
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

- (1) PROPOSAL FOR BONUS ISSUE OF SHARES,
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,
(3) PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES,
(4) PROPOSED REFRESHMENT
OF SHARE OPTION SCHEME MANDATE LIMIT,
(5) RE-ELECTION OF DIRECTORS,
AND
(6) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Friday, 1 August 2008 at 11:00 a.m. is set out on pages 25 to 30 of this circular. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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

9 July 2008

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

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

“Acquisition”	acquisition of 24% interest in Media Magic Technology Limited which was completed on 21 December 2007
“Annual General Meeting”	the annual general meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Friday, 1 August 2008, at 11:00 a.m., a notice of which is set out on pages 25 to 30 of this circular
“Annual Result Announcement”	announcement of the Company dated 25 June 2008 in relation to its annual results for the year ended 31 March 2008
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of one bonus Share for every five existing Shares
“Bonus Shares”	the new Shares to be issued under the Bonus Issue
“business days”	any day on which the Stock Exchange is open for the transaction of business
“Bye-laws”	the bye-laws of the Company
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Convertible Bonds”	convertible bonds issued pursuant to the terms of the Acquisition
“Director(s)”	the director(s) of the Company
“Excepted Shareholders”	those Overseas Shareholders, the Board, after making enquiries pursuant to Rule 17.41 of the GEM Listing Rules, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant body or stock exchange in that place not to extend the Bonus Issue to them
“GEM”	the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate proposed to be granted to the Directors at the Annual General Meeting to issue further new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) granting such mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	7 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Notice”	the notice of the Annual General Meeting
“Option(s)”	(a) right(s) granted to subscribe for Shares pursuant to the Share Option Scheme
“Overseas Shareholders”	holders of Shares whose addresses as shown on the Register of Members on the Record date are outside Hong Kong
“Participants”	(i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive directors (including, without limitation, independent non-executive directors) of the Company and/or any of its subsidiaries; and (iii) any consultant, supplier or customer of the Company and/or any of its subsidiaries
“Qualifying Shareholders”	holders of Shares not being Excepted Shareholders who are entitled to the Bonus Issue
“Record Date”	1 August 2008, being the record date for determination of entitlements to the Bonus Issue
“Register of Members”	the principal or branch register of members of the Company maintained in Hong Kong
“Registrar”	Tricor Tengis Limited, Hong Kong branch share registrar and transfer office of the Company at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution(s) granting such mandate
“Repurchase Resolution”	the ordinary resolution to approve the Repurchase Mandate
“Scheme Mandate Limit”	the number of Shares which may be issued upon exercise of all Options of the Company which shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme or of the refreshment of such limit
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 18 October 2001
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Warrant(s)”	unlisted warrant(s) of the Company in registered form, each conferring rights to holder(s) thereof to subscribe for one Share
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

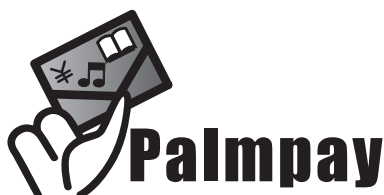
EXPECTED TIMETABLE

The below timetable is for indication purposes only. Any changes to the timetable will be announced as and when appropriate.

2008

Last day of dealings in the Shares on a cum-entitlement basis	Wednesday, 23 July
First day of dealing in the Shares on an ex-entitlement basis	Thursday, 24 July
Latest time for lodging transfers of the Shares for registration in order to qualify for the Bonus Issue	4:00 p.m. on Friday, 25 July
Latest time for lodging the Option exercise form or Warrant exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares in order to be qualified for the Bonus Issue	4:00 p.m. on Friday, 25 July
Closure of Register of Members of the Company	Monday, 28 July to Friday, 1 August, (both days inclusive)
Latest time to return form of proxy for the Annual General Meeting	11:00 a.m. Wednesday, 30 July
Date of Annual General Meeting	11:00 a.m. Friday, 1 August
Record date for determination of entitlements to the Bonus Issue of Shares	Friday, 1 August
Register of Members re-opens	Monday, 4 August
Certificates for the Bonus Shares expected to be despatched.	On or before Tuesday, 12 August
Dealings in Bonus Shares commence	Thursday, 14 August

