to the provisions of such rules;



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## NOTICE OF ANNUAL GENERAL MEETING

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- (iii) issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme; and
- (iv) make application at the appropriate time to the Stock Exchange, and any other stock exchange upon which the Shares may for the time being be listed, for listing of, and permission to deal in, the Shares which may thereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme.”

By order of the Board  
**Palmpay China (Holdings) Limited**  
**Yuan Shengjun**  
*Chairman*

Hong Kong, 25 July 2011

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head office and principal  
place of business in Hong Kong:*  
Unit 1601,  
16/F.,  
Ruttonjee House  
Ruttonjee Centre  
11 Duddell Street  
Central  
Hong Kong

*Notes:*

- (i) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her/its proxy to attend and, on a poll, vote instead of him/her/it. A proxy need not be a member of the Company.
- (ii) In order to be valid, the proxy form together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the meeting or any adjourned meeting.
- (iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.