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PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**DISCLOSEABLE TRANSACTION
INVOLVING ACQUISITION OF SHARES IN
iPEER MULTIMEDIA INTERNATIONAL LTD.
AND
ISSUE OF SHARES UNDER A GENERAL MANDATE**

Financial Adviser to the Company



INCUB Corporate Finance Limited

A letter from the board of directors of the Company is set out on pages 4 to 12 of this circular.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and the Company’s website at www.palmpaychina.com.

5 June 2008

** for identification purpose only*

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of 2,000,000 iPeer Shares by the Company pursuant to the Share Exchange Agreement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Beaming Investments”	Beaming Investments Limited, a company incorporated in BVI, an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Closing”	the closing for the Acquisition
“Closing Date”	30 May 2008
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration Shares”	an aggregate of 22,967,646 new Shares issued to Magic Way by the Company pursuant to the Share Exchange Agreement at the Closing Date
“Directors”	directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Michael Henry Horne, the sole shareholder and director of Magic Way
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“iPeer Group”	iPeer Multimedia and its subsidiaries and its affiliate(s)
“iPeer Multimedia”	iPeer Multimedia International Ltd., a company incorporated in the Cayman Islands
“iPeer Series A Preferred Shares”	the series A preferred shares of iPeer Multimedia
“iPeer Shares”	ordinary share(s) of USD0.01 each in the share capital of iPeer Multimedia
“Issue Price”	the issue price of HK\$0.68 per Consideration Share
“Last Trading Day”	13 May 2008, being the last trading day immediately prior to the date of the Share Exchange Agreement
“Latest Practicable Date”	3 June 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Magic Way” or “vendor”	Magic Way Holdings Limited, a company incorporated in the BVI with limited liability, the shares of which is wholly-owned by Mr. Michael Henry Horne, the Guarantor
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Exchange Agreement”	the conditional share exchange agreement dated 14 May 2008 entered into among Magic Way, the Company and the Guarantor relating to the Acquisition

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 1,500,000 iPeer Series A Preferred Shares by Beaming Investments which was completed on 30 April 2008
“Subscription Announcement”	the announcement of the Company dated 26 March 2008 in relation to the Subscription
“Warrant(s)”	the warrants of the Company placed on 11 September 2007 which was announced in the announcements of the Company dated 27 August 2007 and 11 September 2007 respectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

LETTER FROM THE BOARD



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

Executive Directors:

Mr. Chan Francis Ping Kuen
Mr. Hsu Tung Sheng
Mr. Hsu Tung Chi
Mr. Chan Hin Wing, James

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Dr. Ho Hoi Lap (*Chairman*)

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

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

Independent non-executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Chan Kai Wing

5 June 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
INVOLVING ACQUISITION OF SHARES IN
iPEER MULTIMEDIA INTERNATIONAL LTD.
AND
ISSUE OF SHARES UNDER A GENERAL MANDATE**

INTRODUCTION

The Board announced on 15 May 2008 that on 14 May 2008, the Company, Magic Way and the Guarantor entered into the Share Exchange Agreement, pursuant to which, Magic Way, as the vendor, has agreed to sell, and the Company, as the purchaser, has agreed to purchase 2,000,000 iPeer Shares at a price of USD1.00 per iPeer Share by the allotment and issue 22,967,646 new Shares at a price of HK\$0.68 per Share as the Consideration Shares to Magic Way. The Acquisition was completed on 30 May 2008 and the Consideration Shares had been issued at Closing under the general mandate granted to the Directors at the special general meeting of the Company held on 19 December 2007.

* for identification purpose only

LETTER FROM THE BOARD

Reference is also made to the Subscription Announcement dated 26 March 2008 and the circular of the Company dated 14 April 2008, where the Company announced that Beaming Investments subscribed for 1,500,000 iPeer Series A Preferred Shares. The Subscription had been completed on 30 April 2008.

The purpose of this circular is to provide you with further details regarding the Share Exchange Agreement and the Group.

