
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, 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 securities in **Paliburg Holdings Limited**, 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 was effected for transmission to the purchaser or transferee.

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PROPOSED SHARE CONSOLIDATION

A notice convening the special general meeting of Paliburg Holdings Limited (the “Company”) to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 22 October 2008 at 11:30 a.m. (the “SGM”) is appended to this circular. Whether or not you are able to attend the SGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, 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 appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish.

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DEFINITIONS

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

“Board”	the board of Directors
“Branch Registrar”	Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Business Day(s)”	any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Company”	Paliburg Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares and the Warrants of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company subject to the Share Consolidation becoming effective
“Directors”	the directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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”	25 September 2008, being the latest practicable date for ascertaining certain information in this circular before printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	the special general meeting of the Company convened to be held on Wednesday, 22 October 2008 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution in respect of the Share Consolidation
“Share Consolidation”	the proposed consolidation of every 10 Shares into one Consolidated Share

DEFINITIONS

“Share Option(s)”	option(s) for the subscription of Shares or Consolidated Shares, as the case may be, granted pursuant to the share option scheme named as “The Paliburg Holdings Limited Share Option Scheme” adopted by the Company
“Shareholder(s)”	holder(s) of Shares or Consolidated Shares, as the context requires
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	warrants of the Company conferring rights on their holders to subscribe for Shares at the current subscription price of HK\$0.21 per Share (subject to adjustment)
“Warrantholder(s)”	holder(s) of the Warrants

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Share Consolidation. The timetable is subject to the results of the SGM. The Company will notify the Shareholders and, for information only, the Warranholders of any changes to the expected timetable by way of announcement(s) as and when appropriate.

2008

Despatch of this circular and notice of the SGM Tuesday, 30 September

Latest time for lodging form of proxy for the SGM 11:30 a.m. on Monday, 20 October

SGM 11:30 a.m. on Wednesday, 22 October

Effective date for the Share Consolidation Thursday, 23 October

Free exchange of existing share certificates for
new share certificates commences Thursday, 23 October

Original counter for trading in Shares in board
lots of 2,000 Shares temporarily closes 9:30 a.m. on Thursday, 23 October

Temporary counter for trading in Consolidated Shares
in board lots of 200 Consolidated Shares (in the
form of existing share certificates) opens 9:30 a.m. on Thursday, 23 October

Designated broker starts to stand in the market
to provide matching services for odd lots of
Consolidated Shares 9:30 a.m. on Thursday, 23 October

Original counter for trading in Consolidated Shares
in board lots of 2,000 Consolidated Shares
(in the form of new share certificates) reopens 9:30 a.m. on Thursday, 6 November

Parallel trading in Consolidated Shares in the form
of new share certificates and existing
share certificates commences 9:30 a.m. on Thursday, 6 November

Temporary counter for trading in Consolidated Shares
in board lots of 200 Consolidated Shares
(in the form of existing share certificates) closes 4:10 p.m. on Wednesday, 26 November

Parallel trading in Consolidated Shares in the form
of new share certificates and existing
share certificates closes 4:10 p.m. on Wednesday, 26 November

EXPECTED TIMETABLE

Designated broker ceases to stand in the market
to provide matching services for odd lots
of Consolidated Shares 4:10 p.m. on Wednesday, 26 November

Last day for free exchange of existing share
certificates for new share certificates Thursday, 4 December

LETTER FROM THE BOARD



Executive Directors:

Mr. LO Yuk Sui (*Chairman and Chief Executive Officer*)

Mr. Donald FAN Tung (*Chief Operating Officer*)

Mr. Jimmy LO Chun To

Miss LO Po Man

Mr. Kenneth NG Kwai Kai

Mr. Kenneth WONG Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph LEUNG Po Wing, GBS, JP

Mr. NG Siu Chan

Hon Abraham SHEK Lai Him, SBS, JP

Mr. WONG Chi Keung

Registered office:

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

*Head office and principal place
of business:*

11th Floor, 68 Yee Wo Street

Causeway Bay

Hong Kong

30 September 2008

*To the Shareholders and, for information only,
to the Warrantholders*

Dear Sir or Madam,

PROPOSED SHARE CONSOLIDATION

INTRODUCTION

On 10 September 2008, the Company announced that the Board proposed to implement the Share Consolidation on the basis that every 10 issued and unissued Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.10.

