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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Post E-Commerce (Holdings) Limited, you should at once hand this circular and the accompanied proxy form to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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## China Post E-Commerce (Holdings) Limited 中郵電貿(控股)有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8041)**

*Website: <http://www.cpech.com>*

### SUBSCRIPTION OF SHARES BY INVESTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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A notice convening the extraordinary general meeting of the Company to be held at Suite 1103, 11th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong on 28 July 2011 at 12:00 noon, is set out on pages 18 to 19 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting 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 should you so wish.

\* For identification purpose only

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## **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

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**The GEM has been positioned as a market designed to accommodate companies to which a high 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 the GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the GEM.**

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:*

“Base Price”	HK\$0.12 per Share, as may be adjusted pursuant to the Subscription Agreement
“Board”	the board of Directors
“Business Day”	has the meaning ascribed thereto under the GEM Listing Rules
“Commencement Fee Shares”	11,236,249 new Shares to be issued to the Investor in settlement of the commencement fee payable to the Investor in the amount of 1.3% of the aggregate amount of the investment under the Subscription Agreement
“Company”	China Post E-Commerce (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the securities of which are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Directors”	the directors of the Company and each a “Director”
“EGM”	the extraordinary general meeting of the Company to be held at Suite 1103, 11th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong on 28 July 2011 at 12:00 noon
“Floor Price”	HK\$0.15 per Share, as may be adjusted pursuant to the Subscription Agreement
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not connected with the Company and its connected persons (as defined under the GEM Listing Rules)
“Investor”	SpringTree Special Opportunities Fund, LP, a Delaware limited partnership
“Investor’s Shares”	the Commencement Fee Shares, the Subscription Shares and the Shares issued or issuable upon exercise of the Options
“Latest Practicable Date”	8 July 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Options”	20,000,000 options to purchase Shares at the Option Exercise Price, granted in accordance with the terms of the Subscription Agreement
“Option Exercise Price”	a per Option exercise price of HK\$0.293, being 120% of the average of the daily VWAPs per Share for the twenty (20) consecutive Trading Days immediately prior to the date of the Subscription Agreement, subject to all adjustments pursuant to the Subscription Agreement
“Share(s)”	share(s) of nominal value of HK\$0.05 each in the share capital of the Company
“Shareholders”	registered holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Investor pursuant to the Subscription Agreement
“Subscription Agreement”	the share subscription agreement entered into between the Company and the Investor dated 17 May 2011 in relation to the subscription of Shares up to a total amount of HK\$165 million

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## DEFINITIONS

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“Subscription Price”	<p>the lesser of:</p> <ul style="list-style-type: none"><li>(i) 92.5% of the average of three daily VWAPs per Share (as selected by the Investor in its sole discretion) during the period commencing on the date of payment of that Tranche and ending on the date immediately preceding the date of that Subscription Shares issuance; or</li><li>(ii) HK\$0.30 per Share, as may be adjusted pursuant to the Subscription Agreement (“Subscription Price B”),</li></ul> <p>provided, however, that Subscription Price B may be used not more than three (3) times during the term of the Subscription Agreement</p>
“Subscription Shares”	Shares issued or issuable to the Investor or its designee or nominee in relation to a Tranche pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time
“Trading Days”	has the meaning ascribed to it under the GEM Listing Rules
“Tranche(s)”	the amount prepaid by the Investor to the Company for the Subscription Shares
“VWAP”	in relation to a Trading Day, the volume weighted average price (in Hong Kong dollars, rounded to four decimal places) of the Shares traded in the ordinary course of business on that Trading Day, as published by any of the following, selected by the Investor in its sole discretion: Bloomberg LLC, Thomson Reuters Corporation, Stock Exchange, or if not published by any of the foregoing, as published by a comparable industry-recognized service; subject to all adjustments set out in the Subscription Agreement
“%”	per cent.