THE SHARE EXCHANGE AGREEMENT

Date: 14 May 2008

Parties: (1) Magic Way, as vendor;

(2) the Company, as purchaser; and

(3) Mr. Michael Henry Horne, as the guarantor, the sole shareholder and director of Magic Way.

The Guarantor has agreed to guarantee in favour of the Company the due and punctual performance of the obligation of the vendor under the Share Exchange Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Magic Way and the Guarantor is an Independent Third Party.

Magic Way is a company incorporated in the BVI, its entire issued share capital is held by Guarantor. Magic Way is an investment holding company.

Assets to be acquired

2,000,000 iPeer Shares, representing approximately 1.77% of the issued iPeer Shares as at the Latest Practicable Date.

Consideration

The total consideration for the 2,000,000 iPeer Shares is USD2,000,000 which have been paid by the allotment and issue of the Consideration Shares to Magic Way at the Closing.

LETTER FROM THE BOARD

The consideration for the Acquisition was determined after arm's length negotiation between the Company and Magic Way with reference to (i) historical issue price of ordinary class of shares of iPeer Multimedia with the latest issue at approximately USD0.50; (ii) issue price of USD1.0 per iPeer Series A Preferred Share completed recently; and (iii) net asset value per iPeer Share of approximately USD0.47 (calculated based on the existing number of issued ordinary shares of iPeer Multimedia of 113,310,376 and the unaudited net assets of iPeer Multimedia as at 31 December 2007 of approximately USD53,428,000).

Conditions precedent

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

- (a) any and all approvals, consents and waivers necessary for consummation of the Acquisition has been obtained by each of Magic Way and the Company including, but not limited to all permits, authorizations, approvals, consents or permits of any governmental authority or regulatory body or any relevant third party;
- (b) the GEM Listing Committee granting listing of and permission to deal in the Consideration Shares; and
- (c) the representations and warranties remaining true and accurate in all respects.

Pursuant to the Share Exchange Agreement, after all conditions have been fulfilled, completion of the Acquisition would be taken place on or before 30 May 2008 (or such other date as may be mutually agreed between Magic Way and the Company).

Long-stop date and Closing

The Share Exchange Agreement provided that should the satisfaction of all of its conditions occurs, the Closing would be on 30 May 2008, being the Closing Date (or such other date as may be mutually agreed between Magic Way and the Company). As all of the conditions under the Share Exchange Agreement had been fulfilled on or before 30 May 2008, the completion of the Acquisition was taken place on 30 May 2008.

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

THE CONSIDERATION SHARES

The 22,967,646 new Shares had been issued at the Issue Price of HK\$0.68 per Consideration Share, credited as fully paid. The Consideration Shares allotted and issued rank pari passu in all respects with the Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

LETTER FROM THE BOARD

The Issue Price represents:

- (i) a premium of approximately 58.14% over the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on 13 May 2008, being the Last Trading Day;
- (ii) a premium of approximately 58.51% over the average of the closing prices of HK\$0.429 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 57.04% over the average of the closing prices of HK\$0.433 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 60.00% over the closing price of HK\$0.425 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (v) approximately 9.38 times of the net assets value per Share of approximately HK\$0.0725 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,282,345,278 as at the date of the announcement in relation to the Acquisition.

Based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day, the Consideration Shares has a total market value of approximately HK\$9,876,088.

The Consideration Shares represent approximately 1.76% of the existing issued share capital of the Company as at the Latest Practicable Date.

The Issue Price was arrived at by Magic Way and the Company after taking into consideration (i) the one year historical trading price performance of the Company ranging from HK\$0.36 to HK\$0.68 per Share; (ii) the subscription price of HK\$0.543 per Share of the Warrants; (iii) the commercial synergies to be accrued with the future cooperation between iPeer Multimedia and the Company; and (iv) the Issue Price represents a premium of approximately 423% over the net assets value per Share of HK\$0.13, (based on the total number of issued shares of the Company of 1,282,345,278 before Closing and the unaudited net assets of the Company as at 30 September 2007 of approximately HK\$161,682,000), the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable.

