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**PALMPAY CHINA (HOLDINGS) LIMITED**  
**中國掌付(集團)有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8047)**

**ISSUE OF THE WARRANTS**

**ISSUE OF UNLISTED WARRANTS**

The Directors are pleased to announce that on 12 July 2012 (after trading hours), the Company as an issuer entered into four separate conditional Warrant Subscription Agreements in substantially identical terms (save for the number of Warrants subscribed, the identity of the respective Subscriber and Guarantor as set out below and the necessary consequential changes) with each of the four Subscribers and their respective Guarantors in relation to the issue of an aggregate of 270,000,000 Warrants to the Subscribers, of which 80,000,000 Warrants are to be issued to the First Subscriber, 80,000,000 Warrants are to be issued to the Second Subscriber, 60,000,000 Warrants are to be issued to the Third Subscriber and 50,000,000 Warrants are to be issued to the Fourth Subscriber, at the Warrant Issue Price of HK\$0.005 per Warrant.

The Warrants entitle the Subscribers to subscribe for the New Shares at the Subscription Price of HK\$0.085 per New Share (subject to adjustment) for a period of 36 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share. The New Shares will rank pari passu with the Shares upon allotment and issue.

\* For identification purposes only

Completion of the Warrant Subscription Agreements is subject to the fulfillment of the conditions stated in the sections headed “CONDITIONS OF THE WARRANT SUBSCRIPTION” in this announcement.

It is intended that the net proceeds from the Warrant Subscription of approximately HK\$1 million will be applied for general working capital of the Group. In addition, assuming all the subscription rights attaching to the Warrants are exercised in full, it is expected that approximately HK\$22.95 million will be raised. The net proceeds from the exercise of Warrants of approximately HK\$22.95 million will be applied for business development of the existing business of the Group and for future potential investment opportunity and general working capital of the Group. As at the date of this announcement, the Company did not have any specific development and investment plans.

The New Shares will be issued under the General Mandate.

**Completion of the Warrant Subscription Agreements is subject to the satisfaction of the conditions precedent as set out below. As the Warrant Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **ISSUE OF UNLISTED WARRANTS**

The Directors are pleased to announce that on 12 July 2012 (after trading hours), the Company as an issuer entered into four separate conditional Warrant Subscription Agreements with each of the four Subscribers and their respective Guarantors in relation to the Warrant Subscription.

Save for the number of Warrants subscribed, the identity of the respective Subscriber and Guarantor as set out below and the necessary consequential changes, the terms of the Warrant Subscription Agreements are identical and details of which are set out as follows:

### **THE WARRANT SUBSCRIPTION AGREEMENTS**

#### **1. The First Warrant Subscription Agreement**

Date: 12 July 2012 (after trading hours)

Parties: (i) Issuer: the Company, as the issuer

(ii) Subscriber: the First Subscriber

(iii) Guarantor: the First Guarantor

Pursuant to the First Warrant Subscription Agreement, subject to the fulfilment of the conditions precedent, the First Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue 80,000,000 Warrants. Further details about the First Warrants are set out in the section headed “INFORMATION ABOUT THE WARRANTS” below.

The First Subscriber is a company incorporated in the British Virgin Islands. To the best of the Directors’ knowledge, information and belief, the First Subscriber is principally engaged in investment holding, with its entire issued share capital being wholly and beneficially owned by the First Guarantor whom is a private investor who has been investing in the securities market in Hong Kong.

## **2. The Second Warrant Subscription Agreement**

Date: 12 July 2012 (after trading hours)

Parties: (i) Issuer: the Company, as the issuer

(ii) Subscriber: the Second Subscriber

(iii) Guarantor: the Second Guarantor

Pursuant to the Second Warrant Subscription Agreement, subject to the fulfilment of the conditions precedent, the Second Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue 80,000,000 Warrants. Further details about the Second Warrants are set out in the section headed “INFORMATION ABOUT THE WARRANTS” below.

The Second Subscriber is a company incorporated in the British Virgin Islands. To the best of the Directors’ knowledge, information and belief, the Second Subscriber is principally engaged in investment holding with its entire issued share capital being wholly and beneficially owned by the Second Guarantor, whom is a private investor who has been investing in the securities market in Hong Kong.

