
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your securities in Palmpay China (Holdings) Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**(I) PROPOSED OPEN OFFER OF 627,647,828 OFFER SHARES
AT HK\$0.05 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE
HELD ON THE RECORD DATE); AND
(II) CHANGE IN BOARD LOT SIZE**

Underwriters

**Starryland
Profits Limited**



**博大證券有限公司
Partners Capital Securities Limited**



**Phoenix Capital
Securities Limited**

Financial adviser to the Company



INCU Corporate Finance Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Nuada Limited

Corporate Finance Advisory

Terms used in this cover page have the same meanings as defined in this circular.

A letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 36 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 26 of this circular.

A notice convening a special general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 August 2011 at 11:00 a.m. (or any adjournment thereof) is set out on pages 54 to 56 of this circular. A form of proxy for use at the special general meeting is enclosed. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Open Offer contains provisions entitling Starryland (on behalf of the Underwriters) by notice in writing to the Company at any time prior to 4:00 p.m. on Thursday, 15 September 2011 to terminate the obligations of Starryland (on behalf of the Underwriters) thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 15 to 17 of this circular. If Starryland on behalf of the Underwriters terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed. In addition, the Open Offer is conditional on all conditions set out under the section headed "Conditions of the Open Offer" on pages 18 to 19 of this circular being fulfilled or waived (as applicable). In the event that such conditions have not been satisfied and/or waived in whole or in part by Starryland on behalf of the Underwriters on or before Thursday, 15 September 2011, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for antecedent breach of the Underwriting Agreement and the Open Offer will not proceed.

28 July 2011

* For identification purposes only

CHARACTERISTICS OF GEM

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.

CONTENTS

	<i>Page</i>
Expected Timetable	1
Definitions	3
Letter from the Board	8
Letter from the Independent Board Committee	26
Letter from Nuada	27
Appendix I – Financial Information of the Group	37
Appendix II – Unaudited Pro Forma Financial Information of the Group	38
Appendix III – General Information	42
Notice of the SGM	54

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Latest time for lodging proxies	11:00 a.m. on Saturday, 13 August
SGM to approve Open Offer	11:00 a.m. on Monday, 15 August
Announcement of the result of the SGM	Monday, 15 August
Last day of dealings in the Shares on cum-rights basis	Tuesday, 16 August
First day of dealings in the Shares on ex-rights basis	9:00 a.m. on Wednesday, 17 August
Latest time for lodging transfer of Shares to qualify for the Open Offer.	4:30 p.m. on Thursday, 18 August
Register of members closes (both days inclusive)	Friday, 19 August to Thursday, 25 August
Record Date	Thursday, 25 August
Despatch of Prospectus Documents	Friday, 26 August
Register of members reopens.	Friday, 26 August
Latest time for acceptance of and payment for Offer Shares.	4:00 p.m. on Friday, 9 September
Latest time for the termination of the Underwriting Agreement	4:00 p.m. on Thursday, 15 September
Announcement of the allotment results	Monday, 19 September
Despatch of certificates for fully-paid Offer Shares.	Tuesday, 20 September
Expected first date of dealings in fully-paid Offer Shares and effective date of change of the board lot size from 5,000 Shares to 20,000 Shares.	9:00 a.m. on Thursday, 22 September
Designated broker starts to stand in the market to provide matching services	Thursday, 22 September
Last day for the designated broker to stand in the market to provide matching services	Friday, 14 October

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares and for application and payment for excess Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Acceptance Date”	Friday, 9 September 2011 or such later date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time for acceptance of and payment for the Offer Shares
“Announcement”	the announcement of the Company dated 12 July 2011 relating to among others the Open Offer and change in board lot size
“Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday or public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 4:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Open Offer
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors), Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi), Mr. Yuan and their respective associates
“Independent Third Party(ies)”	any person(s) or company(ies) and his/its/their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and its connected persons
“Last Trading Day”	12 July 2011, being the date of the Underwriting Agreement, which is a trading day of the Stock Exchange
“Latest Lodging Date”	being 4:30 p.m. on Thursday, 18 August 2011 or such other date and/or time as Starryland on behalf of the Underwriters and the Company may agree as the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Practicable Date”	26 July 2011, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 9 September 2011 or such later time or date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement
“Mr. Lau”	Mr. Lau Kim Hung, Jack, a substantial Shareholder of the Company
“Mr. Yuan”	Mr. Yuan Shengjun, an executive Director, Chairman and Chief Executive Officer of the Company
“Mrs. Lau”	Ms. Chan Yiu Kan, Katie, spouse of Mr. Lau
“Nuada”	Nuada Limited, a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Open Offer
“Offer Share(s)”	627,647,828 new Shares, proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Partners”	Partners Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity under the SFO
“Phoenix”	Phoenix Capital Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Prospectus”	a prospectus to be issued by the Company containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	26 August 2011 or such later date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Prohibited Shareholders
“Record Date”	25 August 2011 or such other date as may be agreed between the Company and the Underwriters for the determination of the entitlements under the Open Offer
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 August 2011 at 11:00 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Open Offer
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company

DEFINITIONS

“Share Options”	options to subscribe for Shares granted under the Share Option Scheme
“Shareholder(s)”	the holder(s) of Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 18 October 2001
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Starryland”	Starryland Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr. Lau and it is one of the Underwriters of the Open Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.05 per Offer Share
“Underwriters”	Starryland, Partners and Phoenix
“Underwriting Agreement”	the underwriting agreement amongst the Company and the Underwriters dated 12 July 2011 in relation to the Open Offer
“Underwritten Shares”	466,008,021 Offer Shares, being all Offer Shares less such number of Offer Shares agreed to be taken up or procured to be taken up by Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and Mr. Yuan
“Warrants”	warrants to subscribe for Shares issued by the Company on 12 April 2010
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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 HM 11
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

28 July 2011

To the Shareholders

Dear Sir or Madam,

**(I) PROPOSED OPEN OFFER OF 627,647,828 OFFER SHARES
AT HK\$0.05 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE
HELD ON THE RECORD DATE); AND
(II) CHANGE IN BOARD LOT SIZE**

INTRODUCTION

On 12 July 2011, the Board announced that the Company proposed to raise approximately HK\$31.38 million, before expenses, by way of Open Offer of 627,647,848 Offer Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.05 per Offer Share payable in full on acceptance on the basis of one Offer Share for every Share held on the Record Date.

* *For identification purposes only*

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer and Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among others, (a) further details about the Open Offer; (b) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer; (c) a letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders on the Open Offer; and (d) the notice of the SGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Open Offer.