The purpose of this circular is to provide you with further details of the Share Consolidation and the notice of the SGM.

SHARE CONSOLIDATION

Pursuant to the Share Consolidation, every 10 issued and unissued Shares will be consolidated into one Consolidated Share. Fractional Consolidated Shares will be disregarded and not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold

LETTER FROM THE BOARD

for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised ordinary share capital of the Company amounted to HK\$200,000,000 divided into 20,000,000,000 Shares, of which 10,193,429,857 Shares were in issue. Upon the Share Consolidation becoming effective, and on the basis that there being no other changes in the share capital structure of the Company prior thereto, the authorised ordinary share capital of the Company shall become HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares, of which 1,019,342,985 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's memorandum of association and bye-laws.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

Board lot size

The board lot size for trading in the ordinary shares of the Company is currently 2,000 Shares and shall become 2,000 Consolidated Shares upon the Share Consolidation becoming effective.

Listing application and dealings

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated 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 Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Conditions precedent of the Share Consolidation

The Share Consolidation is conditional on:

- (i) the passing by the Shareholders of an ordinary resolution to approve the Share Consolidation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares in issue; and
- (iii) the obtaining of all necessary approvals from the regulatory authorities or otherwise that may be required in respect of the Share Consolidation, if necessary.

Conditions precedent (i) and (ii) above have not been fulfilled. In respect of condition precedent (iii) above, the Company is not aware of any approvals that are required from the regulatory authorities or otherwise in respect of the Share Consolidation.

Reasons for the Share Consolidation

The Share Consolidation will reduce the number of board lots in the market. Any trading costs or handling charges, which are calculated on per board lot basis, will for a given interest in the Company be lower and the transaction costs for dealing in the ordinary shares of the Company may be reduced.

The Directors consider that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Trading arrangements

Upon the Share Consolidation becoming effective, the trading arrangements proposed for dealings in Consolidated Shares are set out as follows:

- (i) with effect from 9:30 a.m. on Thursday, 23 October 2008, the original counter for trading in Shares in board lots of 2,000 Shares will close temporarily. A temporary counter for trading in Consolidated Shares in the form of existing share certificates in board lots of 200 Consolidated Shares will be established; every 10 Shares in the form of existing share certificates will be deemed to represent one Consolidated Share. The existing share certificates for Shares can only be traded at this temporary counter;
- (ii) with effect from 9:30 a.m. on Thursday, 6 November 2008, the original counter will reopen for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares. Only new share certificates for the Consolidated Shares can be traded at this counter;
- (iii) with effect from 9:30 a.m. on Thursday, 6 November 2008 to 4:10 p.m. on Wednesday, 26 November, 2008 (both dates inclusive), there will be parallel trading at the counters mentioned in (i) and (ii) above; and

LETTER FROM THE BOARD

- (iv) the temporary counter for trading in Consolidated Shares in the form of the existing share certificates in board lots of 200 Consolidated Shares will be removed after the close of trading on Wednesday, 26 November 2008. Thereafter, trading will only be in Consolidated Shares in the form of new share certificates in board lots of 2,000 Consolidated Shares and the existing share certificates for Shares will cease to be acceptable for trading and settlement purposes.

Arrangement for odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed OSK Asia Securities Limited to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from Thursday, 23 October 2008 to Wednesday, 26 November 2008 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or top up to a full board lot, may directly or through their brokers, contact Mr. Tommy Cheng Kwai Hung of OSK Asia Securities Limited by telephone at 2103 5680 or by fax at 2526 5252 during this period. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot facility, is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is expected to be on 23 October 2008, the existing certificates for the Shares will cease to be valid for trading purposes after 4:10 p.m. on 26 November 2008; Shareholders may, on or after 23 October 2008 until 4 December 2008 (both days inclusive), submit the existing certificates for the Shares to the Company's Branch Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for new certificates for the Consolidated Shares (on the basis of 10 Shares for one Consolidated Share). It is expected that the new certificates for the Consolidated Shares will be available for collection within 10 Business Days after the submission of the existing share certificates to the Branch Registrar for exchange. Thereafter, existing certificates for Shares will remain effective as documents of legal title but will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by Shareholders to the Branch Registrar.