### **3. The Third Warrant Subscription Agreement**

Date: 12 July 2012 (after trading hours)

Parties: (i) Issuer: the Company, as the issuer  
(ii) Subscriber: the Third Subscriber  
(iii) Guarantor: the Third Guarantor

Pursuant to the Third Warrant Subscription Agreement, subject to the fulfilment of the conditions precedent, the Third Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue 60,000,000 Warrants. Further details about the Third Warrants are set out in the section headed “INFORMATION ABOUT THE WARRANTS” below.

The Third Subscriber is a company incorporated in the British Virgin Islands. To the best of the Directors’ knowledge, information and belief, the Third Subscriber is principally engaged in investment holding with its entire issued share capital being wholly and beneficially owned by the Third Guarantor, whom is a private investor who has been investing in the securities market in Hong Kong.

### **4. The Fourth Warrant Subscription Agreement**

Date: 12 July 2012 (after trading hours)

Parties: (i) Issuer: the Company, as the issuer  
(ii) Subscriber: the Fourth Subscriber  
(iii) Guarantor: the Fourth Guarantor

Pursuant to the Fourth Warrant Subscription Agreement, subject to the fulfilment of the conditions precedent, the Fourth Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue 50,000,000 Warrants. Further details about the Fourth Warrants are set out in the section headed “INFORMATION ABOUT THE WARRANTS” below.

The Fourth Subscriber is a company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief, the Fourth Subscriber is principally engaged in investment holding with its entire issued share capital being wholly and beneficially owned by the Fourth Guarantor whom is a private investor who has been investing in the securities market in Hong Kong.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the First Subscriber, the Second Subscriber, the Third Subscriber, the Fourth Subscriber, the First Guarantor, the Second Guarantor, the Third Guarantor, the Fourth Guarantor and their respective associates is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules), and save as disclosed in this announcement none of them has any interests in or business dealings/transactions with the Group as at the date hereof.

### **CONDITIONS OF THE WARRANT SUBSCRIPTION**

Completion of the Warrant Subscription Agreements shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the GEM Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall reasonably object and the satisfaction of such conditions;
- (2) (if required) the Bermuda Monetary Authority shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall reasonably object and the satisfaction of such conditions; and
- (3) the GEM Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall reasonably object) the listing of, and the permission to deal in, the New Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants.

If the conditions of the Warrant Subscription Agreements are not fulfilled on or before 5 p.m. 15 August 2012 (or such a later date may be agreed by the parties in writing), the Warrant Subscription Agreements will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

### **COMPLETION OF THE WARRANT SUBSCRIPTION**

Completion of Warrant Subscription will take place within 3 Business Days after the fulfillment of the conditions referred to in the section headed "CONDITIONS OF THE WARRANT SUBSCRIPTION" above. HK\$1.35 million, being the aggregate Warrant Issue Price for

270,000,000 Warrants, shall be payable by the Subscribers or their nominee(s) at completion of the Warrant Subscription. The Subscription Price shall be payable by holder(s) of the Warrants upon the exercise of the subscription rights attaching to the Warrants.

## **INFORMATION ABOUT THE WARRANTS**

### **Warrant Issue Price**

The Warrant Issue Price is HK\$0.005 per Warrant. Taking into account, among other fees, legal fees, printing expenses, etc., the net Warrant Issue Price is approximately HK\$0.0037 per Warrant.

### **Subscription Price**

The Subscription Price is HK\$0.085 per New Share, which is same as the net Subscription Price and is subject to adjustments based on the prescribed formulas as set out in the instrument creating the Warrants for the happening of the following adjustment events:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares (in their capacity as such);
- (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 70 per cent. of the average market price of one Share for the five consecutive dealings days ending on such last dealing day immediately preceding the day on which the market price is to be ascertained (the “**market price**”) being made by the Shareholders (in their capacity as such);
- (vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 70 per cent. of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 70 per cent. of such market price;

- (vii) an issue of Shares being made wholly for cash at a price less than 70 per cent. of the market price; and
- (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognized stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price shall be certified either by the auditors of the Company or by an approved merchant bank.