THE OPEN OFFER

Issue statistics as at the Latest Practicable Date

Basis of the Open Offer:	One Offer Share for every Share held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.05 per Offer Share
Number of Shares in issue as at the date of this circular:	627,647,828
Number of Offer Shares:	627,647,828 Offer Shares. The aggregate nominal value of the Offer Shares is HK\$31,382,391.40.
Number of Offer Shares undertaken to be taken up or procured to be taken up by Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) (which the undertakings from Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi have been obtained by the Company on or before the third business day after the date of publication of the Announcement):	(a) Starryland has undertaken in favour of the Company and the Underwriters that it will and it will procure Mr. Lau and Mrs. Lau to accept its, his or her respective entitlements under the Open Offer for an aggregate of 125,933,941 Offer Shares; (b) Mr. Hsu Tung Sheng has undertaken in favour of the Company and Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 13,088,666 Offer Shares; and (c) Mr. Hsu Tung Chi has undertaken in favour of the Company and the Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 15,214,800 Offer Shares.

LETTER FROM THE BOARD

Number of Offer Shares undertaken to be taken up by Mr. Yuan (which the undertaking from Mr. Yuan has been obtained by the Company on or before the third business day after the date of publication of the Announcement):	Mr. Yuan has undertaken in favour of the Company and the Underwriters that he will accept his entitlements under the Open Offer for an aggregate of 7,402,400 Offer Shares.
--	---

Number of Offer Shares underwritten by the Underwriters:	466,008,021, being the number of the Offer Shares less the number of Offer Shares undertaken or procured to be taken up by Starryland, Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi and Mr. Yuan.
--	---

Pursuant to the announcement of the Company dated 15 July 2011, the company and the holders of Share Options have agreed to cancel all outstanding Share Options granted but not exercised in accordance with the provisions of the Existing Share Option Scheme, hence, there are no outstanding Share Options as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had 16,000,000 outstanding Warrants which entitle holders thereof to subscribe for 16,000,000 Shares. Save as disclosed above, the Company did not have any other outstanding securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

The holder of the 16,000,000 Warrants has undertaken to the Company and the Underwriters that it will not exercise the subscription rights attaching to the 16,000,000 Warrants, or transfer or otherwise dispose of any of the 16,000,000 Warrants from the date of such undertaking up to and including the Record Date.

Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, 627,647,848 Offer Shares are proposed to be provisionally allotted, represents 100% of the Company's issued share capital of 627,647,848 Shares in issue as at the Latest Practicable Date and 50% of the Company's issued share capital as enlarged by the issue of 627,647,848 Offer Shares.

Basis of provisional allotment

The basis of the provisional allotment shall be one Offer Share for every one (1) existing Share held on the Record Date, being 627,647,848 Offer Shares at the Subscription Price of HK\$0.05 per Offer Share. Acceptance for all or any part of the Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted.

LETTER FROM THE BOARD

Qualifying Shareholders

The Company will offer the Offer Shares for subscription to Qualifying Shareholders only. The Prospectus will be sent to the Prohibited Shareholders and holder of the Warrants for information only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

In order to be registered as members of the Company on the Record Date and to qualify for the Open Offer, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 18 August 2011.

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

Closure of register of members

The register of members of the Company in Hong Kong will be closed from Friday, 19 August 2011 to Thursday, 25 August 2011, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

Rights of Prohibited Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. As at the Latest Practicable Date, the Company had no Overseas Shareholders. In the event that there are new Overseas Shareholders in overseas jurisdictions on or before the Record Date, in compliance with the GEM Listing Rules, the Company will make necessary enquiries regarding the feasibility of extending the offer of the Offer Shares to Overseas Shareholders such as whether the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or requirements of the relevant body or stock exchange. If based on the legal opinions provided by the relevant overseas legal advisers to the Company, the Directors consider that, it is necessary or expedient not to offer the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place after making relevant enquiries, the Directors will exercise their discretion given to them under the Bye-Laws to exclude such Overseas Shareholders from the Open Offer. The Company will disclose the results of the enquiry in the Prospectus regarding the legal restrictions on the allotment and issue of the Offer Shares to the Overseas Shareholders.

LETTER FROM THE BOARD

The Company will send the Prospectus to Prohibited Shareholders for their information only but the Company will not send any Application Forms to the Prohibited Shareholders. The Prohibited Shareholders will be entitled to attend and vote at the SGM to consider and, if thought fit, for the resolution(s), approving among other things, the Open Offer.

Subscription Price

The Subscription Price is HK\$0.05 per Offer Share, payable in full on acceptance of the relevant provisional allotment of Offer Shares under the Open Offer.

The Subscription Price represents:

- (a) a discount of approximately 70.59% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 54.55% to the theoretical ex-entitlement price of HK\$0.11 based on the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 71.53% to the average closing price of approximately HK\$0.1756 per Share for the last five consecutive trading days immediately prior to the Last Trading Day; and
- (d) a discount of approximately 68.75% to the closing price of HK\$0.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Subscription Price per Offer Share (after deducting all relevant expenses) will be approximately HK\$0.046.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the current market conditions. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Fractions of the Offer Shares

On the basis of provisional allotment of one Offer Share for every Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

No application for excess Offer Shares

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

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

Status of the Offer Shares

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

The first day of dealings in the Offer Shares is expected to be on Thursday, 22 September 2011.

Share Certificates for Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, share certificates for all fully-paid Offer Shares are expected to be posted on or before Tuesday, 20 September 2011 to those Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares by ordinary post at their own risks.

Application for listing

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

LETTER FROM THE BOARD

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

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Underwriting Agreement

Date: 12 July 2011 (after trading hours)

Underwriters: Starryland, Partners and Phoenix

Save as Starryland (whose ordinary course of business does not include underwriting and is wholly and beneficially owned by Mr. Lau), being a substantial Shareholder, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Partners, Phoenix and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)

Number of Offer Shares: 627,647,828 Offer Shares

Number of Underwritten Shares: 466,008,021 Offer Shares, of which Starryland has agreed to underwrite not more than 49,500,000 Offer Shares in the first place, Partners has agreed to underwrite not more than 178,972,543 Offer Shares in the second place and Phoenix has agreed to underwrite not more than 237,535,478 Offer Shares in the third place

Commission: an underwriting commission of 2.50% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares

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

LETTER FROM THE BOARD

Undertakings

As at the Latest Practicable Date, Starryland was wholly and beneficially owned by Mr. Lau and was interested in 123,452,341 Shares. Pursuant to the Underwriting Agreement, Starryland has irrevocably undertaken to the Company and other Underwriters (i) to subscribe for the 123,452,341 Offer Shares to which Starryland is entitled under the Open Offer; (ii) to procure Mr. Lau to subscribe for the 2,241,600 Offer Shares to which Mr. Lau is entitled under the Open Offer and (iii) to procure Mrs. Lau to subscribe for the 240,000 Offer Shares to which Mrs. Lau is entitled under the Open Offer.

As at the Latest Practicable Date, Mr. Hsu Tung Sheng (a concert party of Starryland) was interested in 13,088,666 Shares. Mr. Hsu Tung Sheng has provided a written undertaking to the Company and the Underwriters to subscribe for the 13,088,666 Offer Shares to which Mr. Hsu Tung Sheng is entitled under the Open Offer.