The new certificates for the Consolidated Shares will be emerald in colour in order to distinguish them from the existing certificates for the Shares which are seagreen in colour.

Outstanding Share Options

As at the Latest Practicable Date, the number of Shares in respect of which Share Options had been granted and were outstanding was 308,574,000.

LETTER FROM THE BOARD

Corresponding adjustments will be made on the basis that the proportion of the issued ordinary share capital of the Company to which a grantee of share options is entitled shall remain the same before and after such adjustments in accordance with the rules of the share option scheme and the supplementary guidance issued by the Stock Exchange.

The Company will engage an independent financial adviser or its auditors to provide a certificate as to the adjustments required to be made to the terms of the outstanding Share Options as a result of the Share Consolidation. The Company will make a further announcement about the adjustments after receiving the certificate.

Outstanding Warrants

As at the Latest Practicable Date, Warrants carrying aggregate subscription rights of HK\$236,053,677.30 to subscribe for Shares at the current subscription price of HK\$0.21 per Share were outstanding. Corresponding adjustments will be made to the subscription price of the outstanding Warrants and the number of Consolidated Shares which the Warrantholders are entitled to upon exercise of the Warrants in accordance with the terms of the Warrants. The Company will engage a merchant bank or other reputable financial institution in Hong Kong selected by the Directors or its auditors to provide a certificate as to the adjustments required to be made. The Company will make a further announcement about the adjustments after receiving the certificate.

SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 11:30 a.m. on Wednesday, 22 October 2008 at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages 11 to 12 of this circular. The SGM is convened to be held for the purpose of considering and, if thought fit, passing the ordinary resolution to approve the Share Consolidation.

To the best of the Directors' knowledge and information, no Shareholder is required to abstain from voting on the resolution approving the Share Consolidation at the SGM. The resolution in respect of the Share Consolidation will be voted on a show of hands unless a poll is demanded in accordance with bye-law 70 of the bye-laws of the Company which provision is summarised under the paragraph below headed "Procedures for demanding a poll" in this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Branch Registrar and 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 form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL

According to bye-law 70, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or
- (b) 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; or
- (c) by any 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 the Shareholders having the right to vote at the meeting; or
- (d) 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 the shares conferring that right.

RECOMMENDATION

The Board is of the opinion that the Share Consolidation is in the interests of the Company and Shareholders as a whole, and recommends you to vote in favour of the resolution to be proposed at the SGM to approve the Share Consolidation.

DIRECTORS' RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility of the accuracy of the information contained in this circular, and confirm that to the best of their knowledge, information and belief, there are no other facts that the omission of which would made any statement herein misleading.

By Order of the Board
Paliburg Holdings Limited
Lo Yuk Sui
Chairman

NOTICE OF SGM



NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of Paliburg Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 22 October 2008 at 11:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Consolidated Shares (as defined below):

- (a) every 10 existing issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one ordinary share of par value HK\$0.10 (“Consolidated Share”) and such consolidation shall take effect on the next business day, being any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours, immediately following the date on which this resolution is passed;
- (b) the Consolidated Shares shall rank *pari passu* in all respects with each other in accordance with the memorandum of association and bye-laws of the Company;
- (c) all fractional Consolidated Shares will be disregarded and not be issued to the holders of the existing ordinary shares of the Company but all fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and
- (d) the directors of the Company be and are generally authorised to do all such acts and things and execute all such documents, including under the seal of the Company, where applicable, as they consider necessary or expedient to implement and give effect to the arrangements set out in this resolution.”

By Order of the Board
Paliburg Holdings Limited
Eliza Lam Sau Fun
Secretary

Hong Kong, 30 September 2008

NOTICE OF SGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote in his/her/its stead. A proxy need not be a shareholder of the Company.
2. The form of proxy must be deposited with the Company's branch registrar in Hong Kong, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the SGM.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.