Mandate to issue Consideration Shares

The Consideration Shares had been allotted and issued pursuant to the general mandate granted to the Directors at the special general meeting of the Company held on 19 December 2007.

LETTER FROM THE BOARD

The general mandate authorises the Company to allot and issue Shares from time to time not exceeding 20% of the issued share capital of the Company as at the date of the special general meeting on 19 December 2007. As at the Latest Practicable Date, the general mandate which entitled the Company to allot and issue 223,793,500 Shares has been utilised as to 22,967,646 Shares which has been issued as Consideration Shares and represents approximately 2.05% of the issued share capital of the Company as at the date of the special general meeting on 19 December 2007.

To the best of the Directors' information, knowledge and belief having made all reasonable enquiries, the issue of Consideration Shares has not resulted in any change of control of the Company.

Application for listing

The GEM Listing Committee of the Stock Exchange had already granted approval for the listing of, and permission to deal in, the Consideration Shares and the Closing was taken place on 30 May 2008.

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,305,312,924 Shares in issue, 78,800,000 outstanding share options of the Company, 5,818,182 convertible bonds of the Company and 223,000,000 Warrants.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, and assuming no conversion and exercise of the above share options of the Company, convertible bonds of the Company and Warrants, set out below are the shareholding structures of the Company (i) before Closing; and (ii) as at the Latest Practicable Date and after Closing:

Shareholders	Before the allotment and issue of the Consideration Shares		As at the Latest Practicable Date and immediately after the allotment and issue of the Consideration Shares	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Starryland Profits Limited and its associates (<i>Note</i>)	303,135,000	23.64%	303,135,000	23.22%
Directors				
Hsu Tung Chi	80,561,667	6.28%	80,561,667	6.17%
Ho Hoi Lap	2,120,000	0.16%	2,120,000	0.16%
Hsu Tung Sheng	2,000,000	0.16%	2,000,000	0.16%
<i>subtotal</i>	<u>84,681,667</u>	<u>6.60%</u>	<u>84,681,667</u>	<u>6.49%</u>
Magic Way	-	-	22,967,646	1.76%
Public Shareholders	<u>894,528,611</u>	<u>69.76%</u>	<u>894,528,611</u>	<u>68.53%</u>
Total	<u><u>1,282,345,278</u></u>	<u><u>100%</u></u>	<u><u>1,305,312,924</u></u>	<u><u>100%</u></u>

LETTER FROM THE BOARD

Note: Starryland Profits Limited, a company wholly and beneficially owned by Mr. Lau Kim Hung, Jack is interested in 292,795,000 Shares. Mr. Lau Kim Hung, Jack is deemed to be interested in 303,135,000 Shares by virtue of his controlled corporation, personal interest and deemed interest held by his wife, Ms. Chan Yiu Kan, Katie.

REASONS FOR AND THE ESTIMATED BENEFITS FROM THE ACQUISITION

Business of iPeer Multimedia and its future development

Magic Way is a company incorporated in the BVI, for investment holding purpose. Its entire issued share capital is owned by Mr. Michael Henry Horne, the Guarantor. Before the completion of Acquisition, Magic Way was interested in 4,830,000 iPeer Shares, representing 4.26% of the issued iPeer Shares. Subsequent to Closing, Magic Way would be interested in 2,830,000 iPeer Shares, representing 2.50% of the issued iPeer Shares (assuming that none of the iPeer Series A Preferred Shares is exercised by its holders).