The Subscription Price represents:

- (i) a discount of approximately 17.48% of the closing price of HK\$0.103 per Share as quoted on the GEM on 12 July 2012, being the date of the Warrant Subscription Agreements;
- (ii) a discount of approximately 22.16% to the average closing price of HK\$0.1092 per Share as quoted on the GEM for the last five trading days immediately prior to 12 July 2012, being the last trading day before the date of Warrant Subscription Agreements;
- (iii) a discount of approximately 23.56% to the average closing price of HK\$0.1112 per Share as quoted on the GEM for the last ten trading days immediately prior to 12 July 2012, being the last trading day before the date of Warrant Subscription Agreements; and
- (iv) a premium of approximately 19.89% over the latest published audited net asset value per Share of approximately HK\$0.0709 (“NAV”) as shown in the Group’ audited consolidated financial statements for the financial year ended 31 March 2012 (on the basis of 1,725,795,656 total existing issued Shares as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Subscription Price represents:

- (i) a discount of approximately 12.62% to the closing price of HK\$0.103 per Share as quoted on the GEM on 12 July 2012, being the date of the Warrant Subscription Agreements;
- (ii) a discount of approximately 17.58% to the average closing price of HK\$0.1092 per Share as quoted on the GEM for the last five trading days immediately prior to 12 July 2012, being the last trading day before the date of the Warrant Subscription Agreements;
- (iii) a discount of approximately 19.06% to the average closing price of HK\$0.1112 per Share as quoted on the GEM for the last ten trading days immediately prior to 12 July 2012, being the last trading day before the date of the Warrant Subscription Agreements; and

(iv) a premium of approximately 26.94% over the NAV.

The Subscription Price was determined after arm's length negotiation among the Company, the Subscribers and the Guarantors with reference to the Company's recent share price performance. Having considered (i) the discount of the aggregate of the Warrant Issue Price and the Subscription Price to the recent trading prices of the Shares; (ii) the value of the Warrants which the Subscribers are subscribing; and (iii) the Warrant Issue Price and the Subscription Price in aggregate present a premium over the NAV, the Board considers that the terms of the Warrant Subscription Agreements are fair and reasonable and believe that the Warrant Subscription is in the interests of the Company and its Shareholders as a whole.

### **Transferability**

The Warrants are transferable only to third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules), in integral multiples of 1,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 1,000,000 Warrants, the whole but not part of the outstanding Warrants). Apart from the aforesaid, there are no restrictions on the transfer of the Warrants from the Subscribers to other parties, and no consent from the Company is required before such transfer is to take place.

### **Information of the Warrants**

The Warrants will be issued to the Subscribers or their respective nominee(s) upon completion of the Warrant Subscription in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Subscription Price (subject to adjustment) and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 36 months commencing from the date of issue of the Warrants in integral multiples of 1,000,000 Warrants. Where the number of the outstanding Warrants is less than 1,000,000 Warrants, the Subscribers shall have the right to exercise the whole but not part of the outstanding number of Warrants to subscribe for the New Shares in cash at the Subscription Price per New Share. The New Shares, when fully paid and allotted, will rank pari passu in all respects with the existing issued Shares. The integral multiples of 1,000,000 Warrants for the transfer of and exercise of the subscription rights under the Warrants was arrived at by the parties to the Warrant Subscription Agreements after taking into consideration of the costs and expenses for transferring or exercising the subscription rights under the Warrants.

Any subscription rights attaching to the Warrants which have not been exercised upon the expiration of the three-year subscription period shall lapse.

A total of 270,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 270,000,000 New Shares (in aggregate nominal value of HK\$13.5 million), representing (i) 15.64% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.54% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares from the full exercise of the subscription rights attaching to the Warrants. Based on the closing price of HK\$0.103 per Share as quoted on the GEM on 12 July 2012, the market value of the New Shares is HK\$27.81 million. The total nominal value of the New Shares is HK\$13,500,000.

### **Voting rights for the holders of the Warrants**

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Mandate to issue the New Shares**

The New Shares will be allotted and issued under the General Mandate granted to the Directors by the Shareholders at the special general meeting of the Company held on 29 December 2011 to allot and issue up to HK\$13,807,956.55 divided into 276,159,131 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company on that date.

As the Warrant Shares are to be issued under General Mandate, the Placing is not subject to the Shareholders' approval. The 270,000,000 New Shares to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants will utilise about 97.77% of the General Mandate. The General Mandate has not been previously utilised prior to the Warrant Subscription.

In the event that following any adjustments of the Subscription Price made in accordance with the terms and conditions of the Warrants, the number of the new Shares (the "**Excess New Shares**") which may fall to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Warrants will exceed the authorization under the General Mandate, the Company shall (i) convene and hold as soon as reasonably practicable and in any event, within 30 days from the date of the notification to the holders of the Warrants of such adjustment of the Subscription Price (the "**Approval Period**") a special general meeting (the "**SGM**") of the Shareholders to approve the grant of a specific mandate (the "**Specific Mandate**") to the Directors to allot and issue the Excess New Shares; (ii) apply to the Stock Exchange for the approval of the listing of and permission to deal in, the Excess New Shares as soon as reasonably practicable and in any event within three days from the date of the notice of the SGM; and (iii) procure that the listing of and permission to deal in, the Excess New Shares be granted by the Stock Exchange within the Approval Period. In the event that the last date of the

Approval Period shall fall on a date beyond the 36-month subscription period, the subscription period shall be extended by the corresponding number of days by which such last date of the Approval Period shall fall beyond the subscription period.

