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

If you have sold or transferred all your shares in **China Neng Xiao Technology (Group) Limited** (the “**Company**”), you should at once hand this circular, together with the enclosed 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.

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CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED
中國能效科技(集團)有限公司*

(formerly known as Palmpay China (Holdings) Limited 中國掌付(集團)有限公司)*
(Incorporated in Bermuda with limited liability)
(Stock code: 8047)

(1) CAPITAL REORGANIZATION;
AND
(2) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



INCU Corporate Finance Limited

A notice convening a special general meeting of the Company (the “**SGM**”) to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, on Wednesday, 21 November 2012 at 10:30 a.m. is set out on pages 11 to 13 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of 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 less than 48 hours before the time fixed for the SGM or any adjournment thereof. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.nengxiao.com.hk). The completion and delivery of a form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person should you so wish.

26 October 2012

* For identification purpose 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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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, unless the context otherwise requires, the following expressions have the following meanings:

“2010 Unlisted Warrants”	an aggregate of 24,636,209 non-listed warrants issued by the Company on 12 April 2010, each entitles the holder thereof to subscribe for one Share at a subscription price of HK\$0.591 (subject to adjustments) at any time during a period of 36 months commencing from the date of issue of the warrants
“2012 Unlisted Warrants”	an aggregate of 270,000,000 non-listed warrants issued by the Company on 26 July 2012, each entitles the holder thereof to subscribe for one Share at a subscription price of HK\$0.085 (subject to adjustments) at any time during a period of 36 months commencing from the date of issue of the warrants
“Announcement”	the announcement of the Company dated 9 October 2012 in relation to the Capital Reorganization
“Authorisation”	the proposed authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time
“Board”	the board of Directors of the Company from time to time
“Capital Reorganization”	the capital reorganization of the Company involving the Reduction of Issued Share Capital, the Share Subdivision and the Share Premium Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	China Neng Xiao Technology (Group) Limited (<i>formerly known as Palmpay China (Holdings) Limited</i>), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the GEM listing committee of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 October 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“New Shares”	shares of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganization becoming effective
“Reduction of Issued Share Capital”	the proposed reduction of issued share capital of the Company through the cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.05 to HK\$0.01
“Registrar”	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
“SGM” or “Special General Meeting”	the special general meeting of the Company to be held to consider and, if thought fit, to approve the Capital Reorganization and the Authorisation
“Share(s)”	the existing ordinary share(s) of HK\$0.05 each in the share capital of the Company prior to completion of the Capital Reorganization
“Shareholder(s)”	holder(s) of the Share(s) or as the context may require, the New Share(s) from time to time
“Share Premium Reduction”	the proposed cancellation of the entire sum standing to the credit of the Company’s share premium account as at the date of the SGM
“Share Subdivision”	the proposed sub-division of each authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) into 5 New Shares of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Unlisted Warrants”	collectively, the 2010 Unlisted Warrants and the 2012 Unlisted Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Capital Reorganization, which is subject to change and any changes will be announced in a separate announcement by the Company as and when appropriate.

Latest time for lodging form of proxy for the purpose of the SGM on or before 10:30 a.m.
on Monday, 19 November 2012

Date of SGM 10:30 a.m. on Wednesday,
21 November 2012

Publication of announcement of results of the SGM Wednesday, 21 November 2012

The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganization, the dates are therefore tentative.

Effective time and date of the Capital Reorganisation 9:00 a.m. on
Thursday, 22 November 2012

Dealings in New Shares commence 9:00 a.m. on
Thursday, 22 November 2012

First day for free exchange of existing share certificates of Shares
for new share certificates of New Shares Thursday, 22 November 2012

Last day for free exchange of existing share certificates of
Shares for new share certificates of New Shares Thursday, 13 December 2012

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the above expected timetable depends on the results of the SGM and are therefore for indicative purpose only. An announcement will be made regarding any changes to the expected timetable as and when appropriate.

LETTER FROM THE BOARD



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED 中國能效科技(集團)有限公司*

(formerly known as 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:

Yuan Shengjun
Chan Francis Ping Kuen
Chan Hin Wing, James

Independent non-executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

26 October 2012

To the Shareholders

Dear Sir or Madam,

(1) CAPITAL REORGANIZATION; AND (2) NOTICE OF SPECIAL GENERAL MEETING

CAPITAL REORGANIZATION

As disclosed in the Announcement, the Board proposed to put forward to the Shareholders the Capital Reorganization, which involves the following:

- (a) Reduction of Issued Share Capital involving the reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.05 to HK\$0.01;

* For identification purpose only

LETTER FROM THE BOARD

- (b) Share Subdivision involving a subdivision of each of the authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) into 5 New Shares of HK0.01 each;
- (c) Share Premium Reduction involving the cancellation of the entire sum standing to the credit of the Company's share premium account as at the date of the SGM; and
- (d) the transfer of the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction to the contributed surplus account of the Company.

