



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of Palmpay China (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 announcement 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 announcement misleading.

* For identification purpose only

HIGHLIGHTS

For the nine months ended 31 December 2010

- the turnover of the Group was approximately HK\$19,862,000 as compared to the same of approximately HK\$34,154,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$4,530,000 (2009: HK\$13,068,000).
- the directors do not recommend the payment of any dividend (2009: Nil).
- the earnings per share of the Company was approximately HK0.17 cents (2009: HK0.68 cents).

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 31 December 2010 together with the comparative unaudited figures for the corresponding periods in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months and nine months ended 31 December 2010

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	3	19,862	34,154	2,770	10,641
Cost of services rendered		(5,774)	(3,981)	(470)	(1,314)
Gross profit		14,088	30,173	2,300	9,327
Other revenue	3	3,887	527	90	175
Distribution costs		(2,414)	(3,635)	(757)	(2,040)
Administrative expenses		(10,384)	(10,457)	(4,014)	(3,339)
Finance costs		(116)	(470)	–	(200)
Profit/(Loss) before taxation		5,061	16,138	(2,381)	3,923
Income tax expenses	4	(531)	(1,661)	(104)	(450)
Profit/(Loss) for the period		<u>4,530</u>	<u>14,477</u>	<u>(2,485)</u>	<u>3,473</u>
Other comprehensive income					
Exchange differences arising on translation		<u>7,327</u>	<u>221</u>	<u>5,982</u>	<u>–</u>
Total comprehensive income for the period		<u>11,857</u>	<u>14,698</u>	<u>3,497</u>	<u>3,473</u>
Profit/(Loss) for the period attributable to:					
Equity holders of the Company		4,530	13,068	(2,485)	3,727
Minority interests		–	1,409	–	(254)
		<u>4,530</u>	<u>14,477</u>	<u>(2,485)</u>	<u>3,473</u>
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		11,857	13,231	3,497	3,727
Minority interests		–	1,467	–	(254)
		<u>11,857</u>	<u>14,698</u>	<u>3,497</u>	<u>3,473</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings/(Loss) per share	5				
– Basic (cent)		<u>0.17</u>	<u>0.68</u>	<u>(0.09)</u>	<u>0.18</u>
– Diluted (cent)		<u>0.17</u>	<u>0.67</u>	<u>N/A</u>	<u>0.18</u>

Notes:

1. Corporate information

Palmpay China (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company’s shares have been listed on the GEM of the Stock Exchange. The registered office of the Company is located as Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of payment gateway services.

2. Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2010.

3. Turnover and revenue

An analysis of the Group’s turnover and revenue during the period is as follow:

	Nine months ended 31 December		Three months ended 31 December	
	2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000
Payment gateway services	<u>19,862</u>	<u>34,154</u>	<u>2,770</u>	<u>10,641</u>
Turnover	<u>19,862</u>	<u>34,154</u>	<u>2,770</u>	<u>10,641</u>
Reversal of bad and doubtful debts	3,882	–	89	–
Dividend income	–	526	–	175
Interest income	<u>5</u>	<u>1</u>	<u>1</u>	<u>–</u>
Other revenue	<u>3,887</u>	<u>527</u>	<u>90</u>	<u>175</u>
Total turnover and revenue	<u><u>23,749</u></u>	<u><u>34,681</u></u>	<u><u>2,860</u></u>	<u><u>10,816</u></u>

4. Taxation

Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purposes for the period (2009: Nil).

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practises in respect thereof.

	Nine months ended		Three months ended	
	31 December		31 December	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – other jurisdictions	<u>531</u>	<u>1,661</u>	<u>104</u>	<u>450</u>
Tax charge for the period	<u>531</u>	<u>1,661</u>	<u>104</u>	<u>450</u>

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2009: Nil).

5. (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share for the three months and nine months ended 31 December 2010 are based on the unaudited net loss of approximately HK\$2,485,000 and net profit of approximately HK\$4,530,000 attributable to equity holders of the company for the three months and nine months ended 31 December 2010 respectively (three months and nine months ended 31 December 2009: unaudited net profit of approximately HK\$3,727,000 and HK\$13,068,000 respectively) and the weighted average number of 2,686,239,143 and 2,667,028,234 ordinary shares of the Company respectively (three months and nine months ended 31 December 2009: 2,080,565,839 and 1,911,793,191 shares respectively).

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the nine months ended 31 December 2010, the Company had two categories of dilutive potential ordinary shares: share options and warrants.

For the three months ended 31 December 2010, diluted loss per share is not presented as the share options and warrants had anti-dilutive effect on the basic loss per share.