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 (*Deputy Chairman*)

Mr. Chan Hin Wing, James

Mr. Hsu Tung Sheng (*Chief Executive Officer*)

Mr. Hsu Tung Chi

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

9 July 2008

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSAL FOR BONUS ISSUE OF SHARES,
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,
(3) PROPOSALS FOR GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES,
(4) PROPOSED REFRESHMENT
OF SHARE OPTION SCHEME MANDATE LIMIT,
(5) RE-ELECTION OF DIRECTORS,
AND
(6) NOTICE OF ANNUAL GENERAL MEETING**

A. INTRODUCTION

With reference to the announcement of the Company dated 2 July 2008, the purpose of this circular is to provide you with information relating to resolutions to be proposed at the forthcoming Annual General Meeting to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Friday, 1 August 2008 at 11:00 a.m. including but not limited to (i)

* For identification purpose only

LETTER FROM THE BOARD

ordinary resolution approving the Bonus Issue; (ii) ordinary resolution approving the increase in authorised share capital; (iii) ordinary resolution(s) granting the Directors general mandates for the issue and repurchase of Shares; (iv) ordinary resolution(s) relating to the re-election of the retiring Directors; (v) ordinary resolution(s) relating to the approval of refreshment of the Scheme Mandate Limit.

B. PROPOSAL FOR BONUS ISSUE OF SHARES

Reference is made to the Annual Results Announcement and the announcement of the Company dated 2 July 2008. The Board hereby announces that it has resolved to propose a Bonus Issue to the Shareholders in recognition of the continual support of the Shareholders.

The Bonus Issue is proposed to be made to the Qualifying Shareholders whose names appear on the Register of Members of the Company on the Record Date. The terms of the Bonus Issue are set out below.

Basis of Bonus Issue

Subject to the conditions as set out under the heading “Conditions of Bonus Issue” below, the Bonus Issue is proposed to be made on the basis of one Bonus Share for every five existing Shares held on the Record Date by the Qualifying Shareholders. The Bonus Shares will be issued and credited as fully paid at par. On the basis of 1,305,312,924 existing Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or purchase before the Record Date, 261,062,584 Bonus Shares will be issued under the Bonus Issue, representing approximately 20% of the issued share capital as at the Latest Practicable Date and the Record Date.

Record Date and closure of Register of Members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Excepted Shareholders are further elaborated below under the heading “Overseas Shareholders”.

The Register of Members of the Company will be closed from Monday, 28 July 2008 to Friday, 1 August 2008, both days inclusive, in order to determine the entitlement of the Shareholders under the Bonus Issue. In order for the holders of the Options to be qualified for the Bonus Issue, they must lodge the Option exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue. In order for the holders of the Warrants to be qualified for the Bonus Issue, they must lodge the Warrant exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue.

Shareholders are reminded that in order to qualify for the Bonus Issue, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 25 July 2008.

LETTER FROM THE BOARD

On the basis of (i) no further Shares are issued before the Record Date, a total of 261,062,584 Bonus Shares will be issued pursuant to the Bonus Issue; and (ii) as the outstanding Convertible Bonds can only be converted into shares after the fulfillment of the profit guarantee as stated in the announcement of the Company dated 12 November 2007, assuming all the Options and Warrants are exercised before the latest lodging time, a total of 321,422,584 Bonus Shares will be issued pursuant to the Bonus Issue. Accordingly, the Bonus Shares to be issued pursuant to the Bonus Issue will therefore be not more than 321,422,584 Bonus Shares.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. The Company will make an announcement when the number of Bonus Shares is determined.

Reasons for the proposed Bonus Issue

In recognition of the continual support of the Shareholders, the Board decided to propose the Bonus Issue. In addition to that, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Company's shareholder and capital base.

