
IMPORTANT

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**(1) PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES;
(2) PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

The notice convening the special general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 29 December 2011 at 10:30 a.m. is set out on pages 18 to 21 of this circular.

A letter from the board of directors of Palmpay China (Holdings) Limited set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee (as defined herein) and a letter from Nuada containing their recommendations and advices are set out on page 9 and pages 10 to 17 of this circular, respectively.

A form of proxy for the special general meeting of the Company is enclosed with this circular. Whether or not you intend to attend and vote at the special general meeting of the Company, you are requested to complete the enclosed form of proxy and return it in accordance with the instructions printed thereon to the Company's branch share registrar 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. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting of the Company 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 on the website of the company at <http://www.palmpaychina.com>.

7 December 2011

* For identification purposes only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of potential risks of investing in such companies and should make a 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:

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of annual general meeting of the Company held on 24 August 2011
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof
“Independent Shareholders”	shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as define under the GEM Listing Rules)

DEFINITIONS

“Latest Practicable Date”	5 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Notice”	the notice convening the SGM
“Option(s)”	option(s) granted or to be granted under the Share Option Scheme
“Proposed Refreshment”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme at the SGM
“Refreshed General Mandate”	the general mandate which, if approved, would authorise the Directors to exercise the power of the Company to issue and otherwise deal with additional securities up to 20% of the Company’s issued share capital as at the date of the SGM
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Shares in issue as at the date on which dealings in the Shares first commence on the Stock Exchange which may be refreshed pursuant to the rules of the Share Option Scheme. If the Scheme Mandate Limit is refreshed, the total number of Shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant ordinary resolution
“SGM”	the special general meeting of the Company to be convened and held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 29 December 2011 at 10:30 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Refreshment of General Mandate
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to the ordinary resolution passed by the Shareholders on 24 August 2011
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

Executive Directors:

Mr. Yuan Shengjun (*Chairman and Chief Executive Officer*)

Mr. Chan Francis Ping Kuen (*Deputy chairman*)

Mr. Chan Hin Wing, James

Independent non-executive Director:

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place

of business in Hong Kong:

Unit 1601, Ruttonjee Hosue

Ruttonjee Centre

11 Duddell Street

Central, Hong Kong

7 December 2011

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES;
(2) PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) information regarding resolutions to be proposed at the SGM, which, upon approval, would enable the Company to grant the Refreshed General Mandate; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Nuada on the Refreshed General Mandate; and (iv) a notice of the SGM.

The Independent Board Committee, comprising Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, has been constituted to advise the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof.

* *For identification purposes only*

LETTER FROM THE BOARD

PROPOSED REFRESHMENT OF THE GENERAL MANDATE

On 24 August 2011, the General Mandate was given to the Directors to exercise the powers of the Company to issue up to 125,529,565 Shares, representing 20% of the issued share capital of the Company as at the date thereof. Such general mandate has not been refreshed since it was granted and, after completion of the acquisition of 51% equity interests of Viva Champion Limited on 16 November 2011 (details of the acquisition were set out in the announcement of the Company dated 4 October 2011), 125,500,000 Shares out of the General Mandate (approximately 99.98%) has been substantially utilised. As at the Latest Practicable Date, the balance of the General Mandate comprised 29,566 Shares. Under these circumstances and in order to provide the Company with general working capital and/or flexibility to further fund the business development when opportunities are identified. At the SGM, ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Refreshed General Mandate to issue Shares not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant resolution; and
- (ii) the Refreshed General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the annual general meeting of the Company held on 24 August 2011.

If approved by the Independent Shareholders at the SGM, such Refreshed General Mandate will authorise the Directors to allot and issue securities up to 20% of the Shares that in issue on the date of the SGM, plus the number of Shares repurchased by the Company pursuant to the repurchase mandate granted at the last annual general meeting of the Company on 24 August 2011.

As at the Latest Practicable Date, the Company has no concrete plan to utilize the Refreshed General Mandate.