As at the Latest Practicable Date, Mr. Hsu Tung Chi (a concert party of Starryland) was interested in 15,214,800 Shares. Mr. Hsu Tung Chi has provided a written undertaking to the Company and the Underwriters to subscribe for the 15,214,800 Offer Shares to which Mr. Hsu Tung Chi is entitled under the Open Offer.

As at the Latest Practicable Date, Mr. Yuan was interested in 7,402,400 Shares. Mr. Yuan has provided a written undertaking to the Company and the Underwriters to subscribe for the 7,402,400 Offer Shares to which Mr. Yuan is entitled under the Open Offer.

The holder of the 16,000,000 Warrants has undertaken to the Company and the Underwriters that it will not exercise the subscription rights attaching to the 16,000,000 Warrants, or transfer or otherwise dispose of any of the 16,000,000 Warrants from the date of such undertaking up to and including the Record Date.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a black rainstorm warning signal is or remains hoisted between 9.00 a.m. and 4.00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

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

LETTER FROM THE BOARD

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of Starryland on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Starryland on behalf of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Starryland on behalf of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
 - (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Starryland on behalf of the Underwriters will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
 - (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

LETTER FROM THE BOARD

- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of Starryland on behalf of the Underwriters, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

If, prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters; or
- (b) any specified event described in the Underwriting Agreement comes to the knowledge of the Underwriters,

Starryland on behalf of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If Starryland on behalf of the Underwriters gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of all the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 2.50% underwriting commissions described above shall not be payable to the Underwriters, and the Open Offer will not proceed.

LETTER FROM THE BOARD

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (1) the passing by the Independent Shareholders of an ordinary resolution to approve the Open Offer by way of poll at the SGM;
- (2) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;
- (6) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (7) the obtaining on or before the third business day after the date of publication of the Announcement of such written undertakings from holders of the Share Options not to exercise any of the Share Options or to cancel the Share Options;
- (8) the obtaining on or before the third business day after the date of publication of the Announcement of such written undertakings from holders of the Warrants not to exercise any of the Warrants;
- (9) the obtaining on or before the third business day after the date of publication of the Announcement of such written undertakings from Mr. Hsu Tung Sheng to accept his entitlement under the Open Offer;

LETTER FROM THE BOARD

- (10) the obtaining on or before the third business day after the date of publication of the Announcement of such written undertakings from Mr. Hsu Tung Chi to accept his entitlement under the Open Offer;
- (11) the obtaining on or before the third business day after the date of publication of the Announcement of such written undertakings from Mr. Yuan to accept his entitlement under the Open Offer;
- (12) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (13) compliance with and performance of all the undertakings and obligations of the Underwrites under the terms of the Underwriting Agreement.

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

WARNING OF RISKS OF DEALING IN SHARES

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

Shareholders should note that the Shares will be dealt with on an ex-entitlement basis commencing from Wednesday, 17 August 2011 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Thursday, 15 September 2011), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

	As at the Latest Practicable Date		Immediately following completion of the Open Offer on the assumption as set out in Note 1		Immediately following completion of the Open Offer on the assumption as set out in Note 2	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Starryland	123,452,341	19.67	246,904,682	19.67	296,404,682	23.61
Mr. Lau	2,241,600	0.36	4,483,200	0.36	4,483,200	0.36
Mrs. Lau	240,000	0.04	480,000	0.04	480,000	0.04
Hsu Tung Sheng	13,088,666	2.09	26,177,332	2.09	26,177,332	2.09
Hsu Tung Chi	15,214,800	2.42	30,429,600	2.42	30,429,600	2.42
Other associates	3,620,800	0.57	7,241,600	0.57	3,620,800	0.29
Starryland and its concert parties and associates	157,858,207	25.15	315,716,414	25.15	361,595,614	28.81
<i>Director</i>						
Mr. Yuan	7,402,400	1.18	14,804,800	1.18	14,804,800	1.18
Public	462,387,221	73.67	924,774,442	73.67	462,387,221	36.83
Partners	-	-	-	-	178,972,543	14.26
Phoenix	-	-	-	-	237,535,478	18.92
Total	<u>627,647,828</u>	<u>100.00</u>	<u>1,255,295,656</u>	<u>100.00</u>	<u>1,255,295,656</u>	<u>100.00</u>

Notes:

- Assuming all Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.
- Assuming none of the Shareholders (save for the Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and Mr. Yuan who have undertaken to subscribe for, or procure the subscription of their pro-rata entitlement to Offer Shares in full under the Open Offer) take up their respective entitlements to the Offer Shares under the Open Offer and, accordingly, the Underwriters will take up the 466,008,021 Underwritten Shares in full pursuant to the terms of the Underwriting Agreement, of which Starryland has agreed to underwrite not more than 49,500,000 Offer Shares in the first place, Partners has agreed to underwrite not more than 178,972,543 Offer Shares in the second place and Phoenix has agreed to underwrite not more than 237,535,478 Offer Shares in the third place.
- Partners and Phoenix have entered and/or will enter into sub-underwriting agreements with sub-underwriters. At the close of the Open Offer, save as Starryland, none of Partners, Phoenix and the sub-underwriters will be a substantial Shareholder holding 10% or more shareholding in the Company. Each of the sub-underwriters and their respectively ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

LETTER FROM THE BOARD

FUNDS RAISED DURING THE PAST 12 MONTHS

During the past 12 months immediately preceding the Latest Practicable Date, the Company has not conducted any fund raising activities.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of telecommunication optic fiber business and payment by deduction business in the PRC.

As stated in the 2010/2011 Annual Report of the Company, the Group will continue to explore investment opportunities in other telecommunication related enhancement maintenance, security and value-added peripheral business which the Group believes will have promising future and generate significant profitability in medium to long term. The Board considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$28.87 million, of which approximately HK\$25 million will be set aside as budget for financing future investments in the telecommunication related enhancement maintenance, security and value-added peripheral business and the balance of approximately HK\$3.87 million will be applied towards general working capital. As at the latest Practicable Date, the Group had preliminary discussion and assessment of possible investments, yet the Group had not identified any specific investment target and no binding or non-binding document has been entered into by the Group.

CHANGE OF BOARD LOT SIZE

On the Last Trading Day, the Shares were traded in board lots of 5,000 Shares each and the market value of each board lot is HK\$850 (based on the closing price of HK\$0.17 per Share on the Last Trading Day) and HK\$550 (based on the theoretical ex-entitlement price of HK\$0.11 per Share on the Last Trading Day). In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 5,000 to 20,000 with effect from Thursday, 22 September 2011. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Phoenix as an agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Thursday, 22 September 2011 to Friday, 14 October 2011 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Mr. Ricky Chan of Phoenix at Unit 3006, 30/F., COSCO Tower, 183 Queen's Road Central, Hong Kong (telephone: (852) 2850 0728 and facsimile: (852) 2541 1022) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The appointed agent, Phoenix, is an independent third party not connected with any of the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

All existing share certificates in board lot of 5,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 5,000 Shares to new share certificates in board lot size of 20,000 Shares is necessary. With effect from Thursday, 22 September 2011, any new certificate of the Shares will be issued in new board lot size of 20,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)).