Overseas Shareholders

As at the Latest Practicable Date, the addresses of all Shareholders as shown in the Register of Members are in Hong Kong. However, if at the close of business on the Record Date, the Register of Members reveals there are Shareholders whose addresses are in place outside Hong Kong, enquiry will be made by the Board pursuant Rule 17.41 of the GEM Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the Overseas Shareholders is necessary or expedient, the Bonus Shares will not be granted to the Excepted Shareholders. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Excepted Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Excepted Shareholders, if any, pro rata to their respective shareholdings and remittances therefore will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100.00, in which case it will be retained for the benefit of the Company.

Status of Bonus Shares

The Bonus Shares, upon issued, will rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

LETTER FROM THE BOARD

Conditions of Bonus Issue

The Bonus Issue is conditional upon:

- (i) the approval of the Bonus Issue by the Shareholders at the Annual General Meeting of the Company to be held;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares; and
- (iii) the completion of the increase in authorised share capital of the Company.

The Directors confirm that none of the Shareholders will be required to abstain from voting at the Annual General Meeting.

Application will be made to the GEM Listing Committee of the Stock Exchange in respect of such listings of, and permission to deal in, the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares.

Adjustments to Convertible Bonds, Options and Warrants

Share Options

Pursuant to the Share Option Scheme and in accordance with the provision of Rule 23.03 of the GEM Listing Rule and the supplemental guidance set out by the Stock Exchange dated 5 September 2005 (the “**Supplemental Guidance**”), adjustments have been made to the exercise prices and the number of outstanding Share Options as follows:

Date of Grant	Before the Bonus Issue		After the Bonus Issue	
	Exercise Price (HK\$)	Number of Share Options	Adjusted exercise price (HK\$)	Adjusted number of Share Options
14 August 2007	0.52	22,000,000	0.4333	26,400,000
17 December 2007	0.453	39,000,000	0.3775	46,800,000
21 December 2007	0.465	17,800,000	0.3875	21,360,000

The auditors of the Company, Vision A. S. Limited, has confirmed in writing that the above adjustments are in accordance with the terms of the Share Option Scheme and are in compliance with the requirements set out in Rule 23.03 of the GEM Listing Rules and the Supplemental Guidance.

LETTER FROM THE BOARD

Save and except the aforesaid adjustments, there is no alteration to the rights of the holders of the Share Options.

Warrants

The Company had 223,000,000 outstanding Warrants conferring rights to subscribe for 223,000,000 new Shares at the subscription price of HK\$0.543 per Share. The auditors of the Company, Vision A. S. Limited, has confirmed in writing that the subscription price of the Warrants has been adjusted to HK\$0.453 per Share and the number of Shares falling to be issued upon full exercise of the Warrants has been adjusted from 223,000,000 Shares to 267,304,635 Shares in accordance with the terms of the Warrants and the warrant instrument dated 11 September 2007.

Save and except the aforesaid adjustment, there is no alteration to the rights of the holders of the Warrants.

Convertible Bonds

Taking into account of the Acquisition, the Company will issue a maximum of 145,454,545 Convertible Bonds in an aggregate principal amount of HK\$80,000,000 convertible into 145,454,545 new Shares at the conversion price of HK\$0.55 per Share. The auditors of the Company, Vision A. S. Limited, has confirmed in writing the conversion price of the Convertible Bonds has been adjusted to HK\$0.458 per Share and the number of Shares falling to be issued upon full conversion of the Convertible Bonds has been adjusted from 145,454,545 Shares to 174,672,489 Shares in accordance with the terms and conditions of the Convertible Bonds. However, as at the Latest Practicable Date, only 5,818,182 Convertible Bonds were issued and are subject to above mentioned adjustments. i.e. the conversion price of the 5,818,182 Convertible Bonds has been adjusted to HK\$0.458 per Convertible Bond and the number of shares falling to be issued upon conversion has been adjusted to 6,986,899 Shares.

Save and except the aforesaid adjustment, there is no alteration to the rights of the holders of the Convertible Bonds.