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## LETTER FROM THE BOARD

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# China Post E-Commerce (Holdings) Limited 中郵電貿(控股)有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8041)**

*Website: <http://www.cpech.com>*

*Executive Directors:*

Lau Chi Yuen, Joseph (*Chairman*)

Chung Man Wai

*Independent Non-Executive Directors:*

Lee Chung Mong, John

Tam Wing Kin

Fung Chan Man, Alex

*Registered Office:*

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and Principal Place*

*of Business in Hong Kong:*

Room 702, 7/F.,

Goodluck Industrial Centre,

808 Lai Chi Kok Road,

Lai Chi Kok, Kowloon,

Hong Kong

12 July 2011

*To Shareholders of the Company*

Dear Sir or Madam,

### **SUBSCRIPTION OF SHARES BY INVESTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

The Company announced on 17 May 2011 that the Company entered into the Subscription Agreement with the Investor pursuant to which the Investor has agreed to pay an aggregate amount of up to HK\$165 million to the Company in Tranches and the Company has agreed to issue such number of Shares at the Subscription Price up to the equivalent amount of HK\$165 million to the Investor.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding the Subscription and to give you notice of the EGM.

### THE SUBSCRIPTION AGREEMENT

#### Date

17 May 2011

#### Parties

- (1) the Company;
- (2) SpringTree Special Opportunities Fund, LP.

The Investor is an investment fund managed by SpringTree Global Investors, LLC (“STGI”). STGI is a New York-based global private asset management firm. STGI focuses on equity and equity-linked investments in small-cap and mid-cap publicly-traded companies around the world. STGI provides creative funding, individually structured for each investment opportunity. It invests across a broad range of industries and, with approximately 20 investments in the recent two years, has established itself as a leading investor in small-cap Australian Securities Exchange-listed companies, where its investments have included companies such as Linc Energy Ltd, Prima BioMed Ltd, Legacy Iron Ore Ltd and Solimar Energy Ltd.

To the best of the Company’s information and belief, the Investor, STGI and its ultimate beneficial owners are Independent Third Parties.

#### Payment of Tranches

Pursuant to the Subscription Agreement, the Investor shall pay an aggregate amount of up to HK\$165 million to the Company in Tranches. Within 2 business days following satisfaction of the conditions precedent described below, the Investor shall pay the first Tranche in the sum of HK\$4 million to the Company. The Investor shall, subject to the satisfaction of the conditions precedent described below, pay subsequent Tranches on a day on which Shares are traded on the Stock Exchange and which is a New York business day that falls 30 calendar days after the date of the immediate preceding payment date of a Tranche. The date of payment may be postponed at the election of the Investor if the VWAPs per Share are less than the Floor Price or the Base Price for over specified periods, or as mentioned in the section entitled “Subscription Shares” below.

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## LETTER FROM THE BOARD

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The amount of subsequent Tranches is HK\$4 million or such amount more than HK\$4 million but not exceeding HK\$7 million as the Company and the Investor shall mutually agree before payment of each relevant Tranche. The Company will take into account the prevailing market conditions and the capital requirements of the Group in determining whether or not to increase the amount of any Tranche beyond HK\$4 million. The Tranche amount may be reduced by the Investor by pre-agreed formulae if trading in the Shares has been suspended during the pricing period and/or if the market capitalization of the Company is less than a specified amount. There shall be no more than 24 payments of Tranches in total.

### **Subscription Shares**

The Company is to issue Subscription Shares to the Investor in connection with each Tranche, at the Subscription Price, generally on the 28th calendar day after the date of payment of that Tranche (subject to certain postponement events as specified in the Subscription Agreement), provided that at no time during the term of the Subscription Agreement will the Company issue, nor will the Investor alone or with another entity take up, any Shares or other equity security interest in the Company whereby the Investor would become interested in more than 19.99% of the voting rights of the Company. Where in the Investor's reasonable opinion, an issue of the Subscription Shares would result in the Investor becoming interested in more than 19.99% of the voting rights of the Company, such issue of Subscription Shares (or the payment date in relation to such issuance, or both) shall be postponed for a period of up to 40 Business Days. If after the expiry of the postponement, an issue of the Subscription Shares would nevertheless result in the said threshold exceeded, the Company shall repay the prepaid Tranche in cash and no interest is payable.