	Nine months ended 31 December		Three months ended 31 December	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit used to determine diluted earnings per share	<u>4,530</u>	<u>13,068</u>	<u>N/A</u>	<u>3,727</u>
Weighted average number of ordinary shares in issue	2,667,028,234	1,911,793,191	–	2,080,565,839
Adjustments for assumed exercise of share options, warrants and convertible bonds	<u>1,477,992</u>	<u>36,952,491</u>	<u>–</u>	<u>42,124,149</u>
Weighted average number of ordinary shares of diluted earnings per share	<u>2,668,506,226</u>	<u>1,948,745,682</u>	<u>–</u>	<u>2,122,689,988</u>
	2010	2009	2010	2009
Diluted earnings per share	<u>HK0.17 cents</u>	<u>HK0.67 cents</u>	<u>N/A</u>	<u>HK0.18 cents</u>

6. Reserves

	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Convertible notes reserve (Unaudited) HK\$'000	Employee share-based payment reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Available for sale investments reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Retained profits/ losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2009	181,041	6,015	3,216	443	6,008	1,340	(1,734)	-	(25,661)	170,668	16,088	186,756
Issue of consideration shares	14,182	-	-	-	-	-	-	-	-	14,182	-	14,182
Exercise of share options	1,655	-	-	-	(608)	-	-	-	-	1,047	-	1,047
Issue of convertible notes	-	-	-	5,362	-	-	-	-	-	5,362	-	5,362
Conversion of convertible notes	21,373	-	-	(3,775)	-	-	-	-	-	17,598	-	17,598
Issue of warrants	-	-	-	-	-	750	-	-	-	750	-	750
Acquired on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(18,301)	(18,301)
Share premium reduction	(181,041)	139,111	-	-	-	-	-	-	41,930	-	-	-
Total comprehensive income for the period	-	-	163	-	-	-	-	-	13,068	13,231	1,467	14,698
At 31 December 2009	<u>37,210</u>	<u>145,126</u>	<u>3,379</u>	<u>2,030</u>	<u>5,400</u>	<u>2,090</u>	<u>(1,734)</u>	<u>-</u>	<u>29,337</u>	<u>222,838</u>	<u>(746)</u>	<u>222,092</u>
At 1 April 2010	60,370	145,126	3,385	443	2,923	-	(9,187)	1,037	31,088	235,185	-	235,185
Issue of consideration shares	26,715	-	-	-	-	-	-	-	-	26,715	-	26,715
Issue of unlisted warrants	-	-	-	-	-	621	-	-	-	621	-	621
Exercise of unlisted warrants	17,145	-	-	-	-	(381)	-	-	-	16,764	-	16,764
Total comprehensive income for the period	-	-	7,327	-	-	-	-	-	4,530	11,857	-	11,857
At 31 December 2010	<u>104,230</u>	<u>145,126</u>	<u>10,712</u>	<u>443</u>	<u>2,923</u>	<u>240</u>	<u>(9,187)</u>	<u>1,037</u>	<u>35,618</u>	<u>291,142</u>	<u>-</u>	<u>291,142</u>

7. Dividends

The directors do not recommend the payment of any dividend for the nine months ended 31 December 2010 (nine months ended 31 December 2009: Nil).

8. Post balance sheet events

On 25 January 2011 and 26 January 2011, Brilliant Ally Limited, a wholly owned subsidiary of the Company entered into an agreement and a supplemental agreement to acquire 50.1% equity interests of China Optic Communication Technology Limited. Details of the agreement and supplemental agreement and transactions contemplated thereunder are also set out in announcements of the Company dated 25 January 2011 and 27 January 2011.

The share consolidation and the capital reduction became effect on 31 January 2011. Details of the share consolidation and capital reduction are also set out in the circular of the Company dated 5 January 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECT

Business Review

I. Payment by deduction business

During the period, the financial result of the Group was adversely affected by the prevailing rules and regulations imposed on the payment industry in the PRC. The Board does not foresee any improvements in such industry in the near future and the Group is encountering huge challenges ahead.

II. Telecommunication optic fiber business

Capitalizing on the established business relationships/connections, technological know-how and expertise of the senior executives of the Group in the telecommunication related industries in the PRC, the Board is of the view that development of the telecommunication optic fiber/infrastructure/network enhancement, maintenance and security business (“New Business”) is a natural extension to the business development of the Group.

According to the PRC National Council, the “3-Network Convergence Policy (the telecommunication, broadcast TV and the Internet)” (三網融合) (the “Policy”) was classified as one of the major developments under the Twelve Five Years Plan and will be the major investment theme in the telecommunications and optic fiber industry (“Industry”) with conservative estimation of market value of RMB600 billion. Accordingly, the New Business, which is also able to extend to other major industries, i.e. energy, aviation and military communication, is of vast potential.