Directors consider that, although there is no immediate needs for further funding as at the Latest Practicable Date, the grant of the Refreshed General Mandate and any extension thereof are essential for the Group to respond to the market promptly in the event that the Group identifies suitable investment opportunities which may need further funding or attractive terms for investment in the Shares are to be offered by potential investors. In view of the fact that the General Mandate has almost been utilized and will not be refreshed until the next annual general meeting of the Company, the Refreshed General Mandate and any extension thereof provide the Company a more simple and less lead time process to respond to the market and capture fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

As at the Latest Practicable Date, there were 1,380,795,656 Shares in issue. If the Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, up to 276,159,131 new Shares, representing 20% of the existing 1,380,795,656 issued Shares as of the Latest Practicable Date could be allotted and issued by the Company thereunder. Any issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

LETTER FROM THE BOARD

The Refreshed General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next general meeting of the Company is required to be held by the law of Bermuda or the Bye-Laws; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Company adopted a Share Option Scheme which effective from 18 October 2011 pursuant to the ordinary resolution passed by the Shareholders on 24 August 2011. Under the Share Option Scheme, the original number of Shares which may be issued upon the exercise of all Options was 62,764,782 Shares, representing 10% of the issued share capital as at the date of adoption of the Share Option Scheme and the maximum number of Shares that might be issued upon the exercise of all Options under the Share Option Scheme or other schemes. Subject to prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to grant Options over Shares as shall represent 10% of the issued share capital of the Company as at the date of passing the relevant resolution.

As at the Latest Practicable Date, the Company has a total of 1,380,795,656 Shares in issue and the maximum number of Shares which may be issued upon the exercise of all the Options to be granted under the Scheme Mandate Limit as refreshed will be 138,079,565 Shares (assuming no further issue or purchase of Shares prior to the SGM), representing 10% of the issued share capital of the Company as at the date of approval of the proposed Refreshment by the Shareholders at the SGM.

As at the Latest Practicable Date, no Options have been granted under the current scheme mandate limit.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. The Board undertakes that no Options shall be granted under the Share Option Scheme or any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit to permit the granting of further Options so as to provide incentives to, and recognise the contributions of, the eligible participants. The Board therefore decided to seek the approval of the Shareholders at the SGM to refresh the Scheme Mandate Limit.

LETTER FROM THE BOARD

Conditions of the Proposed Refreshment

The proposed Refreshment is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the proposed Refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their Associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the SGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and their respective associates (to the extent they hold any Share at the time of the SGM) would be required to abstain from voting in favour at the SGM in respect of the grant of the Refreshed General Mandate and any extension thereof. Mr. Yuan Shengjun, an executive Director who is interested in 14,804,800 Shares (representing approximately 1.07% of the total issued share capital of the Company) as at the Latest Practicable Date and his respective associates will abstain from voting in favour of the resolutions to be proposed at the SGM in relation to approval of the Refreshed General Mandate and any extension thereof. Save for Mr. Yuan Shengjun, no other Directors and their respective associates have shareholding interest in the Company as at the Latest Practicable Date. Any vote of the Independent Shareholders at the SGM will be taken by poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates had indicated that they had no intention to vote against the resolution(s) to grant the Refreshed General Mandate and any extension thereof at the SGM.

An announcement will be made by the Company following the conclusion of the SGM to inform the Shareholders of the voting results.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Date of announcement	Capital raising activities	Net proceeds raised (approximately)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
12 July 2011	Open offer of 627,647,828 offer shares at HK\$0.05 per offer share (on the basis of one offer share for every Share)	HK\$28.87 million	Approximately HK\$25 million will be set aside as budget for financing future investments in the telecommunication related enhancement maintenance, security and value-added peripheral business and the balance of approximately HK\$3.87 million will be applied towards general working capital	Not yet been utilized

Save as disclosed above, the Company has not conducted in any other equity fund raising activities in the twelve months immediately preceding the latest Practicable Date.

RECOMMENDATIONS

The Directors consider that the grant of the Refreshed General Mandate and any extension thereof and the Proposed Refreshment are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

The Independent Board Committee, having taken into account the advice of Nuada, considers that the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM for approving the grant of the Refreshed General Mandate and any extension thereof.

Your attention is drawn to the recommendation of the Independent Board Committee (as set out on page 9 of this circular) and advice of Nuada (as set out on pages 10 to 17 of this circular) regarding the grant of the Refreshed General Mandate and any extension thereof.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

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

SPECIAL GENERAL MEETING

The Notice convening the SGM is set out on pages 18 to 21 of this circular. At the SGM, ordinary resolutions will be proposed to approve the proposed grant of the Refreshed General Mandate and any extension thereof.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to present at the SGM, you are requested to complete the form of proxy and return it 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 in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the SGM. The completion of a form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

7 December 2011

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We refer to the circular of the Company dated 7 December 2011 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise required.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the grant of the Refreshed General Mandate and any extension thereof and to make recommendations to the Independent Shareholders.

We have considered whether the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned. Nuada has been appointed as the Independent Financial Adviser to advise us in respect of the above matters.

We wish to draw your attention to the letter from the Board and the letter from Nuada as set out in the Circular.