The Subscription Price shall be the lesser of (i) 92.5% of the average of 3 daily VWAPs per Share (as selected by the Investor in its sole discretion) during the period commencing on the date of payment of that Tranche and ending on the date immediately preceding the date of issue of the Subscription Shares, or (ii) HK\$0.30 per Share, as may be adjusted pursuant to the Subscription Agreement ("Subscription Price B"), provided, however, that Subscription Price B may be used not more than three (3) times during the term of the Subscription Agreement.

The number of Subscription Shares to be issued shall be determined by dividing the amount of that prepaid Tranche by the Subscription Price.

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## LETTER FROM THE BOARD

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The method of determination of the Subscription Price involves certain variables, and the Subscription Price used in any given month may differ from the Share price prevailing at the time of that monthly issuance. However, the pricing mechanism under the Subscription Agreement enables the Company to take advantage of potential general appreciation of the Share prices over a period of 24 months, thus potentially reducing the dilutionary effect on the Shareholders compared to a transaction in which the Company would have issued Shares in a single tranche based on current market price. Therefore the Company considers that the Subscription Price is fair and reasonable and in the interest of the Company and Shareholders as a whole. Additionally, see “Floor Price protection” below.

### **Floor Price protection**

If the Subscription Price of any Subscription Shares is less than the Floor Price, unless the Investor elects to receive the Subscription Shares at the Floor Price, the Company may elect to (i) repay the relevant Tranche in cash with a premium of 8% (the “Optional Cash Payment”) and the Company shall have the right, but not the obligation, to terminate the Subscription Agreement at no cost to the Company or (ii) proceed with the issue of the Subscription Shares at the Subscription Price. This protection provides the Company with the flexibility in terminating the Subscription Agreement at a lower cost in the event of a substantial drop in the Share prices.

### **Commencement Fee Shares**

Upon payment of the first Tranche, the Company shall pay the Investor a non-refundable commencement fee in the amount of 1.3% of the aggregate amount of the investment under the Subscription Agreement, to be satisfied by way of issuance of 11,236,249 Shares credited as fully paid at HK\$0.1909 per Share, to the Investor or its nominee or designee.

### **Options**

Upon payment of the first Tranche, the Company shall grant to the Investor or its designee or nominee the Options. Each Option shall entitle the holder to be issued by the Company one Share at the Option Exercise Price. Each Option shall be exercisable at any time after the time of its grant and prior to the date that is 36 calendar months after the payment of the first Tranche, after which time it will lapse.

The Option Exercise Price is subject to customary adjustment in the event of a consolidation, subdivision, cancellation, or similar reconstruction of the issued capital of the Company and in the event of a payment of dividend by way of capitalisation of profits or reserves of the Company or distribution of Shares to Shareholders.

The Options shall be freely assignable and transferable, subject to the GEM Listing Rules and other applicable laws.

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## LETTER FROM THE BOARD

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### **Ranking of Shares**

The Subscription Shares, the Commencement Fee Shares and the Shares issued or issuable upon exercise of the Options shall rank equally in all respects with the Shares existing on the date of issue of such Shares.

### **Price adjustments**

The Floor Price, Subscription Price B and the Base Price are subject to customary adjustment in the event of a consolidation, subdivision, cancellation, or similar reconstruction of the issued capital of the Company and in the event of a payment of dividend by way of capitalisation of profits or reserves of the Company or distribution of Shares to Shareholders.

### **Investor's sale of Shares**

The Investor may not, on any one Trading Day, sell any of the Investor's Shares exceeding the greater of (a) 15% of the Subscription Shares issued in respect of the prepaid Tranche, or (b) 15% of the trading volume of the Shares on the Stock Exchange on the preceding Trading Day, except where an event of default as specified in the Subscription Agreement has occurred or is likely to occur.