## **APPLICATION FOR LISTING**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on GEM or any other stock exchanges.

As at the date of this announcement, the Company has 1,725,795,656 Shares in issue, save for the Warrants to be issued, there are 24,636,209 non listed warrants issued on 26 August 2011 with the subscription price of HK\$0.591 per warrant remain outstanding. As at the date of this announcement, the new Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company. The Directors also confirm that they will exercise every caution in relation to any subsequent proposed issue of any securities to ensure compliance with Rule 21.02 of the GEM Listing Rules.

Apart from the restriction on Warrant transfer as set out under the heading “Transferability” above, subject to the relevant provisions under the GEM Listing Rules, there are no other prohibitions on the Company to issue further securities nor are there any limitations on the Subscribers to transfer the New Shares in the Warrant Subscription Agreements.

## **USE OF PROCEEDS**

It is intended that (i) the net proceeds from the Warrant Subscription of approximately HK\$1 million will be applied as general working capital of the Group and (ii) the maximum net proceeds from the exercise of Warrants and subscription of New Shares of approximately HK\$22.95 million will be applied as business development of the existing business of the Group and for future potential investment opportunity and general working capital of the Group. As at the date of this announcement, the Company did not have any specific development and investment plans. The net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the Warrant Subscription and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK\$0.089 per Warrant.

## REASONS FOR THE WARRANT SUBSCRIPTION

The Group is principally engaged in the provision of payment gateway services, and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment, the provision of energy management services, and the provision of integrated solutions for lightning electromagnetic pulse protection for telecommunication operators and electricity providers in the PRC.

The Directors are of the view that additional funding will strengthen the financial position of the Group for any future business development of the existing business of the Group and for future potential investment opportunity, which will be beneficial and in the interest of the Group and the Shareholders as a whole. The Board considered that the present Warrant Subscription are appropriate as (i) issue of warrants does not have any immediate dilution effect on the shareholding of the existing Shareholders while capital will be raised upon completion of the Warrant Subscription; (ii) non-interest bearing nature of Warrants; (iii) favourable market sentiment for equity fund raising; and (iv) broaden the Shareholders' base of the Company. In addition, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holders of the Warrants during the subscription period.

Immediately after completion of the Warrant Subscription, there will be no change to the composition of the Board and the principal business engaged by the Group.

## SUMMARY OF FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

The Group has conducted the following fund raising activity for the 12 months immediately preceding the date of this announcement:

| <b>Date of announcement</b> | <b>Event</b> | <b>Net proceeds (approx.)</b> | <b>Intended use of proceeds</b>  | <b>Actual use of proceeds</b>   |
|-----------------------------|--------------|-------------------------------|--|---|
| 12 July 2011                | Open offer   | HK\$28.87 million             | To finance future investments in the telecommunication related business, business development of the Group and towards general working capital | Fully utilized for the acquisition of 51% equity interest in Viva Champion Limited and 55% equity interests in Boomtech Limited and general working capital |

## CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,725,795,656 Shares in issue. Below is the shareholding structure of the Company immediately before and after the full exercise of the subscription rights attaching to the Warrants (assuming there being no other change in the shareholding structure of the Company) based on the best knowledge of the Directors:

| Shareholders  | As at the date of this announcement |               | Immediately after full exercise of the subscription rights attaching to the Warrants |               |
|---|-------------------------------------|---------------|--|---------------|
|   | Number of shares                    | Approximate % | Number of shares   | Approximate % |
| Starryland Profits Limited ( <i>Note 1</i> )          | 346,404,682                         | 20.07         | 346,404,682  | 17.36         |
| Mr. Lau Kim Hung, Jack ( <i>Note 1</i> )              | 4,483,200                           | 0.26          | 4,483,200  | 0.22          |
| Ms. Chan Yiu Kan, Katie ( <i>Note 1</i> )             | 1,480,000                           | 0.09          | 1,480,000  | 0.07          |
| Other associates                                      | <u>2,000,000</u>                    | <u>0.12</u>   | <u>2,000,000</u>   | <u>0.10</u>   |
| Subtotal  | 354,367,882                         | 20.54         | 354,367,882  | 17.75         |
| Brilliant Bloom Investments Limited ( <i>Note 2</i> ) | 345,000,000                         | 19.99         | 345,000,000  | 17.29         |
| Mr. Yuan Shengjun ( <i>Note 3</i> )                   | 14,804,800                          | 0.86          | 14,804,800   | 0.74          |
| <i>Public</i>   |                                     |               |  |               |
| Other concert parties of Starryland                   | 13,848,532                          | 0.80          | 13,848,532   | 0.69          |
| The First Subscriber                                  | –                                   | –             | 80,000,000   | 4.01          |
| The Second Subscriber                                 | –                                   | –             | 80,000,000   | 4.01          |
| The Third Subscriber                                  | –                                   | –             | 60,000,000   | 3.01          |
| The Fourth Subscriber                                 | <u>–</u>                            | <u>–</u>      | <u>50,000,000</u>  | <u>2.51</u>   |
| Subtotal  | –                                   | –             | 270,000,000  | 13.54         |
| Other public Shareholders                             | <u>997,774,442</u>                  | <u>57.81</u>  | <u>997,774,442</u>   | <u>49.99</u>  |
| Total   | <u>1,725,795,656</u>                | <u>100</u>    | <u>1,995,795,656</u>   | <u>100</u>    |

Notes:

1. Starryland Profits Limited (“Starryland”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”). Starryland beneficially owns 346,404,682 Shares. Under the SFO, Mr. Lau is deemed to be interested in 346,404,682 Shares. Mr. Lau also beneficially owns 4,483,200 Shares. Ms. Chan Yiu Kan Katie (“Ms. Chan”), the wife of Mr. Lau, is deemed to be interested in their respective shareholding in the Company under the SFO.
2. Brilliant Bloom Investments Limited beneficially owns 345,000,000 Shares. It is wholly and beneficially owned by Mr. Ng Yui Wah Sonny. Therefore, Mr. Ng Yui Wah Sonny is deemed to be interested in 345,000,000 Shares.
3. Mr. Yuan Shengjun is an executive Director, chairman and chief executive officer of the Company.

None of the Subscribers or their respective nominee(s) is expected to become a substantial Shareholder (as defined under the GEM Listing Rules) upon completion of the Share Subscription and the exercise of the subscription rights attached to the Warrants. Each of the Subscribers and its respective ultimate beneficial owner is independent of and not acting in concert with or connected with each other.

**Completion of the Warrant Subscription Agreements is subject to the satisfaction of the conditions precedent as set out below. As the Warrant Subscription may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

|                   |  |
|-------------------|--|
| “Board”           | the board of Directors   |
| “Business Day”    | any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “Company”         | Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM   |
| “Directors”       | the directors of the Company   |
| “First Guarantor” | Mr. Ong Chor Wei, the ultimate beneficial owner of the First Subscriber  |

|   |  |
|---|--|
| “First Subscriber”                      | Advantage Horizon Limited, the subscriber to the First Warrant Subscription Agreement, is a company incorporated in British Virgin Islands and its ultimate beneficial owner is the First Guarantor                                  |
| “First Warrant Subscription”            | the issuing of the First Warrants at the Warrant Issue Price pursuant to the First Warrant Subscription Agreement  |
| “First Warrant Subscription Agreement”  | the conditional warrant subscription agreement dated 12 July 2012 and entered into among the Company, the First Subscriber and the First Guarantor in relation to the subscription of 80,000,000 Warrants by the First Subscriber    |
| “First Warrants”                        | 80,000,000 Warrants to be issued to the First Subscriber pursuant to the terms of the First Warrant Subscription Agreement   |
| “Fourth Guarantor”                      | Mr. Lee Chun Kun Gary, the ultimate beneficial owner of the Fourth Subscriber  |
| “Fourth Subscriber”                     | Greenmile Developments Limited, the subscriber to the Fourth Warrant Subscription Agreement, is a company incorporated in the British Virgin Islands and its ultimate beneficial owner is the Fourth Guarantor                       |
| “Fourth Warrant Subscription”           | the issuing of the Fourth Warrants at the Warrant Issue Price pursuant to the Fourth Warrant Subscription Agreement  |
| “Fourth Warrant Subscription Agreement” | the conditional warrant subscription agreement dated 12 July 2012 and entered into among the Company, the Fourth Subscriber and the Fourth Guarantor in relation to the subscription of 50,000,000 Warrants by the Fourth Subscriber |
| “Fourth Warrants”                       | 50,000,000 Warrants to be issued to the Fourth Subscriber pursuant to the terms of the Fourth Warrant Subscription Agreement   |
| “GEM”                                   | the Growth Enterprise Market of the Stock Exchange   |
| “GEM Listing Rules”                     | the Rules Governing the Listing of Securities on GEM   |