Save for the Convertible Bonds, Options and Warrants, the Company has no outstanding options, warrants or convertible securities to subscribe for any Shares.

Certificates for Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or before 12 August 2008 after all the conditions have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the Register of Members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on Thursday, 14 August 2008.

LETTER FROM THE BOARD

C. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares, of which 1,305,312,924 Shares are in issue and fully paid. Taking into account the Acquisition, of which the Company will issue a maximum of 145,454,545 Convertible Bonds, the outstanding Options and Warrant, the total number of issued Shares may increase to up to 1,752,567,469 Shares after the Bonus Issue. In order to accommodate future expansion and growth of the Group, the Board proposes to increase the existing authorised share capital of the Company to HK\$200,000,000 dividend into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 unissued Shares of HK\$0.05 each. As at the Latest Practicable Date, there are no plans for the Directors to issue Shares out of the additional 2,000,000,000 unissued Shares to be created.

The proposed increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the AGM. No Shareholder is required to abstain from voting on such resolution.

D. PROPOSED GENERAL MANDATES TO ALLOT AND ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 23 August 2007, Shareholders passed resolutions granting the Directors general mandates to allot and issue Shares and repurchase Shares in accordance with the GEM Listing Rules. The general mandate to issue and allot Shares was subsequently refreshed as a result of its utilisation in connection with the issue of 223,000,000 un-listed warrants of the Company in September 2007. Out of the subsequently refreshed general mandate to issue and allot shares, approximately 10.26% was used for the acquisition of 1.76% equity interest of iPeer Multimedia International Ltd by allotment and issuance of 22,967,646 new shares. As at the Latest Practicable Date, approximately 89.74% of the refreshed general mandate remained un-utilised. Unless otherwise renewed, the existing mandates to issue and repurchase Shares will lapse at the conclusion of the forthcoming Annual General Meeting.

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

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

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, total number of the issued Shares were 1,305,312,924 Shares. Assuming there are no Shares being repurchased or issued before the date of the Annual General Meeting, the maximum number of Shares which may be allotted and issued under the General Mandate to be refreshed at the Annual General Meeting will be 261,062,584 Shares and the maximum number of Shares which may be repurchased under the Repurchase Mandate at the Annual General Meeting will be 130,531,292.

E. EXPLANATORY STATEMENT

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

F. DIRECTORS PROPOSED TO BE RE-ELECTED

In accordance with Bye-law 87 and Appendix 15 of the GEM Listing Rules, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing will retire and, being eligible, offer themselves for re-election at Annual General Meeting. Details of the Directors proposed to be re-elected are set out in Appendix II to this circular.

G. PROPOSED REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT

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

- (i) the number of Shares subject to Options that may be granted shall not exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme;
- (ii) the Company may seek Shareholders' approval to refresh the Scheme Mandate Limit. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;

LETTER FROM THE BOARD

- (iii) the Company may seek separate approval from the Shareholders in general meeting to grant Options beyond the Scheme Mandate Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought; and
- (iv) the overall limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other option scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

Under existing Scheme Mandate Limit, the Directors are authorised to grant Options to subscribe for up to 111,896,750 Shares under the Share Option Scheme. Out of the said Scheme Mandate Limit, 56,800,000 Options entitling holders thereof to subscribe for 56,800,000 Shares have been granted, leaving approximately 49.24% un-utilised. As at the Latest Practicable Date, there were 78,800,000 Options of the Company granted.

The Directors consider that the refreshment of the Scheme Mandate Limit will allow the Company to have more flexibility to provide incentives to Participants by way of granting Options to them. If the refreshment of the existing Scheme Mandate Limit was approved at the Annual General Meeting, based on 1,305,312,924 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and/or repurchased after the Latest Practicable Date and up to the date of the Annual General Meeting, the existing Scheme Mandate Limit will be refreshed allowing the Directors to grant Options up to a total of 13,053,292 Shares, representing 10% of the issued share capital of the Company as at the date of the Annual General Meeting.