### **Conditions precedent to the payment of the first Tranche**

The Investor shall have no obligation to pay the first Tranche if the following conditions precedents are not fulfilled by no later than the time specified below or, where no time is specified, by no later than 60 days from the date of the Subscription Agreement (or such other period as is agreed in writing) ("Latest Time"), and such conditions precedent may not be waived by the Investor:

- (a) The Investor will not be required to make a general offer pursuant to rule 26 of the Takeovers Code as a result of the execution of the Subscription Agreement or the payment of the first Tranche.
- (b) The Company has made the announcement relating to the Subscription as soon as practicable after the execution of the Subscription Agreement.

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## LETTER FROM THE BOARD

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- (c) The Company has passed an ordinary resolution at a general meeting of the Company in compliance with the GEM Listing Rules approving all the contemplated transactions under the Subscription Agreement, including (i) the issue of the Subscription Shares, (ii) the issue of the Commencement Fee Shares, (iii) the issue of Shares on exercise of the Options and (iv) the grant of the Options; so that all the contemplated transactions may proceed without breaching any laws, rules or regulations.
- (d) The Company has obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Commencement Fee Shares, the Subscription Shares and the Shares issuable on exercise of the Options, and such approval has not been revoked and remains in full force and effect, and all conditions attaching thereto remain satisfied.
- (e) All requirements, if any, imposed by the Stock Exchange or the SFC, or both, in connection with the contemplated transactions under the Subscription Agreement, have been complied with in full.
- (f) No laws, rules or regulations has been enacted, promulgated or adopted, which prohibits any of the contemplated transactions under the Subscription Agreement, and there is no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of any of the contemplated transactions.

In addition, the Investor shall have no obligation to pay the first Tranche unless and until the following conditions precedent are fulfilled, or waived in part or in full in writing by the Investor by the Latest Time:

- (a) The Shares are listed for quotation on the Stock Exchange, and no indication has been received from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange may be withdrawn (or may become the subject of unusual or onerous conditions).
- (b) The representations and warranties of the Company contained in the Subscription Agreement are true and correct in all material respects as of the dates as of which they are made, or deemed to be made, under the Subscription Agreement.

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## LETTER FROM THE BOARD

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- (c) The Investor is of the opinion, acting reasonably, that:
  - (i) no event of default as defined under the Subscription Agreement (“Event of Default”) has occurred; and
  - (ii) no Event of Default is likely to result from any of the contemplated transactions under the Subscription Agreement.
- (d) The Company has performed or complied in all respects with all agreements and covenants required by the Subscription Agreement to be performed or complied with by the Company as at, or prior to, the payment of the first Tranche.
- (e) No restriction (whether or not of general application) applies under any laws, regulations or rules to any sale by the Investor or its designee or nominee of the Investor’s Shares, other than solely by reason of the Investor being in possession of Relevant Information (as defined under the Securities and Futures Ordinance) or Material Non-Public Information (as defined under US securities laws) in relation to the Company.
- (f) The Investor has received all the deliveries required by the Subscription Agreement in connection with the payment of the first Tranche.

The Company has undertaken to obtain (i) the approval for the listing of and permission to deal with the Investor’s Shares and (ii) the Shareholders approval for all the contemplated transactions under the Subscription Agreement within 60 days from the date of the Subscription Agreement.

### **Conditions precedent to the payment of subsequent Tranches**

The Investor’s obligation to pay any subsequent Tranche is subject to the same conditions precedent as set out above.

### **Conditions precedent to the issue of Subscription Shares**

The obligation of the Investor to accept the Subscription Shares is subject to the same conditions precedent as set out above and (if not waived) the condition that trading in the Shares has not been suspended as of the date of issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### **Prohibited Transactions**

The Subscription Agreement prohibits the Company from entering into certain (limited) types of equity fund raising arrangements, including those generally called equity lines of credit or stand-by equity distribution agreements, during the term of the Subscription Agreement. Such prohibition does not, however, restrict normal fund raising exercises such as (i) rights issuances, shareholder purchase plans, share options issued pursuant to a scheme approved pursuant to Chapter 23 of the GEM Listing Rules, each at a fixed price per Share, or (ii) issuances of any convertible securities or other equity issuances (including but not limited to warrants, options or other rights to subscribe for shares) at a fixed initial conversion or subscription price, subject to adjustments for subsequent equity issuances at a price or effective price per Share that is lower than the then prevailing market price for the Shares.