|   |  |
|---|--|
| “General Mandate”                       | the general mandate granted to the Directors by the Shareholders at the special general meeting of the Company convened and held on 29 December 2011 to allot and issue up to HK\$13,807,956.55 divided into 276,159,131 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company on that date |
| “Group”                                 | the Company and its subsidiaries   |
| “Guarantors”                            | together the First Guarantor, the Second Guarantor, the Third Guarantor and Fourth Guarantor and each a “Guarantor”  |
| “Hong Kong”                             | the Hong Kong Special Administrative Region of the PRC   |
| “New Share(s)”                          | new Share(s) which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrant(s)   |
| “PRC”                                   | The People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Second Guarantor”                      | Mr. Lam Chi Chung Tommy, the ultimate beneficial owner of the Second Subscriber  |
| “Second Subscriber”                     | Total Accord Investments Limited, the subscriber to the Second Warrant Subscription Agreement, is a company incorporated in British Virgin Islands and its ultimate beneficial owner is the Second Guarantor   |
| “Second Warrant Subscription”           | the issuing of the Second Warrants at the Warrant Issue Price pursuant to the Second Warrant Subscription Agreement  |
| “Second Warrant Subscription Agreement” | the conditional warrant subscription agreement 12 July 2012 and entered into among the Company, the Second Subscriber and the Second Guarantor in relation to the subscription of 80,000,000 Warrants by the Second Subscriber   |
| “Second Warrants”                       | 80,000,000 Warrants to be issued to the Second Subscriber pursuant to the terms of the Second Warrant Subscription Agreement   |
| “Share(s)”                              | ordinary share(s) of HK\$0.05 each in the capital of the Company   |

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| “Shareholders”                         | holders of the Shares  |
| “Stock Exchange”                       | The Stock Exchange of Hong Kong Limited  |
| “Subscribers”                          | together the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber   |
| “Subscription Price”                   | an initial subscription price of HK\$0.085 per New Share (subject to adjustments) at which holder of the Warrants may subscribe for the New Shares   |
| “Third Guarantor”                      | Mr. So Kui Kuen Peter, the ultimate beneficial owner of the Third Subscriber   |
| “Third Subscriber”                     | Precise Gains Limited, the subscriber to the Third Warrant Subscription Agreement, is a company incorporated in British Virgin Islands and its ultimate beneficial owner is the Third Guarantor  |
| “Third Warrant Subscription”           | the issuing of the Third Warrants at the Warrant Issue Price pursuant to the Third Warrant Subscription Agreement  |
| “Third Warrant Subscription Agreement” | the conditional warrant subscription agreement 12 July 2012 and entered into among the Company, the Third Subscriber and the Third Guarantor in relation to the subscription of 60,000,000 Warrants by the Third Subscriber  |
| “Third Warrants”                       | 60,000,000 Warrants to be issued to the Third Subscriber pursuant to the terms of the Third Warrant Subscription Agreement   |
| “Warrants”                             | 270,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Subscription Price of HK\$0.085 (subject to adjustments) at any time during a period of 36 months commencing from the date of issue of the Warrants |
| “Warrant Issue Price”                  | HK\$0.005 per unit of Warrant to be issued pursuant to the Warrant Subscription Agreements   |
| “Warrant Subscription”                 | the subscription of an aggregate of 270,000,000 Warrants under the Warrant Subscription Agreements   |

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|-----------------------------------|--|
| “Warrant Subscription Agreements” | together the First Warrant Subscription Agreement, the Second Warrant Subscription Agreement, the Third Warrant Subscription Agreement and the Fourth Warrant Subscription Agreement |
| “HK\$”                            | Hong Kong dollars, the lawful currency of Hong Kong  |
| “%”                               | per cent.  |

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

Hong Kong, 12 July 2012

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

*This announcement, for which the Directors 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its posting and the Company’s website at [www.palmpaychina.com](http://www.palmpaychina.com).*