Having considered the terms of the grant of Refreshed General Mandate and any extension thereof and the independent advice of Nuada as set out on pages 3 to 8 and pages 10 to 17 of the Circular, we consider that the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Refreshed General Mandate and any extension thereof are in the interests of the Company and the Shareholders as a whole. On this basis, we recommend that the Independent Shareholders to vote in favour of the resolutions be proposed at the SGM to approve the grant of the Refreshed General Mandate and any extension thereof.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Palmpay China (Holdings) Limited

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

Independent non-executive Directors

* *For identification purposes only*

LETTER FROM NUADA

The following is the full text of the letter from Nuada Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandate and any extension thereof, which has been prepared for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

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

7 December 2011

*To the Independent Board Committee
and the Independent Shareholders
of Palmpay China (Holdings) Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to the circular dated 7 December 2011 (the “**Circular**”) issued by the Company to the Shareholders and our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshed General Mandate, details of which are set out in the letter from the board contained in the Circular (the “**Letter**”). Capitalised terms used in this letter, unless the context otherwise requires, shall have the same meanings ascribed to them in the Circular.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the SGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and their respective associates (to the extent they hold any Share at the time of the SGM) would be required to abstain from voting in favour at the SGM in respect of the grant of the Refreshed General Mandate and any extension thereof. Mr. Yuan Shengjun, an executive Director who is interested in 14,804,800 Shares (representing approximately 1.07% of the total issued share capital of the Company) as at the Latest Practicable Date and his respective associates will abstain from voting in favour of the resolutions to be proposed at the SGM in relation to approval of the Refreshed General Mandate and any extension thereof. Save for Mr. Yuan Shengjun, no other Directors and their respective associates have shareholding interest in the Company as at the Latest Practicable Date. Any vote of the Independent Shareholders at the SGM will be taken by poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates had indicated that they had no intention to vote against the resolution(s) to grant the Refreshed General Mandate and any extension thereof at the SGM.

LETTER FROM NUADA

The Independent Board Committee, comprising Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin, being all the independent non-executive Directors, has been established for the purpose of advising the Independent Shareholders in relation to the Refreshed General Mandate and any extension thereof.

BASIS OF OUR OPINION

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Refreshed General Mandate and any extension thereof, we have taken the following principal factors and reasons into consideration:

Background

At the annual general meeting of the Company dated 24 August 2011 (the “AGM”), the Directors were granted the General Mandate to allot and issue up to 125,529,565 Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company then in issue.

As at the Latest Practicable Date, the General Mandate had been utilized as to 125,500,000 Shares in association with the acquisition of 51% equity interests of Viva Champion Limited by the Company on 4 October 2011. Such acquisition was completed and 125,000,000 Shares has been allotted and issued on 16 November 2011. In order to provide the Company with general working capital and/or maintain the financial flexibility necessary for the Company to further fund the business development when opportunities are identified by the Board, the Directors therefore propose to seek the approval of the Independent Shareholders at the SGM for the grant of the Refreshed General Mandate and any extension thereof.

LETTER FROM NUADA

As at the Latest Practicable Date, the Company had an aggregate of 1,380,795,656 Shares in issue. Subject to the passing of the ordinary resolution(s) for the approval of the Refreshed General Mandate and assuming that no new Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the Refreshed General Mandate to allot and issue up to 276,159,131 new Shares. The issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

Reasons for the Refreshed General Mandate

As disclosed in the Letter, the Directors consider that, although there is no immediate needs for further funding and concrete plan to utilize the Refreshed General Mandate as at the Latest Practicable Date, the grant of the Refreshed General Mandate and any extension thereof are essential for the Company to respond to the market promptly in the event that the Board identifies suitable investment opportunities which may need further funding or attractive terms for investment on the Shares are to be offered by potential investors given that the Refreshed General Mandate and any extension thereof provide the Company a more simple and less lead time process to respond to the market and capture fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

Notwithstanding that the Group had no immediate funding need for its current operations and the Board currently has no concrete plan to utilize the Refreshed General Mandate for new investment opportunities and/or potential investors for investment in Shares, the Directors consider that the Refreshed General Mandate would offer the Board higher flexibility to capture investment opportunities which may arise at anytime and require prompt investment decision by the Board, and it would also provide the Company with the maximum flexibility to raise additional capital for any future investment or as working capital of the Group.

Given that the General Mandate has been substantially utilized as to 99.98% of the Shares granted by the Shareholders at the AGM, we are of the opinion that the Refreshed General Mandate, which is an essential to finance any new investment opportunities in a timely manner, is in the interest of the Company and the Shareholders as a whole.