### **Events of default**

The Subscription Agreement contains events of default provisions which provide that on the occurrence of certain events of default specified therein, such as insolvency related events, breaches of the Subscription Agreement or regulatory requirements, suspension of trading in the Shares over 20 consecutive Trading Days, adverse effect on the Company, adverse change in financial markets, the contemplated transactions becoming void or illegal and modification of capital structure or rights attached to Shares, all outstanding Tranche amount prepaid shall, at the Investor's absolute discretion, be immediately due and payable and the Investor may, in its absolute discretion, terminate the Subscription Agreement.

### **Termination**

The Subscription Agreement shall terminate automatically immediately after the issue of the Subscription Shares in respect of the 24th Tranche under the Subscription Agreement.

The Subscription Agreement may be terminated:

- (i) by the mutual written consent of the parties at any time;
- (ii) by either party effective immediately if the payment of the first Tranche has not occurred by the Latest Time;
- (iii) by the Company where the Company has notified the Investor of its desire to make the Optional Cash Payment;
- (iv) by the Company, by written notice to the Investor and at no cost to the Company, effective on the first anniversary of the date of the Subscription Agreement or on payment of a fee of US\$250,000 if terminated at any other time;

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## LETTER FROM THE BOARD

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- (v) by the Investor, if the Share price falls below the Base Price over a period as specified in the Subscription Agreement;
- (vi) by either party if there exists a law which makes it illegal or impossible in practice for either party to undertake any of the contemplated transactions, or render any of the contemplated transactions unenforceable, void or voidable; or
- (vii) by the Investor provided that the Company has given notice to the Investor of its intention to undertake, or has undertaken, or has become required to undertake, a payment in cash to the Investor under the Subscription Agreement, such events being (1) the Company notifying the Investor of its desire to make the Optional Cash Payment described under the section “Floor Price protection” above; (2) the Investor would become interested in more than 19.99% of the voting rights of the Company described under the section “Subscription Shares” above; and (3) occurrence of the events of default described under the section “Events of default” above.

### **SPECIFIC MANDATE**

The Investor’s Shares will be issued under a specific mandate to be sought from the Shareholders at the EGM. Application will be made to the Stock Exchange for the approval for the listing of, and permission to deal in, the Investor’s Shares.

### **EFFECT OF THE SUBSCRIPTION ON SHAREHOLDING**

Since the Subscription Price will be determined with reference to the prevailing market prices of the Shares, the total number of Subscription Shares cannot be determined at this stage. Pursuant to the terms of the Subscription Agreement, the lowest price at which the Subscription Shares may be issued is the par value of a Share, subject to the Floor Price protection described above and the Investor’s right to terminate the Subscription Agreement if the Share price falls below the Base Price.

Assuming the Subscription Price is equal to the closing price of HK\$0.224 per Share as quoted on GEM on 17 May 2011, being the date of the Subscription Agreement, and assuming the maximum amount of payment by the Investor being HK\$165 million, the total number of Subscription Shares to be issued by the Company under the Subscription Agreement shall be 736,607,142 Shares, representing approximately 30.46% of the Company’s existing issued share capital of 2,418,055,819 Shares.

Assuming the Subscription Price is equal to the par value of HK\$0.05 per Share and assuming the maximum amount of payment by the Investor being HK\$165 million, the total number of Subscription Shares to be issued by the Company under the Subscription Agreement shall be 3,300,000,000 Shares, representing approximately 136.47% of the Company’s existing issued share capital of 2,418,055,819 Shares.