Under Bermuda law, the amount standing to the credit of the contributed surplus account is a distributable reserve and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the bye-laws of the Company.

As disclosed in the Announcement, the Board also proposed to put forward to the Shareholders a resolution to approve the Authorisation, i.e. to authorise the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time.

As at 30 September 2010, the amount standing to the credit of the share premium account of the Company amounted to approximately HK\$163.51 million.

Conditions of the Capital Reorganization

The implementation of the Capital Reorganization is conditional upon:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganization;
- (ii) compliance with the relevant procedures and requirements under Bermuda law and the GEM Listing Rules to effect the Capital Reorganization; and
- (iii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganization.

Reasons for Capital Reorganization and impact on the Company and the Shareholders

The main purpose for implementing the Capital Reorganization is to provide the Company with more flexibility in possible future fund raisings. The transfer of the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction to the contributed surplus account of the Company will facilitate the payment of dividends as and when the Directors consider it appropriate in the future. As such, the Board considers that it is in the best interest of the Company and its Shareholders as a whole to implement the Capital Reorganization. As at the Latest Practicable Date, the Company had no present intention for fund raising. However, the Company does not rule out the possibility of future fund raising in the event the capital market condition improved and/or investment opportunity arises which the Board considered financing such investment by fund raising will be appropriate.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the Capital Reorganization will not have a material adverse effect on the financial position of the Group. Other than the expenses to be incurred in relation to the Capital Reorganization, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

The Shareholders, however, should note that there can be no assurance that a dividend will be declared or paid in future even if the Capital Reorganization has become effective.

Application for listing of New Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares and underlying New Shares to be allotted and issued upon the exercising of the Unlisted Warrants arising from the Capital Reorganization and all necessary arrangements will be made for the New Shares to be admitted into CCASS.

As at the Latest Practicable Date, the Company has 24,636,209 outstanding 2010 Unlisted Warrants and 270,000,000 outstanding 2012 Unlisted Warrants. For details of the material terms of the Unlisted Warrants, please refer to the announcements of the Company dated 23 March 2010 and 12 July 2012.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC.

Status of the New Shares

The New Shares will rank *pari passu* in all respects with each other and the Capital Reorganization will not result in any change in the relative rights of the Shareholders.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 4,000,000,000 Shares of HK\$0.05 each, of which 1,725,795,656 Shares of HK\$0.05 each are in issue and are fully paid or credited as fully paid. Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the SGM, there will be 1,725,795,656 New Shares of HK\$0.01 each in issue and are fully paid or credited as fully paid, following the Reduction of Issued Share Capital and the Share Subdivision becoming effective.

Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the SGM, the credit arising from the Capital Reduction will be HK\$69.03 million, which will be credited to the contributed surplus account of the Company.

LETTER FROM THE BOARD

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reorganization becomes effective, the share capital structure of the Company will be as follows:

	Immediately before Capital Reorganization	Immediately after Capital Reorganization
Authorised share capital	HK\$200,000,000.00	HK\$200,000,000.00
Par value	HK\$0.05 per Share	HK\$0.01 per New Share
Number of authorised shares	4,000,000,000 Shares	20,000,000,000 New Shares
Amount of issued share capital	HK\$86,289,782.80	HK\$17,257,956.56
Number of issued shares	1,725,795,656 Shares	1,725,795,656 New Shares
Amount of unissued share capital	HK\$113,710,217.20	HK\$182,742,043.44
Number of unissued shares	2,274,204,344 Shares	18,274,204,344 New Shares

According to the unaudited management accounts of the Company, the amounts of each of the share capital account, share premium account, contributed surplus account and accumulated losses account of the Company were approximately HK\$86.29 million, HK\$163.51 million, HK\$252.57 million and HK\$341.33 million respectively as at 30 June 2012.

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reorganization becomes effective, the amount standing to the credit of each of the share capital account, share premium account, contributed surplus account and accumulated losses account of the Company immediately after the Capital Reorganization will amount to approximately HK\$17.26 million, HK\$nil, HK\$485.11 million and HK\$341.33 million respectively.