Business development of the Group

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

Reference is made to the interim report 2011-2012 (the “**Interim Report**”) of the Company for the six months ended 30 September 2011, the Group recorded the unaudited turnover of approximately HK\$12,178,000 and the unaudited loss of approximately HK\$2,371,000. The unaudited net asset value of the Group was approximately HK\$152,281,000 as at 30 September 2011.

LETTER FROM NUADA

As mentioned in the Interim Report, all the turnover of the Company for the six months ended 30 September 2011 was attributed from telecommunication optic fiber business which was acquired by the Company in February 2011. Meanwhile, the payment by deduction business had no contribution to the Group for the six months ended 30 September 2011 as the business was adversely affected by the prevailing rules and regulations in the PRC. The Board anticipates that the performance of payment by deduction business may not have any improvements in the coming future. In view of the above, the Board emphasis that the Group will continue to explore investment opportunities among the telecommunication related enhancement maintenance, security and value-added peripheral business to strengthen the business of the Group in medium to long term.

On 4 October 2011, Beaming Investments Limited, a wholly-owned subsidiary of the Company entered into an agreement in respect of the acquisition and subscription of 51% equity interests of Viva Champion Limited (the “**Acquisition**”) and part of the consideration for the Acquisition was satisfied by the allotment and issue of the 125,500,000 Shares under the General Mandate. Such acquisition was completed and 125,000,000 Shares has been allotted and issued on 16 November 2011. Viva Champion Limited and its subsidiaries are principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC.

On 1 November 2011, the Company entered into the non-legally binding memorandum of understanding with Mr. Ng Yui Wah Sonny, a guarantor, and Brilliant Bloom Limited, an independent third party, relating to a possible acquisition of certain equity interest of a company principally engage in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and highenergy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC (the “**Possible Acquisition**”). Details of which has been disclosed in the Company’s announcement dated 1 November 2011 (the “**Announcement**”). As disclosed in the Announcement, we noted that the consideration for the Possible Acquisition may be satisfied by cash, and/or by procuring the Company to issue promissory notes and/or by allotting and issue of new securities of the Company, or a combination of any of the above. However, we are advised by the management of the Company that the terms for the Possible Acquisition are yet to be determined between parties at as the Latest Practicable Date, the Refreshed General Mandate may or may not be used to pay for the Possible Acquisition.

In order to seek for business opportunities and to maximize the value of the Shares, the Board is actively seeking for new investment opportunities, including the Possible Acquisition, which may offer good earnings and growth potential to strengthen the Group’s existing investment portfolio, we agreed that it may require funding or Shares to be allotted and issued when any of the investment opportunities arise prior to the next annual general meeting of the Company.

LETTER FROM NUADA

Other financing alternative

Apart from equity financing, in appropriate circumstances, the Board may also consider other financing methods such as debt financing, bank borrowings or internal cash resources to fund its future investment and/or business development which depends on the financial position, capital structure, the cost of funding of the Group and the market conditions. While sufficient for its present requirements, there is no certainty that such cash resources will be adequate or other financing alternatives will be available for the expansion of the businesses in the future. Debt financing or bank borrowings may be subject to a lengthy due diligence review and negotiation process, which may not facilitate the Directors for the contingent financial needs as compared to equity financing through the Refreshed General Mandate. In addition, debt financing may incur interest burden to the Group.

We consider that equity financing such as issuance of new Shares may be an appropriate means to fund investment and/or acquisition and provide additional working capital for future development and expansion of the Group since in comparison to other fund raising alternatives, the equity financing (i) does not create any interest-paying liabilities to the Group; (ii) does not require lengthy due diligence review and negotiation process with borrowers; and (iii) allows the Company to strengthen the shareholders' base of the Company by issue Shares to potential strategic investors, compared to debt financing or bank borrowings. Moreover, the equity financing via the use of Refreshed General Mandate is less costly and time-consuming than raising funds by way of rights issue or open offer.

Having considered the Refreshed General Mandate would (i) provide flexibility to the Board to fund or to allot and issue new Shares when any of the investment opportunities arise prior to the next annual general meeting of the Company; and (ii) provide an additional financing alternative to the Board in deciding the financing methods other than equity financing via rights issue or open offer, debt financing, bank borrowings or internal cash resources, we are of the view that the grant of the Refreshed General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM NUADA

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities conducted by the Company in the past twelve months immediately before the Latest Practicable Date:

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
12 July 2011	Open offer of 627,647,828 offer shares at HK\$0.05 per offer share (on the basis of one offer share for every Share)	HK\$28.87 million	Approximately HK\$25 million will be set aside as budget for financing future investments in the telecommunication related enhancement maintenance, security and value-added peripheral business and the balance of approximately HK\$3.87 million will be applied towards general working capital	Not yet been utilized

Save for disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

As stated in the above table, we note that the net proceeds from the Open Offer has not been utilized as the Latest Practicable Date. However, having taken into account the Company has been proactive in seeking investment opportunities for enhancing the scope of business of the Group, we consider it is prudent and reasonable for the Board to have financial flexibility for acquisition of potential business and/or investment opportunities as they may arise from time to time in future. We are of the view that the grant of the Refreshed General Mandate could provide the Board with flexible financing option and therefore is fair and reasonable.