## LETTER FROM THE BOARD

The total number of Commencement Fee Shares is 11,236,249 Shares. The total number of Shares to be issued upon exercise of the Option in full is 20,000,000 Shares.

For illustrative purpose only, set out below are the shareholdings in the Company (i) as at the Latest Practicable Date, (ii) immediately after completion of the Subscription up to HK\$165 million at the Subscription Price of HK\$0.224 per Share, being the closing price per Share as quoted on GEM on 17 May 2011, and issue of the Commencement Fee Shares and Shares upon exercise of the Option in full and (iii) immediately after completion of the Subscription up to HK\$165 million at the Subscription Price of HK\$0.05 per Share, the existing par value of a Share and being the lowest price at which Subscription Shares may lawfully be issued, and issue of the Commencement Fee Shares and Shares upon exercise of the Option in full:

Shareholders	As at the Latest Practicable Date		Immediately after Subscription of up to HK\$165 million at the Subscription Price of HK\$0.224 and issue of the Commencement Fee Shares and Shares upon exercise of the Option in full		Immediately after Subscription of up to HK\$165 million at the Subscription Price of HK\$0.05 and issue of the Commencement Fee Shares and Shares upon exercise of the Option in full	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
JL Investments Capital Limited (note 1)	606,400,000	24.53	606,400,000	18.72	606,400,000	10.45
Senrigan Capital Group Limited on behalf of Senrigan Master Fund (note 2)	300,000,000	12.14	300,000,000	9.26	300,000,000	5.17
Investor (note 3)	0	0.00	767,843,391	23.70	3,331,236,249	57.40
Other Shareholders	<u>1,565,612,654</u>	<u>63.33</u>	<u>1,565,612,654</u>	<u>48.32</u>	<u>1,565,612,654</u>	<u>26.98</u>
<b>Total</b>	<b><u>2,472,012,654</u></b>	<b><u>100.00</u></b>	<b><u>3,239,856,045</u></b>	<b><u>100.00</u></b>	<b><u>5,803,248,903</u></b>	<b><u>100.00</u></b>

*Notes:*

- JL Investments Capital Limited is legally and beneficially owned by Mr. Lau Chi Yuen, Joseph.
- Senrigan Capital Group, a hedge fund management company in Hong Kong, holds these interests on behalf of Senrigan Master Fund.
- The shareholdings are for illustrative purpose only as the Investor is subject to the restriction not to become interested in more than 19.99% of the voting rights of the Company.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF THE PROCEEDS

The Group is principally engaged in (i) the manufacture and sale of ceramic blanks and ferrules; (ii) the provision of advertising and media services; (iii) the manufacture and trading of high ended swimwear and related garment products and (iv) trading and retail of apparel and related accessories under the brandname of “Tonino Lamborghini”.

The Directors consider that the Subscription represents a good opportunity to broaden the capital base of the Company and to raise capital for the Company for its future business developments. Additionally, the Subscription provides the Company with certainty of access to capital over an approximately two year period. At the same time, it enables the Company to issue Shares at prices that are linked to prices prevailing at the time of their future issuance and potentially at premiums to the current share price, thus potentially minimizing the dilution for its shareholders. The ability to increase the tranches in the future, as the Company’s capital requirements change, enables the Company to minimize dilution in the earlier stages of its development. The Company has considered other methods of fund raising such as issue of shares under general mandate, open offer or rights issue. However such methods either fail to provide the Company with certainty of access to substantial amount of capital or fail to enable the Company to take advantage of the potential appreciation in the Share prices. The Directors consider the terms of the Subscription Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Pursuant to the Subscription Agreement, the proceeds from the Subscription shall be used for investments and general corporate and working capital purposes including but not limited to repayment of account payables, bank loans and other indebtedness but not, among other things, for dividend payments, or the repayment or redemption of any indebtedness or obligations or interests held by any security holders.