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

The 1,500,000 iPeer Series A Preferred Shares allotted and issued to Beaming Investments which if converted into iPeer Shares, represents approximately 1.31% of 114,810,376 iPeer Shares as enlarged by such conversion (assuming no conversion of the remaining 1,500,000 iPeer Series A Preferred Shares allotted and issued to Keen Sky Holdings Limited). Upon Closing, (i) assuming conversion of the 1,500,000 iPeer Series A Preferred Shares by Beaming Investments into iPeer Shares but no conversion of the remaining 1,500,000 iPeer Series A Preferred Shares allotted and issued to Keen Sky Holdings Limited, the Group will be interested in 3.05% of 114,810,376 iPeer Shares as enlarged by such conversion; and (ii) assuming full conversion of the 1,500,000 iPeer Series A Preferred Shares by Beaming Investments and the 1,500,000 iPeer Series A Preferred Shares allotted and issued to Keen Sky Holdings Limited, the Company will be interested in 3.01% of 116,310,376 iPeer Shares as enlarged by such conversion. The Group is eligible and has appointed one board representative to the board of directors of iPeer Multimedia.

LETTER FROM THE BOARD

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

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

C-Media Electronics Inc., a company listed on Taiwan Stock Exchange Corporation, who is the sole agent distributing the iPeer Group’s products in the PRC, is also a strategic shareholder of iPeer Multimedia, holding approximately 18.95% interest in iPeer Multimedia as at the date of the Subscription Announcement.

Currently, more than 400,000 mobile phones embedded with iPeer Multimedia’s proprietary digital rights protection technology have been distributed in the PRC. It is expected that in the future, new model of portable devices including but not limited to mobile phones, MP3, MP4, digital picture frame, set-top box, portable speakers, desk-top PC and notebooks, etc. with the embedded proprietary digital rights protection technology will be distributed in the PRC to widen the membership base of iPeer Multimedia.

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

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

LETTER FROM THE BOARD

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

Strategic cooperation between iPeer Multimedia and the Company

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

The Board believes that the Subscription together with the Acquisition could provide the Group with a business opportunity to take part in the digital content industry which is of great potential and prospect in the PRC. Since the close of the Subscription on 30 April 2008, the Group has become one of the strategic shareholders of iPeer Multimedia and will further increase its shareholdings upon Closing. As stated in the Subscription Announcement, as a further step to enter into the digital content industry, the Company and iPeer Multimedia intend to co-operate to enhance the service scope of existing business of iPeer Multimedia in the PRC with the Company being engaged in the provision of payment platform to the end users of iPeer Multimedia. The Directors view the Subscription together with the Acquisition as an investment with great potential and will provide an opportunity for the Company to diversify its revenue base through participating in the digital content industry in the PRC.

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

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

LETTER FROM THE BOARD

Financial information of iPeer Multimedia

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

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

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

FINANCIAL EFFECT

The Directors expect that as a result of the Acquisition, the assets of the Group would be increased by approximately HK\$15.6 million and there would not be material impact on the earnings and liabilities position of the Group.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules.

ADDITIONAL INFORMATION

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

Yours sincerely,
For and on behalf of
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL**Authorised and issued share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

<i>Authorized Share Capital</i>		<i>HK\$</i>
2,000,000,000	Shares	100,000,000.00
 <i>Issued and to be issued, fully paid or credited as fully paid</i>		
1,282,345,278	Shares in issue before the Closing	64,117,263.90
22,967,646	Consideration Shares issued pursuant to the Share Exchange Agreement	1,148,382.30
<u>1,305,312,924</u>	Shares as at the Latest Practicable Date	<u>65,265,646.20</u>

3 DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in the Shares and/or underlying Shares

Name of Director	Number of Shares and/or underlying Shares	Type of Interests	Approximate percentage of issued share capital
Hsu Tung Sheng	2,000,000(L)	Beneficial	0.15%
Hsu Tung Chi	135,107,121(L) (Note)	Beneficial	10.35%
Ho Hoi Lap	2,120,000(L)	Beneficial	0.16%

(L) Long position

Note: As at the Latest Practicable Date, Mr. Hsu Tung Chi was interested in 80,561,667 Shares. According to the sale and purchase agreement entered into between Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company, and Mr. Hsu Tung Chi on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu Tung Chi on 21 December 2007, subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. As at the Latest Practicable Date, Mr. Hsu Tung Chi has not converted any convertible bonds.