LETTER FROM NUADA

POTENTIAL DILUTION TO SHAREHOLDINGS OF THE PUBLIC SHAREHOLDERS

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date, and, for illustrative purpose, the potential dilution effect upon full utilization of the Refreshed General Mandate, assuming no new Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM.

Shareholders	At the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate	
	No. of Shares held	Shareholding % (approximately)	No. of Shares held	Shareholding % (approximately)
Starryland Profits Limited (<i>Note 1</i>)	346,404,682	25.09	346,404,682	20.91
Mr. Lau Kim Hung, Jack (<i>Note 1</i>)	4,483,200	0.33	4,483,200	0.27
Mrs. Chan Yiu Kan Katie (<i>Note 1</i>)	480,000	0.03	480,000	0.03
Other associates (<i>Note 2</i>)	13,848,532	1.00	13,848,532	0.83
Sub-total	365,216,414	26.45	365,216,414	22.04
<i>Director</i>				
Mr. Yuan Shengjun (<i>Note 3</i>)	14,804,800	1.07	14,804,800	0.89
<i>Public</i>				
Existing Shareholders	1,000,774,442	72.48	1,000,774,442	60.40
Subscribers of the Refreshed General Mandate	–	–	276,159,131	16.67
Total	<u>1,380,795,656</u>	<u>100.00</u>	<u>1,656,954,787</u>	<u>100.00</u>

Notes:

1. Starryland Profits Limited (“**Starryland**”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Starryland beneficially owns 346,404,682 Shares. Under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the “**SFO**”), Mr. Lau is deemed to be interested in 346,404,682 Shares. Mr. Lau also beneficially owns 4,483,200 Shares. Ms. Chan Yiu Kan Katie, the wife of Mr. Lau, is deemed to be interested in their respective shareholding in the Company under the SFO.
2. The associate(s) (as defined under the GEM Listing Rules) of Starryland and its concert parties (as defined under the Hong Kong Code on Takeovers and Mergers)
3. Mr. Yuan Shengjun is an executive Director, chairman and chief executive officer of the Company.

LETTER FROM NUADA

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 72.48% as at the Latest Practicable Date to approximately 60.40% upon full utilization of the Refreshed General Mandate, assuming no other Shares are issued and/or repurchased by the Company.

Taking into account the benefits of the Refreshed General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution of shareholding to be fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Refreshed General Mandate is fair and reasonable and in the best interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the Refreshed General Mandate is utilized.

For and on behalf of
Nuada Limited
Bernard Chan
Executive Director

NOTICE OF SPECIAL GENERAL MEETING



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (“SGM”) of Palmpay China (Holdings) Limited (the “Company”) will be held on Thursday, 29 December 2011 at 10:30 a.m. at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, for the purpose of considering and if thought fit, passing with or without amendments, the following resolutions of the Company:–

ORDINARY RESOLUTIONS

1. **“THAT**, to the extent not already exercised, the mandate to issue shares of the Company given to the directors (the “Directors”) of the Company at the annual general meeting (the “AGM”) of the Company held on 24 August 2011 be and is hereby revoked and replaced by the mandate **THAT**:
 - (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) 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 which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorize 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;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the grant or exercise of any option under the Share Option Scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/ or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-Laws of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution; and
- (ii) (if the Directors are so authorized by a separate ordinary resolution of 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% 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 (a) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution:

- (aa) “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, or any other applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.

NOTICE OF SPECIAL GENERAL MEETING

- (bb) “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 on a fixed record date in proportion to their shareholdings (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to 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 applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).
2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM (as defined in resolution no. 1) to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”
3. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of, the listing of and permission to deal in, the Shares to be issued pursuant to the exercise of options granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) under the share option scheme with effective from 18 October 2011 adopted by written resolution of the Company on 24 August 2011 in the manner as set out in paragraph 5(a) below,
- (a) the refreshment of the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date of passing of this resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”

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

Hong Kong, 7 December 2011

NOTICE OF SPECIAL GENERAL MEETING

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a 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 at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.