FINANCIAL AND TRADING PROSPECT

For the year ended 31 March 2011, the Group recorded loss of approximately HK\$329,134,000 (mainly as a result of impairment loss of intangible assets and goodwill of approximately HK\$11,176,000 and HK\$251,627,000 respectively) as compare to profit of approximately HK\$15,863,000 in last year. Given that impairment loss of intangible assets and goodwill is a non-recurring and non-cash item and the equity attributable to owners of the Company as at 31 March 2011 was approximately HK\$119,386,000, the Company believes that such loss has no material adverse impact on the business operations and financial positions of the Group.

In order to diversify the Group's income stream, the Group completed the acquisition of China Optic Communication Technology Limited ("China Optic") in February 2011 which is principally engaged in the provision of telecommunication optic fiber business to the telecommunication operators in the PRC.

LETTER FROM THE BOARD

China Optic's business partner has entered into agreements with China United Network Communications Group Co., Ltd. and China Telecommunications Corporation for the provision of optic fiber and maintenance services in Guangdong (廣東省), Anhui (安徽省), Shandong (山東省), Jiangsu (江蘇省) and Henan (河南省). The established relationship of the Group in the telecommunication related industries is well positioned to facilitate China Optic to penetrate into other provinces in the PRC. The Group believes the acquisition has laid down the foundations and networks for the development of such new business activities. It provides a base for the Group to penetrate into the telecommunication related enhancement, maintenance, security and value-added peripheral business.

With the China telecommunication operators' ongoing multi-billion dollar investment in upgrading the telecommunication network and infrastructure; the Group will capitalise on our existing resources and know-how in the telecommunication industry and will refocus its business to telecommunication related enhancement, maintenance, security and value-added peripheral business in the PRC.

ADJUSTMENTS TO WARRANTS

As at the Latest Practicable Date, the Company had 16,000,000 Warrants entitling holders to subscribe for 16,000,000 Shares. Adjustments to the subscription price and numbers of Warrants may be required under the relevant terms of the Warrant instrument. The auditors of the Company or an approved merchant bank will be appointed to certify the necessary adjustments, if any, to the subscription price and numbers of Warrants. Further announcement will be made by the Company in this regard.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Underwriting Agreement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, will abstain from voting at the SGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules.

Furthermore, pursuant to Rule 10.42 of the GEM Listing Rules, since no excess application for the Offer Shares is available, approval shall be obtained from the Independent Shareholders in respect of the absence of such arrangement. Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi), Mr. Yuan and their respective associates who have a material interest in the relevant resolution shall abstain from voting. As at the Latest Practicable Date, (i) Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and their associates are interested in an aggregate of 157,858,207 Shares; and (ii) Mr. Yuan is interested in 7,402,400 Shares. Save as disclosed above, other Directors and their respective associates do not hold any Shares.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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.

The Independent Board Committee has been formed to make recommendations to the Independent Shareholders in respect of the Open Offer. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Upon the approval of the Open Offer by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders and the Overseas Letter together with the Prospectus will be despatched to the Prohibited Shareholders for information only on the Prospectus Posting Date.

SGM

The notice convening the SGM is set out on pages 54 to 56 of this circular. The SGM will be convened at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 August 2011 at 11:00 a.m. (or any adjournment thereof) for the purpose of, considering and, if thought fit, approving the Open Offer.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Nuada set out on page 26 and pages 27 to 36 respectively of this circular. The Independent Board Committee, having taken into account the advice of Nuada, considers that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

LETTER FROM THE BOARD

Accordingly, the Directors believe that the terms of the Open Offer are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Palmpay China (Holdings) Limited
Yuan Shengjun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Open Offer:



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

28 July 2011

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED OPEN OFFER OF 627,647,828 OFFER SHARES AT HK\$0.05
PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE
FOR EVERY SHARE HELD ON THE RECORD DATE)**

We refer to the circular of the Company dated 28 July 2011 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned. Nuada has been appointed as the independent financial adviser to advise the Independent Shareholders and the Independent Board Committee in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Nuada as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 27 to 36 of the Circular, we are of the opinion that the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Open Offer.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Independent non-executive Directors

* *For identification purposes only*

LETTER FROM NUADA

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街 111 號 BLINK 17 字樓

28 July 2011

*To the Independent Board Committee
and the Independent Shareholders*

Palmpay China (Holdings) Limited
Unit 1601, 16/F
Ruttonjee House, Ruttonjee Centre
11 Duddell Street
Central Hong Kong

Dear Sirs,

**PROPOSED OPEN OFFER OF 627,647,828 OFFER SHARES
AT HK\$0.05 PER OFFER SHARE PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE
HELD ON THE RECORD DATE)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, details of which are set out in the section headed “Letter from the Board” (the “Letter”) in the Company’s circular dated 28 July 2011 (the “Circular”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 July 2011, the Company announced, among other things, that the Company proposed to raise approximately HK\$31.38 million, before expenses, by way of an open offer of 627,647,848 Offer Shares at the Subscription Price of HK\$0.05 per Offer Share on the basis of one Offer Share for every Share held on the Record Date and payable in full on acceptance. Qualifying Shareholders are not entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. The Open Offer is fully underwritten by the Underwriters.

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Underwriting Agreement, the Open Offer is subject to approval by the Independent Shareholders at the SGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. Given that there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, will abstain from voting at the SGM in respect of the resolution to approve the Open Offer pursuant to Rule 10.39(1) of the GEM Listing Rules.

LETTER FROM NUADA

Furthermore, pursuant to Rule 10.42 of the GEM Listing Rules, since no excess application for the Offer Shares is available, approval shall be obtained from the Independent Shareholders in respect of the absence of such arrangement. Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi), Mr. Yuan and their respective associates who have a material interest in the relevant resolution shall abstain from voting. As at the Latest Practicable Date, Starryland and its concert parties (including Mr. Lau, Mrs. Lau, Mr. Hsu Tung Sheng and Mr. Hsu Tung Chi) and their associates are interested in an aggregate of 157,858,207 Shares; and (ii) Mr. Yuan is interested in 7,402,400 Shares. Save as disclosed above, other Directors and their respective associates do not hold any Shares.

Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, being the independent non-executive Directors, have been appointed by the Board to form the Independent Board Committee to advise and make recommendation to the Independent Shareholders as to how to vote at the SGM on the ordinary resolution regarding the Open Offer.

Our role as the independent financial adviser is to (i) give our independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in relation to (i) above.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Director provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM NUADA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Open Offer, we have considered the following principal factors and reasons.

1. Background information and outlook of the Group

The Group is principally engaged in the provision of telecommunication optic fiber business and payment by deduction business in the PRC.

The table below summarised the financial results of the Group for the two years ended 31 March 2010 and 31 March 2011 as extracted from the annual report for the year ended 31 March 2011 of the Company (the “Annual Report”).