(ii) Interest in share options

Name of Director	Number of share options outstanding	Approximate percentage of issued share capital
Hsu Tung Sheng	3,200,000 [#]	0.25%
Ho Hoi Lap	11,000,000 [*]	0.84%
Chan Hin Wing, James	3,200,000 [#]	0.25%
Chan Francis Ping Kuen	11,000,000 [*] 1,800,000 [#]	0.84% 0.14%
Hsu Tung Chi	3,200,000 [#]	0.25%

* The exercise price of the share options is HK\$0.52 per Share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.

The exercise price of the share options is HK\$0.465 per Share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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.

(b) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, 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 member of the Group:

Name	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	292,795,000(L)	22.43%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	292,795,000(L)	22.43%
	Beneficial	9,340,000(L)	0.72%
	Deemed	1,000,000(L)	0.08%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	302,135,000(L)	23.15%
	Beneficial	1,000,000(L)	0.08%
Big Well Investments Limited (<i>Note 2</i>)	Beneficial owner	223,000,000(L)	17.08%
Chong Tin Lung (<i>Note 2</i>)	Interests in controlled corporation	223,000,000(L)	17.08%
Lo Yee Man (<i>Note 2</i>)	Deemed	223,000,000(L)	17.08%
Pang Hong Tao (<i>Note 3</i>)	Beneficial	178,590,202(L)	13.68%
Wang Jing (<i>Note 3</i>)	Deemed	178,590,202(L)	13.68%
Hsu Tung Chi (<i>Note 4</i>)	Beneficial	138,307,121(L)	10.60%
Chuang Meng Hua (<i>Note 4</i>)	Deemed	138,307,121(L)	10.60%

(L) Long position

Notes:

- 1 Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Mr. Lau is deemed to be interested in 292,795,000 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 1,000,000 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 292,795,000 Shares held by Starryland Profits Limited and 9,340,000 Shares held by Mr. Lau.

- 2 Big Well Investment Limited (“**Big Well**”) is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 Shares. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those Shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 223,000,000 Shares as well.

- 3 Mr. Pang Hong Tao (“**Mr. Pang**”) is interested in 87,681,111 Shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 87,681,111 Shares and 90,909,091 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

- 4 Mr. Hsu Tung Chi (“**Mr. Hsu**”) is interested in 80,561,667 Shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu Tung Chi on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. Mr. Hsu is also interest in 3,200,000 share options. As at the Latest Practicable Date, Mr. Hsu Tung Chi has not converted any convertible bonds and nor exercise any share options.

Ms. Chuang Meng Hua is deemed to be interested in 80,561,667 Shares, 54,545,454 convertible bonds and 3,200,000 share options of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was 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 member of the Group.

4. 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).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in business which competes with or may compete with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and the principal place of business of the Company in Hong Kong is located at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
3. The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.
4. The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
5. The company secretary and qualified accountant of the Company is Mr. Law Ho Ming ("Mr. Law"). Mr. Law is currently an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

6. The compliance officer of the Company is Mr. Chan Francis Ping Kuen (“Mr. Chan”). Mr. Chan is an associate member of the Institute of Chartered Accountants in Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan holds directorship in five subsidiaries of the Company.
7. The audit committee of the Company comprises the three independent non-executive Directors, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, and Mr. Chan Kai Wing. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

Mr. Kwok Chi Sun, Vincent, aged 45, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five 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 and Shen Nong China (Group) Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on GEM.

Mr. Yeung Kam Yan, aged 55, is a member of the Air & Waste Management Association - Hong Kong Section. He has over eight 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. He also operated his own trading and investment business in the PRC from 1990 to 1998.

Mr. Chan Kai Wing, aged 36, holds a Master’s degree in Electrical Engineering from Cornell University, and a Bachelor’s degree in Electrical Engineering and Computer Sciences (with highest distinction) from the University of Wisconsin-Madison. He is a veteran in the technology industry with more than 14 years of entrepreneurship, management of major corporate activities and professional services experience.

The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

8. The English text of this circular shall prevail over the Chinese text in case of inconsistency.