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

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

H. ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting of the Company to be held at Unit 1601, 16/F., Ruttonjee Centre, Ruttonjee House, 11 Duddell Street, Central, Hong Kong on Friday, 1 August 2008 at 11:00 a.m. is set out on pages 25 to 30 of this circular.

LETTER FROM THE BOARD

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

I. PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of the meeting;
- (ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting;
- (iii) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting;
- (iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; and
- (v) if required by the rules of the Designated Stock Exchange (as defined in the Bye-laws), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

J. SHAREHOLDERS ABSTAIN FROM VOTING

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

LETTER FROM THE BOARD

K. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) 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.

L. RECOMMENDATION

The Directors believe that all resolutions as set out in the Notice are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders to vote in favour of relevant resolutions to be proposed at the Annual General Meeting.

M. FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

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

The Repurchase Mandate

The Repurchase Resolution to be proposed at the Annual General Meeting relates to the grant of a general and unconditional mandate to the Directors to repurchase Shares on GEM of up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the Repurchase Resolution.

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

Reasons for Share Repurchase

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

Share Capital

As at the Latest Practicable Date, the Company has in issue an aggregate of 1,305,312,924 Shares which are fully paid.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that there are no Shares being issued and/or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase Shares of up to a maximum of 130,531,292 Shares equivalent to 10% of the issued share capital of the Company. The Shares repurchased by the Company shall, subject to applicable laws, be automatically cancelled upon such repurchase.

Funding of Repurchases

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

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

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts for the year ended 31 March 2008) in the event that the proposed repurchases pursuant to the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing.

Share Prices

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

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2007		
July	0.630	0.455
August	0.680	0.400
September	0.510	0.445
October	0.495	0.420
November	0.560	0.420
December	0.520	0.425
2008		
January	0.495	0.400
February	0.520	0.415
March	0.470	0.360
April	0.480	0.420
May	0.495	0.405
June	0.440	0.390
July (up to and including the Latest Practicable Date)	0.420	0.380

Shares Repurchases made by the Company

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

Directors' Undertaking

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

Effect of the Takeovers Code

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

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

Name	Nature of interests	Number of the Shares held	Approximate percentage of shareholding	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	292,795,000(L)	22.43%	24.92%
Lau Kim Hung, Jack ("Mr. Lau") (<i>Note 1</i>)	Interest in controlled corporation	292,795,000(L)	22.43%	24.92%
	Beneficial	9,340,000(L)	0.72%	0.80%
	Deemed	1,000,000(L)	0.08%	0.09%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	302,135,000(L)	23.15%	25.72%
	Beneficial	1,000,000(L)	0.08%	0.09%
Big Well Investments Limited (<i>Note 2</i>)	Beneficial owner	223,000,000(L)	17.08%	18.98%
Chong Tin Lung (<i>Note 2</i>)	Interested in controlled corporation	223,000,000(L)	17.08%	18.98%
Lo Yee Man (<i>Note 2</i>)	Deemed	223,000,000(L)	17.08%	18.98%
Pang Hong Tao (<i>Note 3</i>)	Beneficial	178,590,202(L)	13.68%	15.20%
Wang Jing (<i>Note 3</i>)	Deemed	178,590,202(L)	13.68%	15.20%
Chuang Meng Hua (<i>Note 4</i>)	Deemed	138,307,121(L)	10.60%	11.78%
Hsu Tung Chi (<i>Note 4</i>)	Beneficial	138,307,121(L)	10.60%	11.78%

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 Investments 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.

