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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Palmpay China (Holdings) Limited, you should at once hand the Prospectus Documents (as defined herein) 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.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "Documents Delivered to the Registrars of Companies" in Appendix III to this Prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and a copy of each of the Prospectus Documents has been or, will as soon as practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act. The Registrar of Companies in Hong Kong, the SFC (as defined herein) and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the Offer Shares (as defined herein) may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), 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 dates 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.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, 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 the Prospectus Documents.

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## PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**(I) 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**

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

The Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 17 August 2011 and that dealing in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 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. 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 advisers.

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 its obligations 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 3 to 4 of this Prospectus and the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Letter from the Board" on pages 17 to 19 of this Prospectus. 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 upon the fulfillment of the conditions set out under the paragraph headed "Conditions of the Open Offer" under the section headed "Letter from the Board" on pages 19 to 20 of this Prospectus. In the event that such conditions are not fulfilled 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.

26 August 2011

\* For identification purposes only

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## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

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

<b>Event</b>	<b>2011</b>
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 results of the Open Offer . . . . .	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 Prospectus 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.*

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE 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 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 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.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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**It should be note that the Underwriting Agreement contains provisions entitling Starryland on behalf of the Underwriters to terminate its obligations thereunder if at any time prior to 4:00 p.m. on the third business day after the Acceptance Date:**

- (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:
  - (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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (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
- (6) any matter which, had it arisen or been discovered immediately before the date of this 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.**

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## SUMMARY OF THE OPEN OFFER

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*The following information is derived from, and should be read in conjunction with and subject to the full text of, this Prospectus.*

Basis of the Open Offer:	One Offer Share for every existing Share held on the Record Date
Subscription Price and Latest Time for Acceptance:	HK\$0.05 per Offer Share payable in full on application at or prior to 4:00 p.m. on Friday, 9 September 2011
Number of Offer Shares to be issued:	627,647,828 Offer Shares
Gross proceeds from the Open Offer:	Approximately HK\$31.38 million
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 distribution which are declared, made or paid after the date of allotment and issue of the Offer Shares
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 15 July 2011, being 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.
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 15 July 2011, being 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.
Underwriter:	Starryland, Partners and Phoenix
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.



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## DEFINITIONS

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*In this Prospectus, 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

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## DEFINITIONS

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“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 was a trading day of the Stock Exchange
“Latest Practicable Date”	19 August 2011, being the latest practicable date prior to the printing of this Prospectus 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 this Prospectus
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Starryland on behalf of the Underwriters, being the latest time to terminate the Underwriting Agreement

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## DEFINITIONS

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“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
“Offer Share(s)”	627,647,828 new Shares, to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in this Prospectus
“Open Offer”	the 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
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus 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

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## DEFINITIONS

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“Prospectus”	this prospectus being issued by the Company containing details of the Open Offer
“Prospectus Documents”	this Prospectus and the Application Form
“Prospectus Posting Date”	Friday, 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”	Thursday, 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)
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Options”	options to subscribe for Shares granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 18 October 2001
“Shareholder(s)”	the holder(s) of Share(s)
“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

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## DEFINITIONS

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“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.

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## LETTER FROM THE BOARD

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

*Executive Directors:*

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

*Independent non-executive Directors:*

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

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton 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

26 August 2011

*To the Shareholders and, for information only,  
the holder of the Warrants and the Prohibited Shareholders*

Dear Sir or Madam,

**(I) 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 627,647,828 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. The Open Offer will not be extended to the Prohibited Shareholders.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The purpose of this Prospectus is to provide you with further information regarding the Open Offer including information on dealings in and applications for the Offer Shares, and financial information and other information of the Company.

### THE OPEN OFFER

#### Issue statistics

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 Latest Practicable Date:	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 15 July 2011, being the third business day after the date of publication of the Announcement):	<p>(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;</p> <p>(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</p> <p>(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.</p>
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 15 July 2011, being 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.

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## LETTER FROM THE BOARD

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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 Share Option Scheme, hence, there were 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, 627,647,828 Offer Shares will be provisionally allotted, represents 100% of the Company's issued share capital of 627,647,828 Shares in issue as at the Latest Practicable Date and 50% of the Company's issued share capital as enlarged by the issue of 627,647,828 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 627,647,828 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.

### **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.



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## LETTER FROM THE BOARD

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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.

### **Rights of Prohibited Shareholders**

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. Based on the register of members of the Company, the Company did not have any Overseas Shareholders as at the Record Date. Therefore, all Shareholders are entitled to participate in the Open Offer and there is no Prohibited Shareholder for the purpose of 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 56.52% to the closing price of HK\$0.115 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.

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## LETTER FROM THE BOARD

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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 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.

### **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.

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## LETTER FROM THE BOARD

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### Application for listing

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

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or 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, each of Partners, Phoenix and their ultimate beneficial owners are Independent Third Party

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

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## LETTER FROM THE BOARD

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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.

### **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):

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## LETTER FROM THE BOARD

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- (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:
  - (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
- (6) any matter which, had it arisen or been discovered immediately before the date of this 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

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## LETTER FROM THE BOARD

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- (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.**

### 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 a special general meeting of the Company;
- (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;

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## LETTER FROM THE BOARD

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- (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;
- (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.