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## LETTER FROM THE BOARD

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In order to enhance the growing prospects of the Group and by leveraging onto its established network and connections, the Company will continue to identify suitable opportunities in the apparel trading and retail industry and to expand its e-commerce business both by vertical integration and diversification through increase in product variety. The Group has recently completed the acquisition of Easy Time Trading Limited which possesses its strengths in the manufacturing of high-margin fashionable swimwear and related garment products together with the holding of the recognised trademark “Angevil”. It allows the Group to strengthen its existing online-shopping operations by providing a secured source of women’s fashion products and the opportunity to tap into the apparel trading and retail industry. The Group has also completed the acquisition of 51% of Charmston (Holdings) Limited which is principally engaged in the trading and retail of apparel and related accessories under the brandname “Tonino Lamborghini”. The Directors expect that the Group will continue to expand and develop its apparel trading and retail business which will require substantial working capital for inventory supply, capital expenditure on expanding points of sale, brand building and securing other sources of branded products. The estimated annual working capital requirement of the Group for the next two years is approximately HK\$60 million. As at the Latest Practicable Date, the Group has approximately HK\$11.6 million available for its working capital purpose.

As set out under the section “Payment of Tranches” above, the initial Tranche will be HK\$4 million and subsequent Tranches will be HK\$4 million or such higher amount not exceeding HK\$7 million as the Company and the Investor may agree. Therefore the net proceeds from the Subscription will range from HK\$99 million up to the maximum of HK\$165 million and will be paid to the Company over 24 months. The net proceeds from the Options will be approximately HK\$5.9 million. The Company intends to use the net proceeds principally for general corporate and working capital of the Group and the balance will be used for potential investment opportunities. The Company has not identified any potential investment opportunities with concrete plan to proceed as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following table summaries the capital raising activities of the Group for the 12 months immediately before the date of the Company's announcement dated 17 May 2011:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
7 October 2010	Top up placing of 180,000,000 new Shares at HK\$0.2 per Share	Approximately HK\$35.85 million	General working capital of the Group	Approximately HK\$20.5 million has been used as general working capital, HK\$6 million used for part payment of the consideration in the Proposed Acquisition and the balance being held as bank deposit.

### EGM

A notice convening the EGM is set out on pages 18 to 19 of this circular. All resolutions to be proposed at the EGM will be voted on by poll.

A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the Company's branch share registrar, Tricor Abacus 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 EGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

No Shareholder has any material interest in the Subscription. Therefore no Shareholder is required to abstain from voting at the EGM in respect of the resolution to approve the above matters.

### RECOMMENDATION

The Directors consider that the Subscription is in the interest of the Company and the Shareholders and so recommend you to vote in favour of all the relevant resolution to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### 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 herein or this circular misleading.

Yours faithfully,

**On behalf of the Board**

**China Post E-Commerce (Holdings) Limited**

**Lau Chi Yuen, Joseph**

*Chairman*

*The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **China Post E-Commerce (Holdings) Limited** **中郵電貿(控股)有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8041)**

*Website: <http://www.cpech.com>*

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of China Post E-Commerce (Holdings) Limited (the “Company”) will be held at Suite 1103, 11th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong on 28 July 2011 at 12:00 noon to consider and, if thought fit, to pass with or without amendments, the following resolution:

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the issue of Investor’s Shares (as defined in the circular dated 12 July 2011 despatched to the shareholders of the Company (the “Circular”)) pursuant to the Subscription Agreement (as defined in the Circular), a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification, and all the transactions contemplated thereunder (including the issue of Options (as defined in the Circular), be and is hereby approved; and
- (b) the directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be in their discretion consider desirable or expedient to give effect to the Subscription Agreement and all the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

On behalf of the Board  
**China Post E-Commerce (Holdings) Limited**  
**Lau Chi Yuen, Joseph**  
*Chairman*

Hong Kong, 12 July 2011

\* *For identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head Office and Principal Place of Business in Hong Kong:*

Room 702, 7/F., Goodluck Industrial Centre,  
808 Lai Chi Kok Road, Lai Chi Kok,  
Kowloon, Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or if he is the holder of two or more shares, more than one person as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
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.