In January 2011, the Group entered into an agreement to acquire 50.1% shareholding interest of China Optic Communication Technology Limited (“China Optic”), which is principally engaged in the provision of New Business to the telecommunication operators in the PRC.

China Optic has developed established business relationships/connections in the Industry and has commenced operations in Guangdong (廣東省), Anhui (安徽省) and Shandong (山東省) by entering into contractual arrangements with China United Network Communications Group Co., Ltd. (“China Unicom”) and China Telecommunications Corporation (“China Telecom”) for the provision of the New Business. The established relationship of the Group in the telecommunication related industries is well positioned to facilitate China Optic to penetrate into other provinces in the PRC. China Option has recently reached agreement with China Unicom and China Telecom in Jiangsu (江蘇省) for the provision of the New Business. China Optic is also in negotiation with China Unicom in Henan (河南省) for provision of such service.

The acquisition of China Optic, which is expected to complete by the end of February this year, marks an important move by the Group on development of the New Business in the Industry. Leveraging on the high emphasis on the Policy by the PRC Government, the New Business will generate substantial return to the Group in the near future. In addition, the Board will continue to seek opportunities to acquire new operations within the setting of the New Business of the Group.

Financial Review

For the nine months ended 31 December 2010, the Group recorded a turnover of approximately HK\$19,862,000 (2009: approximately HK\$34,154,000) from its payment gateways business. The decrease was due to the adverse change in the payment industry in the PRC.

For the nine months ended 31 December 2010, the Group's net profit and profit attributable to equity holders of the Company decreased from approximately HK\$14,477,000 and HK\$13,068,000 of previous corresponding period to approximately HK\$4,530,000.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in shares:

Name of director	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Hsu Tung Chi	Beneficial	76,074,000(L)	2.83%
Hsu Tung Sheng	Beneficial	11,900,000(L)	0.44%
Yuan Shengjun	Beneficial	37,012,000(L)	1.38%

(L) denotes long position

(ii) Interests in share options:

Name of director	Number of share options outstanding	Approximate percentage of issued share capital
Chan Francis Ping Kuen	13,200,000*	0.49%
	2,160,000 [#]	0.08%
Chan Hin Wing, James	3,840,000 [#]	0.14%
Hsu Tung Sheng	3,840,000 [#]	0.14%
Hsu Tung Chi	3,840,000 [#]	0.14%
Yuan Shengjun	3,840,000 [#]	0.14%

* The exercise price of the share options is HK\$0.4333 per share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.

[#] The exercise price of the share options is HK\$0.3875 per share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.

Save as disclosed above, as at 31 December 2010, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 18 October 2001 pursuant to a written resolution of the Company. The Company has made the adjustment to the outstanding share options in accordance with the bonus issue. Details of the movements in the number of share options during the period under the scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 31/3/2010	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 31/12/2010
Directors								
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	–	–	–	13,200,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	2,160,000	–	–	–	2,160,000
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	–	3,840,000
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	–	3,840,000
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	–	3,840,000
Mr. Yuan Shengjun	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	–	3,840,000
Employees	17/12/2007	17/12/2007 – 16/12/2017	0.3775	22,800,000	–	–	–	22,800,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	–	3,840,000
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.3775	24,000,000	–	–	–	24,000,000
				<u>81,360,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>81,360,000</u>

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, other than the interests of directors of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	617,261,706(L)	22.98%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	617,261,706(L)	22.98%
	Beneficial	11,208,000(L)	0.42%
	Deemed	1,200,000(L)	0.04%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	628,469,706(L)	23.40%
	Beneficial	1,200,000(L)	0.04%

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 617,261,706 shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,200,000 shares held by Ms. Chan Yiu Kan Katie.

Ms. Chan Yiu Kan Katie, being the spouse of Mr. Lau, is deemed to be interested in 617,261,706 shares held by Starryland Profits Limited and 11,208,000 shares held by Mr. Lau.

Save as disclosed above, as at 31 December 2010, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the nine months ended 31 December 2010, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the Bye-laws of Bermuda, which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period ended 31 December 2010, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

CODE ON CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 31 December 2010 except that no nomination committee of the Board is established.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin and one executive director being Mr. Chan Francis Ping Kuen. Mr. Kwok Chi Sun, Vincent is the chairman of the Remuneration Committee. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. The unaudited financial statements of the Group for the period ended 31 December 2010 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 11 February 2011

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Chan Hin Wing, James, Mr. Hsu Tung Chi, and Mr. Yuan Shengjun. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin.

This announcement will appear and remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company’s website at www.palmpaychina.com.