	For the year ended 31 March	
	2010 (audited) <i>HK\$'000</i>	2011 (audited) <i>HK\$'000</i>
Revenue	43,409	23,786
Profit (loss) for the year	15,863	(329,134)
Earnings (loss) per share – basic	HK3.5 cents	HK(60.32) cents

As shown above, the revenue decreased by approximately 45.20% in 2011 to approximately HK\$23.8 million. The decrease in revenue is mainly due to the adverse change in the payment by deduction industry in the PRC.

According to the Annual Report, the Group completed the acquisition of China Optic Communication Technology Limited in February 2011 which is principally engaged in the provision of telecommunication optic fiber business to the telecommunication operators in the PRC and has entered into agreements with China United Network Communications Group Co., Ltd. and China Telecommunications Corporation for the provision of optic fiber and maintenance services in Guangdong, Anhui, Shandong, Jiangsu and Henan. It provides a base for the Group to penetrate into the telecommunication related enhancement, maintenance, security and value-added peripheral business. The Group will continue to explore investment opportunities in other telecommunication related enhancement maintenance, security and value-added peripheral business which are expected to generate significant profitability in medium to long term.

LETTER FROM NUADA

2. Reasons for the Open Offer and the use of proceeds

As stated in the Letter, the net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$28.87 million, of which approximately HK\$25 million will be set aside as budget for financing future investments in the telecommunication related enhancement maintenance, security and value-added peripheral business and the balance of approximately HK\$3.87 million will be applied towards general working capital.

As mentioned in the Annual Report and the Letter, the Group intends to continue to explore investment opportunities in other telecommunication related enhancement maintenance, security and value-added peripheral business which are expected to generate significant profitability in medium to long term. The Board considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a good position to capture any potential business opportunity and to enhance its earning potential, and therefore enhance the overall value of the Shares.

The cash level of the Group as at 31 March 2011 is approximately HK\$59.6 million. According to the Company's announcements dated 2 March 2009, 25 January 2011 and 27 January 2011 in relation to acquisition of 25% equity interests in Media Magic Technology Limited and acquisition of 50.1% equity interests in China Optic Communication Technology Limited respectively, the considerations for the two acquisitions were HK\$82,335,000 and HK\$67,036,000 respectively. Although the Company has not identified any specific investment target and the considerations and terms of future possible acquisitions are unknown at this stage, a higher cash level will probably enable the Company to grasp any immediate investment opportunity.

The Board may consider other alternative means of fund raising before resolving to the Open Offer, including but not limited to placing, debt finance and rights issue:

- (i) placing would only be available to certain placees who were not necessarily the Shareholders. The Directors considered that it would be unfair to those Shareholders who had stayed with the Company for a considerable time, especially when the prospect of the Company would be improved;
- (ii) debt financing or bank loans may incur interest burden on the Group; and
- (iii) although rights issue was similar to an open offer except that it enabled the Shareholders to trade in nil-paid rights, trading arrangement needed to be set up with the share registrar at the expense of the Company and extra administrative work from the Company would be involved.

Although there would not be any trading in nil-paid rights in the Open Offer, with the entitlement of Offer Shares firmly attached to the Shares held, it would ensure stability in the Company's shareholders base and allow the existing Shareholders an opportunity to participate in and share the growth of the Company. The Directors are of the view that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM NUADA

Taking into account that (i) the Group's strategy to continue to explore investment opportunities in telecommunication related business; (ii) a higher cash level will probably enable the Company to grasp any immediate investment opportunity; (iii) rights issue has a higher cost and takes a longer time to complete as compared to open offer; (iv) debt financing and bank borrowing will increase the gearing and incur further interest burden to the Company; (v) placing of new Shares without first offering to the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of the existing Shareholders; and (vi) the Open Offer will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we consider that the Open Offer is an equitable means to raise capital for the Group and we are of the view and concur with the view of the Directors that the Open Offer is fair and reasonable and is in the interests of the Group and the Independent Shareholders as a whole.

3. Principal terms of the Open Offer

Basis of the Open Offer

The Company proposed to raise approximately HK\$31.4 million before expenses, by an open offer of 627,647,828 Offer Shares at a subscription price of HK\$0.05 per Offer Share, payable in full on application, on the basis of one Offer Shares for every Share held on the Record Date. The Open Offer will not be available to the Prohibited Shareholder (if any). Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements.

The Offer Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects on the date of allotment and issue of the Offer Shares. Holders of Offer Shares (when allotted, issued and fully paid) will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

The Open Offer is fully underwritten and is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

Subscription Price

The Subscription Price of HK\$0.05 per Offer Share will be payable in full upon application for the Offer Shares. The Subscription Price represents:

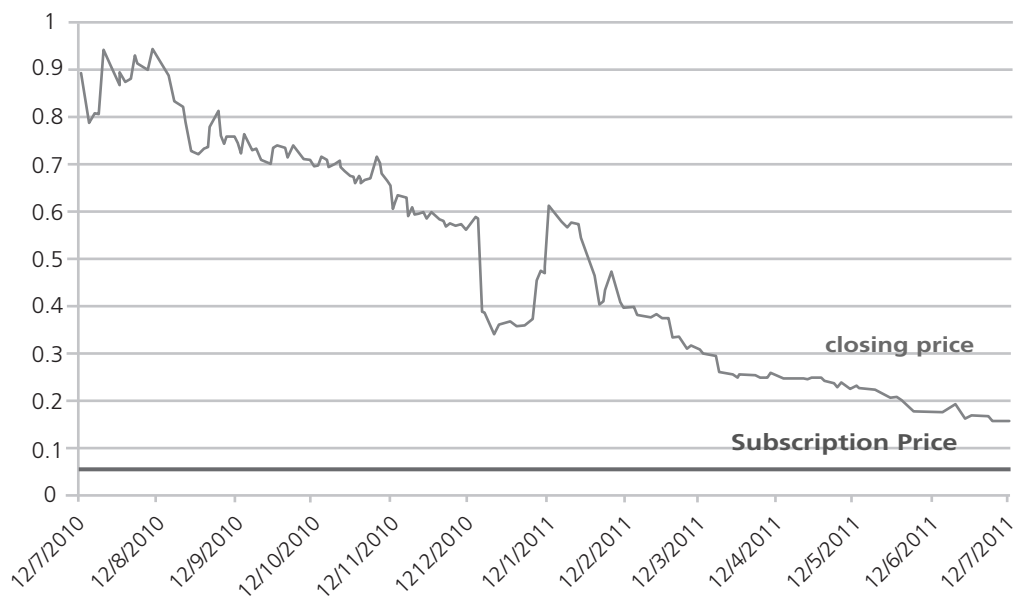
- (i) a discount of approximately 70.95% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 71.53% to the average closing price of approximately HK\$0.1756 per Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

LETTER FROM NUADA

- (iii) a discount of approximately 72.08% to the average closing price of approximately HK\$0.1791 per Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 54.55% to the theoretical ex-entitlement price of approximately HK\$0.11 per Share based on the closing price of HK\$0.17 as quoted on the Stock exchange on the Last Trading Day; and
- (v) a discount of approximately 68.75% to the closing price of HK\$0.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters with reference to, among other things, the current market conditions.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for the period from 12 July 2010, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Latest Practicable Date (the "Review Period"). The chart below illustrates the daily closing price of the Shares versus the Subscription Price during the Review Period:



Note: The trading of the Shares was suspended on 26 January 2011.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK\$0.95 on 10 August 2010 and HK\$0.159 on 20 July 2011 respectively. The Subscription Price is lower than all the monthly lowest closing price of the Shares and the monthly average daily closing price of the Share during the Review Period, representing a discount of approximately 94.74% and 68.55% to such highest and lowest closing prices of the Shares during the Review Period.