EXPECTED EFFECTIVE DATE OF THE CAPITAL REORGANIZATION

Assuming the above conditions of the Capital Reorganization are fulfilled, it is expected that the Capital Reorganization will become effective on the business day immediately following the date of passing the special resolution by the Shareholders at the SGM to approve the Capital Reorganization. The legal advisers to the Company as to Bermuda laws have confirmed that, subject to the conditions of the Capital Reorganization as set out above being satisfied, the proposed cancellation of the entire sum standing to the credit of the Company's share premium account will be in compliance with the laws of Bermuda.

LETTER FROM THE BOARD

EXCHANGE OF SHARE CERTIFICATES

Subject to the Capital Reorganization becoming effective, which is currently expected to be Thursday, 22 November 2012, being the business day immediately following the date of the SGM, Shareholders may during business hours for the period from Thursday, 22 November 2012 to Thursday, 13 December 2012, (both days inclusive), submit their existing share certificates (in green color) for the Shares to the Registrar for exchange for share certificates (in purple color) for the New Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from Thursday, 22 November 2012, existing share certificates (in green color) for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

WARNING

Shareholders and potential investors should be aware of and take note that the Capital Reorganization is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reorganization” above, and therefore may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

SGM

The Capital Reorganization will be conditional upon the passing by the Shareholders of the special resolution at the SGM.

The SGM will be held at 10:30 a.m. on Wednesday, 21 November 2012 at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, the notice of which is set out on pages 11 to 13 of this circular, for the Shareholders to consider and, if thought fit, to approve the resolution in respect of the Capital Reorganization and the Authorisation.

In compliance with the GEM Listing Rules, the resolution will be voted by way of a poll at the SGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder are required to abstain from voting on the resolution to be proposed at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the offices of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the Independent non-executive Directors) are of the opinion that the Capital Reorganization and the Authorisation are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommended you to vote in favour of the resolution to be proposed at the SGM.

COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, controlling Shareholder or substantial Shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this circular misleading.

Yours faithfully
For and on behalf of the Board
China Neng Xiao Technology (Group) Limited
Yuan Shengjun
Chairman

NOTICE OF SGM



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED 中國能效科技(集團)有限公司*

(formerly known as 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 a special general meeting (“**Meeting**”) of China Neng Xiao Technology (Group) Limited (the “**Company**”) will be held at 10:30 a.m., on Wednesday, 21 November 2012 at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT**, conditional upon (i) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in the New Shares (as defined below) arising from the Capital Reorganization (as defined below); and (ii) compliance by the Company with the relevant procedures and requirements under Bermuda law and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) to effect the Capital Reorganization (as defined below), with effect from 9:00 a.m. on the business day (as defined in the Listing Rules) immediately following the date on which this resolution is passed by the shareholders of the Company (the “**Shareholders**”):

- (a) the issued share capital of the Company be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued shares of HK\$0.05 each (the “**Share**”) of the Company so that the nominal value of each issued Share shall be reduced from HK\$0.05 to HK\$0.01 so as to form a new share with nominal value of HK\$0.01 each (“**New Share**”) (the aforesaid capital reduction to be referred to as the “**Reduction of Issued Share Capital**”);
- (b) each of the authorised but unissued Shares of HK\$0.05 each (including those arising from the Reduction of Issued Share Capital) be sub-divided into 5 New Shares of HK\$0.01 each (the aforesaid share sub-division to be referred to as the “**Share Subdivision**”);
- (c) the entire sum standing to the credit of the Company’s share premium account as at the date of the Meeting be cancelled (the aforesaid cancellation of the entire sum standing to the credit of the Company’s share premium account to be referred to as the “**Share Premium Reduction**”, together with the Reduction of Issued Share Capital and Share Subdivision, the “**Capital Reorganization**”);

* For identification purpose only

NOTICE OF SGM

- (d) the credit arising from the Reduction of Issued Share Capital and the Share Premium Reduction be transferred to the contributed surplus account of the Company and the Directors be and are hereby authorised to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time (the “**Authorisation**”); and
- (e) any one director of the Company be and is hereby authorised to take all such acts and things and execute all such documents, including under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Capital Reorganization and the Authorisation.”

By the Order of the Board
China Neng Xiao Technology (Group) Limited
Yuan Shengjun
Chairman

Hong Kong, 26 October 2012

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

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

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed herewith.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney, duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered 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 no less than 48 hours before the time for holding the Meeting or any adjournment thereof.
5. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the Meeting if the member so desires and in such event, the instrument appointing the proxy shall be deemed to be revoked.

NOTICE OF SGM

6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.