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

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

Directors' Dealings

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

Connected Persons

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

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

1. Mr. Hsu Tung Sheng

Hsu Tung Sheng, aged 42, was appointed as an executive director and chief executive officer on 2 October 2007. Mr. Hsu Tung Sheng holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)) Mr. Hsu Tung Sheng has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu Tung Sheng is currently working as a consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu Tung Sheng has built up a good relationship with enterprises in Japan. Mr. Hsu Tung Sheng is currently a consultant and the president of two companies in the PRC, both of which are principally engaged in the information technology industry. Mr. Hsu Tung Sheng is responsible for marketing, management function and business operation Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Mr. Hsu Tung Sheng is also a director of six subsidiaries of the Company, namely, Media Magic Technology Limited, Multi Channel Technology Limited, PalmPay Technology Co. Ltd., Beaming Investments Limited, Great Plan Group Limited and Victory Tech Limited. Save as disclosed, Mr. Hsu Tung Sheng does not hold any other positions in the Company or any of its subsidiaries. Mr. Hsu Tung Sheng did not hold any directorship in any other listed public companies in the last three years before his appointment as an executive Director.

Save for being (i) the elder brother of Mr. Hsu Tung Chi, who is directors of the Company and five subsidiaries of the Company, namely Media Magic Technology Limited, Multi Channel Technology Limited, PalmPay Technology Co. Ltd., Beijing HuLianHuiZhong Technology Company Limited and Beaming Investments Limited; and (ii) the younger brother of Ms. Hsu Ying Mei who is currently the senior management of PalmPay Technology Co. Ltd., Mr. Hsu Tung Sheng does not have any relationship with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (with the meaning of GEM Listing Rule)

Interests in Shares

As at the Latest Practicable Date, Mr. Hsu Tung Sheng is interested in 2,000,000 shares and was granted options to subscribe from 3,200,000 shares at a subscription price of HK0.465 per share. Save as disclosed, Mr. Hsu Tung Sheng does not have any interests in Shares and underlying Shares within the meaning of Part XV of SFO.

Remuneration

Mr. Hsu Tung Sheng has entered into a letter of appointment with the Company for a term of one year from 2 October 2007, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. His emolument in connection with

his position as an executive director and chief executive officer is HK\$10,000 per month with reference to market terms, qualifications and working experience, plus a discretionary year-end bonus to be determined by the Board from time to time.

2. Mr. Hsu Tung Chi

Hsu Tung Chi, aged 39, was appointed as an executive director on 12 March 2008. Mr. Hsu Tung Chi holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu Tung Chi has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu Tung Chi is responsible for the management function and business operation of Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Mr. Hsu Tung Chi is also a director of five subsidiaries of the Company, namely, Media Magic Technology Limited, Multi Channel Technology Limited, PalmPay Technology Co. Ltd., Beijing HuLianHuiZhong Technology Company Limited and Beaming Investments Limited. Saved as disclosed, Mr. Hsu Tung Chi does not hold any other positions in the Company or any of its subsidiaries. Mr. Hsu Tung Chi did not hold any directorship in any other listed public companies in the last three years before his appointment as an executive Director.

Save for being (i) the younger brother of Mr. Hsu Tung Sheng, who is currently directors of the Company and six subsidiaries of the Company, namely Media Magic Technology Limited, Multi Channel Technology Limited, PalmPay Technology Co. Ltd., Beaming Investments Limited, Great Plan Group Limited and Victory Tech Limited; and (ii) the younger brother of Ms. Hsu Ying Mei who is currently the senior management of PalmPay Technology Co. Ltd., Mr. Hsu Tung Chi does not have any relationship with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (with the meaning of GEM Listing Rule)

Interests in Shares

As at the Latest Practicable Date, Mr. Hsu Tung Chi is interested in 80,561,667 shares. According to the sale and purchase agreement entered into between Upper Power Limited and Mr. Hsu Tung Chi, 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 Tung Chi. Mr. Hsu Tung Chi was granted options to subscribe from 3,200,000 shares at a subscription price of HK0.465 per share. Saved as disclosed, Mr. Hsu Tung Chi does not have any interests in Shares and underlying Shares within the meaning of Part XV of SFO.

Remuneration

Mr. Hsu Tung Chi has entered into a letter of appointment with the Company for a term of one year from 12 March 2008, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. His emolument in connection with his position as an executive director is HK\$10,000 per month with reference to market terms, qualifications and working experience, plus a discretionary year-end bonus to be determined by the Board from time to time.