LETTER FROM NUADA

In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company.

In order to further assess the fairness and reasonableness of the Subscription Price, we have also reviewed the open offer transactions by companies that are listed on the GEM Board of the Stock Exchange with underwriting agreements dated in the 12 months period to the date of the Underwriting Agreement (the “Comparable Transactions”) from the website of the Stock Exchange. The companies are Mobile Telecom Network (Holdings) Limited (Stock code: 8266), Finet Group Limited (Stock code: 8317), Phoenitron Holdings Limited (Stock code: 8066), China Primary Resources Holdings Limited (Stock code: 8117) and Seamless Green China (Holdings) Limited (Stock code: 8150). We note that the subscription prices in the Comparable Transactions represent discounts to the closing prices of the respective last trading day in a range from approximately 40% to 90% as summarized in the table below:

Company name	Approximate discounts to closing prices of the respective last trading day
Mobile Telecom Network (Holdings) Limited	62.3%
Finet Group Limited	83.3%
Phoenitron Holdings Limited	89.7%
China Primary Resources Holdings Limited	39.4%
Seamless Green China (Holdings) Limited	75.6%

The discount of Subscription Price to the closing price on the Last Trading Day, which is approximately 70.95%, is within the range of the discounts calculated from the Comparable Transactions.

Having considered that (i) the Group’s need to raise funds for possible investment opportunities in the future; (ii) the existing cash level of the Group which may not be sufficient to support further investments, we consider it is inevitable for the Company to set the Subscription Price at a higher discount so as to increase the attractiveness of the Open Offer. Having considered the abovementioned and that all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company, we are of the opinion and concur with the Directors that the discounts of the Subscription Price as compared to the recent market prices of the Shares would encourage Shareholders to participate in the Open Offer and the future growth of the Company and that the Subscription Price is fair and reasonable insofar as the Independent Shareholders are concerned.

LETTER FROM NUADA

Underwriting Commission

The underwriting commission for the Open Offer, after arm's length negotiation between the Company and the Underwriter, is 2.50% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares.

In order to assess the fairness and reasonableness of the commission fee charged by the Underwriters, we have reviewed the Comparable Transactions, and noted that the commission charged by the underwriters in those open offer transactions are ranged from 0% to 3.5% of the aggregate subscription price of the underwritten shares as summarized in the table below:

Company name	Underwriting commission
Mobile Telecom Network (Holdings) Limited	3.5%
Finet Group Limited	1.5%
Phoenitron Holdings Limited	0%
China Primary Resources Holdings Limited	1.5%
Seamless Green China (Holdings) Limited	2.5%

Having taken into account the advantages of raising funds by way of open offer as compared to other financing methods mentioned above, we consider the underwriting commission of 2.50%, which is within the range of market rate, is fair and reasonable as far as the Shareholders are concerned.

Excess Application

There is no arrangement for the Qualifying Shareholders to apply for any Offer Shares which are in excess of his/her/its entitlement, however we note that the Company has set the Subscription Price at a considerable discount to the prevailing market price of the Shares so as to encourage the Qualifying Shareholders, who are positive to the future development of the Company, to exercise its rights to subscribe for the Offer Shares.

We consider that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements. However, we consider that the aforesaid should be balanced against the fact that the terms of the Open Offer are structured with an intention to encourage all the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares as the Subscription Price is set at a deep discount to the prevailing market price of the Shares which provides reasonable incentives to all the Qualifying Shareholders to participate in the Open Offer. As such, it is reasonable to expect that the majority of the Qualifying Shareholders who are positive about the prospects of the Company will apply for the Offer Shares and the Offer Shares available for excess application will be minimal. The absence of excess application arrangement therefore may not be considered material to the Qualifying Shareholders.

LETTER FROM NUADA

4. Potential dilution effect on the shareholding interests of the Independent Shareholders

Upon completion of the Open Offer, 627,647,828 new Shares will be issued. Qualifying Shareholders who elect to subscribe for in full their assured entitlements under the Open Offer will retain their current shareholding in the Company. Qualifying Shareholders who do not elect to subscribe for in full their assured entitlements under the Open Offer will be diluted after completion of the Open Offer by a maximum of approximately 50%.

In order to assess the fairness and reasonableness of the potential dilution effect on the shareholding interests of the Independent Shareholders, we have reviewed the basis of entitlement and the potential dilution effect of the Comparable Transactions and the information is summarized in the table below:

Company name	Basis of entitlement	Approximate maximum dilution
Mobile Telecom Network (Holdings) Limited	1 offer share for every 1 existing share	50%
Finet Group Limited	4 offer shares for every 1 existing share	80%
Phoenitron Holdings Limited	1 offer share for every 10 existing shares	9.1%
China Primary Resources Holdings Limited	1 offer share for every 2 existing shares	33.3%
Seamless Green China (Holdings) Limited	8 offer shares for every 17 existing shares	32.0%

We note that the dilution effect by the Open Offer of a maximum of approximately 50% is within the range of that of the Comparable Transactions.

Despite the dilution effect by the Open Offer of a maximum of approximately 50%, having taken into account (i) the Group's strategy to continue to explore investment opportunities in telecommunication related business; (ii) the Open Offer has already enable the Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying the Offer Shares according to their shareholding in the Company, we consider the possible dilution effect on the Independent Shareholders to be acceptable.

5. Financial effects of the Open Offer

(a) *Net tangible asset*

According to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Pro Forma Statement") set out in Appendix II to the Circular, the audited consolidated net tangible assets of the Group was approximately HK\$74.03 million as at 31 march 2011. The unaudited pro forma consolidated net tangible assets of the Group would increase to approximately HK\$102.90 million upon completion of the Open Offer.

Upon completion of the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease from HK\$0.12 to approximately HK\$0.08.

LETTER FROM NUADA

(b) Working capital

According to the Annual Report, the Group had bank balance and cash of approximately HK\$59.6 million as at 31 March 2011. Upon completion of the Open Offer, there will be estimated net proceeds of approximately HK\$28.87 million which the Board intends to apply to set aside as budget for financing future investments in the telecommunication related enhancement maintenance, security and value-added peripheral business, and towards general working capital.