Conditions (1), (5), (7), (8), (9), (10) and (11) above, have been fulfilled as at the Latest Practicable Date.

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.

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## LETTER FROM THE BOARD

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### PROCEDURES FOR APPLICATION

#### Application for the Offer Shares

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholder to subscribe for the number of Offer Shares available to the Qualifying Shareholder on an assured basis subject to payment in full on application by not later than 4:00 p.m. on Friday, 9 September 2011. Qualifying Shareholders should note that they may apply for the number of Offer Shares equal to or less than the number set out in the Application Form.

If you are a Qualifying Shareholder and you wish to accept all the Offer Shares provisionally allotted to you as specified in the enclosed Application Form or to apply for any number less than your entitlement under the Open Offer, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application in respect of such number of Offer Shares you have applied for with the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 9 September 2011. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**Palmpay China (Holdings) Limited — Open Offer Account**" and crossed "**Account Payee Only**".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar, Tricor Tengis Limited, by not later than 4:00 p.m. on Friday, 9 September 2011, the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares different from your assured entitlement.

All cheques or cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation, or at the option of the Company, subsequent presentation, is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Tuesday, 20 September 2011.



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## LETTER FROM THE BOARD

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Save as described under the paragraph headed “Rights of the Prohibited Shareholders” above, no action has been taken to permit the offering of the Offer Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares or excess Offer Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Offer Shares to satisfy itself/himself/ herself/themselves before subscribing for the assured allotted Offer Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Offer Shares will be accepted from any person who is the Prohibited Shareholder.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

If the conditions of the Open Offer as set out in the paragraph headed “Conditions of the Open Offer” are not fulfilled, the monies received in respect of applications for the Offer Shares will be returned, without interest, to the applications by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on or before Tuesday, 20 September 2011.

### 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 are dealt with on an ex-entitlement basis commencing from Wednesday, 17 August 2011 and that dealings in such Shares 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	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
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).

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## LETTER FROM THE BOARD

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### 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. Save as disclosed in the announcement of the Company dated 9 August 2011 in relation to the non-legally binding memorandum of understanding (the “MOU”) in respect of possible acquisition of certain equity interest of Viva Champion Limited (the “Possible Acquisition”), as at the Latest Practicable Date, the Group had not identified any other specific investment target and no binding or non-binding document has been entered into by the Group.

The Board confirms that (i) the refundable deposit of RMB3 million paid to Mr. Wong Kin Chung Michael according to the terms of the MOU was settled by existing internal resources of the Group; and (ii) it is expected that, should the Group wish to proceed further with the Possible Acquisition, the existing internal financial resources of the Group would be sufficient to meet any possible additional cash portion of the consideration payable by the Group under the formal sale and purchase agreement to be entered into between Mr. Wong Kin Chung Michael and Beaming Investments Limited with respect to the Possible Acquisition. Thus, the Group does not have any present intention to utilize any net proceeds from the Open Offer to finance the Possible Acquisition, and the proceeding of the Possible Acquisition is not dependent on the outcome of the Open Offer. The Group will comply with the relevant requirements under the GEM Listing Rules if there is any change of its intention in respect of the use of the net proceeds from the Open Offer.

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## LETTER FROM THE BOARD

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### 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.

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 compared 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.

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## LETTER FROM THE BOARD

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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.

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 pursuant to the Warrants instrument. Further announcement will be made by the Company in this regard.

### ADDITIONAL INFORMATION

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

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

**THREE YEARS FINANCIAL INFORMATION**

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 Prospectus. The said annual reports of the Company are available on the Company's website at [www.palmpaychina.com](http://www.palmpaychina.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://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 Prospectus, 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 Prospectus.

**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 Prospectus.

	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 Prospectus, 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

26 August 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 28 to 29 under the heading of “Unaudited Pro Forma Financial Information of the Group” of the Company’s prospectus dated 26 August 2011 (the “Prospectus”) in connection with the 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 Prospectus. The basis of preparation of the pro forma financial information is set out on pages 28 to 29 to the Prospectus.

**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 Prospectus, 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 Prospectus 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:**

<b>Name of directors</b>	<b>Nature of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of issued share capital</b>
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 Prospectus 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 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 expert who have given opinions and advices, which are contained in this Prospectus:

<b>Name</b>	<b>Qualifications</b>
Mazars CPA Limited (“Mazars”)	Certified Public Accountants

Mazars has given and has not withdrawn its written consent to the issue of this Prospectus 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, 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 the Prospectors Documents 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

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

#### 14. PARTIES INVOLVED IN THE OPEN OFFER

<b>Underwriter</b>	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

**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 DELIVERED TO THE REGISTRARS OF COMPANIES**

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and consent" in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has been or, will as soon as practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

**18. LEGAL EFFECT**

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

**19. 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 Latest Time for Acceptance at 4:00 p.m. on Friday, 9 September 2011:

- (a) the Bye-Laws;
- (b) the annual reports of the Company for the financial years ended 31 March 2009, 2010 and 2011;
- (c) 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 prospectus;
- (d) 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 Prospectus;
- (e) the written consents referred to in the paragraph headed “Experts and Consents” to this Appendix;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (g) 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
- (h) this Prospectus.