3. Mr. Kwok Chi Sun, Vincent

Mr. Kwok Chi Sun, Vincent (“**Mr. Kwok**”), aged 45, was appointed as an independent non-executive Director on 16 August 2005. Mr. Kwok is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five 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 companies are listed on main board of the Stock Exchange while the last company is listed on GEM. Save as disclosed above, Mr. Kwok did not hold any directorship in any other listed public companies in the last three years before his appointment as an independent non-executive Director.

Save for being an independent non-executive Director, Mr. Kwok does not have any relationships with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning of GEM Listing Rules).

Interests in Shares

As at the Latest Practicable Date, Mr. Kwok does not have any interests in the Shares and underlying Shares within the meaning of Part XV of SFO.

Remuneration

Mr. Kwok has entered into a letter of appointment with the Company for a term of one year from 16 August 2005, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. Mr. Kwok is entitled to HK\$60,000 annual directors' fee, which was determined with reference to Mr. Kwok's qualification and the then market conditions.

4. Mr. Yeung Kam Yan

Mr. Yeung Kam Yan (“**Mr. Yeung**”), aged 55, was appointed as an independent non-executive Director on 16 August 2005. Mr. Yeung is also a member of the Air & Waste Management Association – Hong Kong Section. Mr. Yeung 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. Mr. Yeung also operated his own trading and investment business in the People's Republic of China from 1990 to

1998. Mr. Yeung was also previously an executive director of Hua Xia Healthcare Holding Limited, a company listed on GEM. Save as disclosed above, Mr. Yeung did not hold any directorship in any other listed public companies in the last three years before his appointment as an independent non-executive Director.

Save for being an independent non-executive Director, Mr. Yeung does not have any relationships with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning of GEM Listing Rules).

Interests in Shares

As at the Latest Practicable Date, Mr. Yeung does not have any interests in the securities of the Company within the meaning of Part XV of SFO.

Remuneration

Mr. Yeung has entered into a letter of appointment with the Company for a term of one year from 16 August 2005, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. Mr. Yeung is entitled to HK\$60,000 annual directors' fee, which was determined with reference to Mr. Yeung's qualification and the then market conditions.

5. Mr. Chan Kai Wing

Mr. Chan Kai Wing ("Mr. Chan"), aged 36, was appointed as an independent non-executive Director on 1 May 2008. Mr. Chan 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. Mr. Chan is a veteran in the technology industry with more than 14 years of entrepreneurship, management of major corporate activities and professional services experience.

Mr. Chan did not hold any directorship in any other listed public companies in the last three years before his appointment as an independent non-executive Director. Save for being an independent non-executive Director, Mr. Chan does not have any relationships with any Directors, senior management, management Shareholders, substantial Shareholders or controlling Shareholders of the Company (within the meaning of GEM Listing Rules).

Interests in Shares

As at the Latest Practicable Date, Mr. Chan does not have any interests in the securities of the Company within the meaning of Part XV of SFO.

Remuneration

Mr. Chan has entered into a letter of appointment with the Company for a term of one year from 1 May 2008, which will continue thereafter until terminated by either party giving not less than one month's notice in writing. Mr. Chan is entitled to HK\$60,000 annual directors' fee, which was determined with reference to Mr. Chan's qualification and the then market conditions.

There is no information relating to Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed herein, there are no other matters relating to Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing that need to be brought to the attention of the Shareholders and the Stock Exchange.

NOTICE OF ANNUAL GENERAL MEETING



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Palmpay China (Holdings) Limited (“the **Company**”) will be held at Unit 1601, 16/F Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Friday, 1 August 2008 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors (the “**Directors**”) and auditors of the Company and its subsidiaries for the year ended 31 March 2008;
2. (i) To re-elect the retiring Directors namely:
 - (a) Mr. Hsu Ting Sheng
 - (b) Mr. Hsu Tung Chi
 - (c) Mr. Kwok Chi Sun, Vincent;
 - (d) Mr. Yeung Kam Yan; and
 - (e) Mr. Chan Kai Wing.
- (ii) To authorise the board of Directors (the “**Board**”) to fix their remuneration;
3. To re-appoint Vision A. S. Limited as the auditors of Company and authorise the Board to fix their remuneration;

and, as special business, to consider and, if thought fit, to pass with or without amendments, the following proposed resolutions numbered 4 to 9 as ordinary resolutions of the Company:

Ordinary Resolutions

4. “**THAT** the authorized share capital of the Company be and is hereby increased from HK\$100,000,000 to HK\$200,000,000 by creation of 2,000,000,000 new Shares of HK\$0.05 each and that, upon issue, such new Shares shall rank pari passu in all respects with the exiting Shares.”

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

5. **“THAT** conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares (as defined in paragraph (a) of this resolution):
- (a) upon the recommendation of the Directors, an amount of not less than HK\$16,071,129 standing to the credit of the share premium account of the Company be capitalized and the Directors be and are hereby authorized to apply a maximum amount in paying up in full at par 321,422,584 new Shares of HK\$0.05 each in the capital of the Company (**“Bonus Shares”**) to be allotted, issued and distributed, credited as fully paid, to the members of the Company whose names appear on the principal or branch register of members of the Company in Hong Kong (the **“Register of Members”**) as at the close of business at 4:00 p.m. on 1 August 2008 (the **“Record Date”**), other than those members whose addresses as shown on the Register of Members at the close of business on the Record Date are in places outside Hong Kong and in respect of whom the Directors consider the exclusion from the Bonus Issue (as defined below) to be necessary or expedient in accordance with the Rules (the **“GEM Listing Rules”**) Governing the Listing of Securities on the Growth Enterprise Market (**“GEM”**) of The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) and the bye-laws of the Company (the **“Bye-laws”**), and the Directors be authorised to settle, as they consider appropriate, any difficulty arising therefore, on the basis of one Bonus Share for every 5 existing Shares of HK\$0.05 each in the capital of the Company then held by them respectively (**“Bonus Issue”**);
 - (b) the Bonus Shares to be issued pursuant to this resolution shall, subject to the memorandum of association of the Company and Bye-laws, rank *pari passu* in all respects with the existing issued Shares of HK\$0.05 each in the capital of the Company, except that they will not be eligible for the Bonus Issue of Shares mentioned in this resolution and the final dividend for the year ended 31 March 2008, if any; and
 - (c) the Directors be and are hereby authorized to do all acts and things as may be necessary and expedient in connection with the issue of the Bonus Shares.”
6. **“THAT**
- (i) subject to paragraph (iii) of this resolution, pursuant to the GEM Listing Rules the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares (**“Shares”**) in the capital of the Company and to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into Shares) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (ii) the approval in paragraph (i) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

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

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

- (iv) for the purpose of this resolution:

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

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

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to overseas Shareholders or

NOTICE OF ANNUAL GENERAL MEETING

fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

7. **“THAT**

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

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

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

8. **“THAT** conditional upon ordinary resolutions numbered 6 and 7 above being passed, the aggregate nominal amount of Shares which are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution numbered 7 above shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to ordinary resolution numbered 6 above.”

NOTICE OF ANNUAL GENERAL MEETING

9. **“THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the refreshed scheme mandate limit (the **“Scheme Mandate Limit”**) pursuant to this resolution under the share option scheme of the Company adopted on 18 October 2001 (the **“Share Option Scheme”**) and any other scheme(s) of the Company, representing 10 per cent. of the issued share capital of the Company as at the date on which this resolution is passed:
- (i) approval be and is hereby granted for refreshing the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date on which this resolution is passed; and
 - (ii) the Directors be and are hereby authorised, at their absolute discretion, (i) to grant options to subscribe for Shares within the refreshed Scheme Mandate Limit in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme within the refreshed Scheme Mandate Limit.”

By order of the Board
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

Hong Kong, 9 July 2008

NOTICE OF ANNUAL GENERAL MEETING

Head office and principal

place of business in Hong Kong:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

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