Although the unaudited pro forma consolidated net tangible assets per Share would decrease, upon completion of the Open Offer, the cash and cash equivalent would increase which provide the funding required by the Group to set aside as budget for financing future investments, we consider the Open Offer to be beneficial to the Group.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, which include (i) background information of the Group; (ii) reasons for the Open Offer and the use of proceeds; (iii) principal terms of the Open Offer; (iv) potential dilution effect on the shareholding interests of the Independent Shareholders; and (v) financial effects of the Open Offer, we consider that, on balance, the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer is in the interest of the Company and the Independent Shareholders as a whole and would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the Open Offer to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the years ended 31 March 2009, 31 March 2010 and 31 March 2011, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 March 2009 (pages 31 to 98), 31 March 2010 (pages 32 to 90) and 31 March 2011 (pages 27 to 92) respectively, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at www.palmpaychina.com and the website of the Stock Exchange at www.hkexnews.hk.

STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 June 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had a promissory note with a fair value of approximately HK\$4,700,000.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2011.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration of the net proceeds from the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. UNAUDITED PRO FORMA FINANCIAL STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets of the Group prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been undertaken and completed on 31 March 2011.

The unaudited pro forma statement of consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 31 March 2011 or any future date.

The following unaudited pro forma statement of consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2011, as extracted from the published annual report of the Group for the year ended 31 March 2011, and adjusted to reflect the effect of the Open Offer. Unless otherwise defined, capitalised terms used in the following text shall have the same meaning of those used in this circular.

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2011 <i>(Note 1)</i> <i>HK\$'000</i>	Adjustment for intangible assets and goodwill <i>(Note 2)</i> <i>HK\$'000</i>	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2011 <i>HK\$'000</i>	Estimated net proceeds from the Open Offer <i>(Note 3)</i> <i>HK\$'000</i>	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2011 immediately after the Open Offer <i>HK\$'000</i>
Based on 627,647,828 Offer Shares to be issued	119,386	(45,355)	74,031	28,870	102,901

HK\$

Audited consolidated net tangible assets
of the Group per Share attributable to owners of the
Company as at 31 March 2011 (*Note 4*) 0.12

Unaudited pro forma consolidated net
tangible assets of the Group per Share attributable to owners
of the Company as at 31 March 2011 immediately after
the Open Offer based on
627,647,828 Offer Shares to be issued (*Note 5*) 0.08

Notes:

1. The audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2011 is extracted from the published annual report of the Group for the year ended 31 March 2011.
2. The intangible assets and goodwill of the Group as at 31 March 2011 were approximately HK\$31,047,000 and HK\$14,308,000 respectively which are extracted from the published annual report of the Group for the year ended 31 March 2011.
3. The estimated net proceeds from the Open Offer of approximately HK\$28,870,000 are based on 627,647,828 Offer Shares to be issued at the Subscription Price of HK\$0.05 per Offer Share and after deduction of estimated related commission and expenses of approximately HK\$2,510,000.
4. The audited consolidated net tangible assets of the Group per Share attributable to owners of the Company of approximately HK\$0.12 is calculated based on HK\$74,031,000 divided by 627,647,828 Shares in issue as at 31 March 2011.
5. The unaudited pro forma consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$0.08 is calculated based on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$102,901,000 divided by 1,255,295,656 Shares in issue immediately after completion of the Open Offer.

**2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of the report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Mazars CPA Limited, in respect of the unaudited pro forma statement of consolidated net tangible assets of the Group set out in this appendix.



MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話: (852) 2909 5555
Fax傳真: (852) 2810 0032
Email電郵: info@mazars.com.hk
Website網址: www.mazars.com.hk

28 July 2011

The Directors
Palmpay China (Holdings) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Palmpay China (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 38 to 39 under the heading of “Unaudited Pro Forma Financial Information of the Group” of the Company’s circular dated 28 July 2011 (the “Circular”) in connection with the proposed open offer (the “Open Offer”) of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM”). The unaudited pro forma financial information has been prepared by the directors of the Company (the “Directors”), for illustrative purposes only, to provide information about how the Open Offer might have affected the financial information of the Group as at 31 March 2011, for inclusion as Appendix II to the Circular. The basis of preparation of the pro forma financial information is set out on pages 38 to 39 to the Circular.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM (the “GEM Rules”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “*Accountants’ Reports on Pro Forma Financial Information in Investment Circulars*” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2011 or any future date.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. 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 Company. 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 respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Shares as at the Latest Practicable Date	<u>200,000,000.00</u>
<i>Issued and to be issued:</i>		<i>HK\$</i>
627,647,828	Shares in issue and fully paid as at the Latest Practicable Date	31,382,391.40
<u>627,647,828</u>	Offer Shares to be issued	<u>31,382,391.40</u>
<u>1,255,295,656</u>	Shares in issue and fully paid upon completion of the Open Offer	<u>62,764,782.80</u>

All of the Offer Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for 16,000,000 Warrants, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares and 16,000,000 Warrants exercisable into an aggregate of 16,000,000 Shares.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in shares:

Name of directors	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Yuan Shengjun	Beneficial	7,402,400(L)	1.18%

(L) denotes Long position

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests of a director of the Company as disclosed under the heading “Directors and chief executive’s interests in shares, underlying shares and debentures” above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	123,452,341(L)	19.67%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	123,452,341(L)	19.67%
	Beneficial	2,241,600(L)	0.36%
	Deemed	240,000(L)	0.04%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	125,693,941(L)	20.03%
	Beneficial	240,000(L)	0.04%

(L) denotes Long position

Note:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”). Mr. Lau 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, is deemed to be interested in 123,452,341 shares held by Starryland Profits Limited and 2,241,600 shares held by Mr. Lau.

Save as disclosed above, as at the Latest Practicable Date, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

7. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this circular:

Name	Qualifications
Nuada	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Mazars CPA Limited (“Mazars”)	Certified Public Accountants

Each of Nuada and Mazars has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letters and references to its name and/or its advice in the form and context in which they respectively appear.

10. EXPERTS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, each of Nuada and Mazars:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group since 31 March 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) Mr. Law Ho Ming, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University.

- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.
- (e) There is no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over 1 year which are substantial in relation to the Group's business.
- (f) None of the Directors are directors or employee of Starryland.
- (g) There is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong. The Company does not have any forecasted or planned dividends; nor any foreign exchange liabilities.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the conditional share subscription agreement dated 23 March 2010 and the conditional warrant subscription agreement dated 23 March 2010, entered into among the Company, Magic Galaxy Limited and Mr. To Yuen Cheong August in relation to the subscription of 120,000,000 Shares at the subscription price of HK\$0.185 per Share and 120,000,000 warrants at the issue price of HK\$0.003 per warrant entitling the holder to subscribe share at HK\$0.182 for a period of three (3) years from the date of issue by Magic Galaxy Limited;
- (ii) the conditional share subscription agreement dated 23 March 2010 and the conditional warrant subscription agreement dated 23 March 2010, entered into among the Company, Ampio Investments Limited and Mr. Ho Wing Hang in relation to the subscription of 47,000,000 Shares at the subscription price of HK\$0.185 per Share and 47,000,000 warrants at the issue price of HK\$0.003 per warrant entitling the holder to subscribe share at HK\$0.182 for a period of three (3) years from the date of issue by Ampio Investments Limited;
- (iii) the conditional share subscription agreement dated 23 March 2010 and the conditional warrant subscription agreement dated 23 March 2010, entered into among the Company, Max Achieve Limited and Mr. Lao Kuai Hong August in relation to the subscription of 40,000,000 Shares at the subscription price of HK\$0.185 per Share and 40,000,000 warrants at the issue price of HK\$0.003 per warrant entitling the holder to subscribe share at HK\$0.182 for a period of three (3) years from the date of issue by Max Achieve Limited;
- (iv) the conditional agreement dated 25 January 2011 (as supplemented by a supplemental agreement dated 26 January 2011) entered into among Brilliant Ally Limited a wholly owned subsidiary of the Company as purchaser, Keen Success Investments Limited, Elite Option Limited and Big Well Investments Limited as vendors and Mr. Zou Meiyu, Mr. Ho Wing Hang and Ms. Tam Yuk Ching Jenny as guarantors in relation to the acquisition of the 50.1% interest in China Optic Communication Technology Limited at a total consideration of HK\$67,036,000; and
- (v) the Underwriting Agreement.

13. CORPORATE INFORMATION**Board of Directors***Executive Directors*

Mr. Yuan Shengjun

(Chairman and Chief Executive Officer)

Mr. Chan Francis Ping Kuen

Mr. Chan Hin Wing, James

Independent Non-executive Directors

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Audit Committee

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Remuneration Committee

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Mr. Chan Francis Ping Kuen

Authorised representatives

Mr. Chan Francis Ping Kuen

Mr. Law Ho Ming

Compliance officer

Mr. Chan Francis Ping Kuen

An associate member of the Institute of Chartered Accountants in Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Company secretary

Mr. Law Ho Ming

Registered office

Clarendon House

2 Church Street

Hamilton HM 11

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

Principal share registrar and transfer office in Bermuda

HSBC Securities Services (Bermuda) Limited

6 Front Street

Hamilton HM 11

Bermuda

Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	Mazars CPA Limited Certified Public Accountants
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 4 Des Voeux Road, Standard Chartered Bank Building, Central, Hong Kong
Stock code	8047
Website	www.palmpaychina.com www.palmpay.net.cn

14. PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	Starryland Profits Limited P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
	Partners Capital Securities Limited Unit 3905, 39/F., COSCO Tower, 183 Queen's Road Central, Hong Kong
	Phoenix Capital Securities Limited Unit 3006, 30/F., COSCO Tower, 183 Queen's Road Central, Hong Kong

Legal advisers to the Company in relation to the Open Offer	As to Hong Kong law: Michael Li & Co. 14/F., Printing House, 6 Duddell Street, Central, Hong Kong As to Bermuda law: Conyers Dill & Pearman 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Reporting accountants	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Financial advisors to the Company	INCU Corporate Finance Limited Unit 1602, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Independent financial advisor to the Independent Board Committee and the Independent Shareholders	Nuada Limited 17th Floor, BLINK, 111 Bonham Strand, Sheung Wan, Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26 Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

15. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.51 million, which are payable by the Company.

16. PROFILES OF DIRECTORS**Executive Directors**

Yuan Shengjun, aged 39, was appointed as an executive director and chief executive officer of the Company 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 (the "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.

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 on 22 May 2007. He 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 main board of the Stock Exchange.

Chan Hin Wing, James, aged 62, was appointed as an executive director of the Company on 1 November 2006, 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 37 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

Independent non-executive Directors and audit committee members

Kwok Chi Sun, Vincent, aged 48, who was appointed as an independent non-executive Director and as an audit committee member on 16 August 2005, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited, Evergreen International Holdings Limited and China Digital Licensing (Group) Limited, the former five named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM in the last three years.

Yeung Kam Yan, aged 58, who was appointed as an independent non-executive Director and as an audit committee member on 16 August 2005, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 9 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Cheung Chi Hwa, Justin, aged 57, who was appointed as an independent non-executive Director and as an audit committee member on 15 January 2010, holds a bachelor degree of laws from the Manchester Metropolitan University in the United Kingdom, a master degree of laws from University of London in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an executive director of Ming Kei Holdings Limited (Stock code: 8239, formerly known as Ming Kei Energy Holdings Limited) and an independent non-executive director of Richfield Group Holdings Limited (Stock code: 183, formerly known as Maxitech International Holdings Limited and FX Creations International Holdings Limited) respectively. The former named company is listed on GEM while the last named company is listed on the main board of the Stock Exchange.

The Company set up an audit committee on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 1601, Ruttonjee House, Rnttonjee Centre, 11 Duddell Street, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the SGM:

- (a) the Bye-Laws;
- (b) the annual reports of the Company for the financial years ended 31 March 2009, 2010 and 2011;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular;
- (d) the letter from Nuada to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 36 of this circular;
- (e) the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (f) the letter from Mazars on the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (g) the written consents referred to in the paragraph headed “Experts and Consents” to this Appendix;
- (h) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (i) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules since 31 March 2011, being the date of the latest published audited consolidated financial statements of the Group; and
- (j) this circular.

NOTICE OF SPECIAL GENERAL MEETING



PALMPAY CHINA (HOLDINGS) LIMITED
中國掌付(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8047)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Palmpay China (Holdings) Limited (the “Company”) will be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 August 2011 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to the fulfilment or waiver of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) dated 12 July 2011 in respect of the proposed open offer by the Company and entered into among the Company, Starryland Profits Limited (“**Starryland**”), Partners Capital Securities Limited and Phoenix Capital Securities Limited (the “**Underwriters**”), (a copy of the Underwriting Agreement has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification):

- (a) the allotment and issue of 627,647,828 new shares (the “**Offer Shares**”) of HK\$0.05 each in the share capital of the Company (the “**Shares**”) pursuant to an offer by way of open offer (the “**Open Offer**”) to the holders of Shares (the “**Shareholders**”) at a subscription price of HK\$0.05 per Offer Share in the proportion of one Offer Share for every Share held by the Shareholders whose names appear on the register of members of the Company on Thursday, 25 August 2011 (or such later date as the Company and Starryland on behalf of the Underwriters may agree to be the record date for such Open Offer) (the “**Record Date**”) other than those Shareholders with addresses on the Record Date are outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Prohibited Shareholders**”) as described in further details in a circular issued by the Company dated 28 July 2011 (the “**Circular**”) of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the directors of the Company, be and is hereby approved;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (b) the directors of the Company be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Prohibited Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution;
- (c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;
- (d) the arrangements for no excess application for the Offer Shares by the Qualifying Shareholders (as defined in the Circular) under the Open Offer be and are hereby approved, confirmed and ratified; and
- (e) the directors of the Company be and are hereby authorised to do all acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and in the interests of the Company."

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

Hong Kong, 28 July 2011

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any Shareholder entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a Shareholder.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.