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Palmpay

PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**PROPOSAL FOR BONUS ISSUE OF SHARES
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

PROPOSED BONUS ISSUE

The Board proposed a Bonus Issue to Qualifying Shareholders (other than Excepted Shareholders). The Bonus Issue is proposed to be made on the basis of one Bonus Share for every five existing Shares held by the Qualifying Shareholders (other than Excepted Shareholders) whose names appear on the register of members of the Company on the Record Date. **The register of members of the Company will be closed from Monday, 28 July 2008 to Friday, 1 August 2008, both days inclusive, to ascertain the entitlement of the Shareholders under the Bonus Issue. In order for the holders of the Options to be qualified for the Bonus Issue, they must lodge the Options exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue. In order for the holders of the Warrants to be qualified for the Bonus Issue, they must lodge the Warrant exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue.**

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Bonus Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares, of which 1,305,312,924 Shares are in issue and fully paid. The Board proposes to increase the existing authorised share capital of the Company to HK\$200,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 unissued Shares of HK\$0.05 each. The proposed increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the AGM.

* For identification purpose only

GENERAL

A circular, containing further details on the proposed Bonus Issue, the proposed increase in authorised share capital of the Company, together with a notice convening the AGM, will be despatched to the Shareholders as soon as possible.

PROPOSED BONUS ISSUE

Reference is made to the Annual Results Announcement. The Board hereby announces that it has resolved to propose a Bonus Issue to the Shareholders in recognition of their continual support.

The Bonus Issue is proposed to be made to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The terms of the Bonus Issue are set out below.

Basis of Bonus Issue

Subject to the conditions as set out under the heading “Conditions of Bonus Issue” below, the Bonus Issue is proposed to be made on the basis of one Bonus Share for every five existing Shares held on the Record Date by the Qualifying Shareholders. The Bonus Shares will be issued and credited as fully paid at par. On the basis of 1,305,312,924 existing Shares in issue as at the date of this announcement, and assuming no further Shares will be issued or purchase before the Record Date, 261,062,584 Bonus Shares will be issued under the Bonus Issue, representing approximately 20% of the issued share capital as at the date of this announcement and the Record Date.

Record Date and closure of register of members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Excepted Shareholders are further elaborated below under the heading “Overseas Shareholders”.

The register of members of the Company will be closed from Monday, 28 July 2008 to Friday, 1 August 2008, both days inclusive, in order to determine the entitlement of the Shareholders under the Bonus Issue. In order for the holders of the Options to be qualified for the Bonus Issue, they must lodge the Option exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue. In order for the holders of the Warrants to be qualified for the Bonus Issue, they must lodge the Warrant exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares no later than 4:00 p.m. on 25 July 2008 in order to be qualified for the Bonus Issue.

Shareholders are reminded that in order to qualify for the Bonus Issue, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 25 July 2008.

On the basis of (i) no further Shares are issued before the Record Date, a total of 261,062,584 Bonus Shares will be issued pursuant to the Bonus Issue; and (ii) assuming all the Options and Warrants are exercised before the latest lodging time, a total of 321,422,584 Bonus Shares will be issued pursuant to the Bonus Issue. Accordingly, the Bonus Shares to be issued pursuant to the Bonus Issue will therefore be not more than 321,422,584 Bonus Shares.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until the Record Date. The Company will make an announcement when the number of Bonus Shares is determined.

Reasons for the proposed Bonus Issue

In recognition of the continual support of the Shareholders, the Board decided to propose the Bonus Issue. In addition to that, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Company's shareholder and capital base.

Overseas Shareholders

For those Overseas Shareholders, enquiry will be made by the Board pursuant Rule 17.41 of the GEM Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the Overseas Shareholders is necessary or expedient, the Bonus Shares will not be granted to the Excepted Shareholders. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Excepted Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Excepted Shareholders, if any, pro rata to their respective shareholdings and remittances therefore will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100.00, in which case it will be retained for the benefit of the Company.

Status of Bonus Shares

The Bonus Shares, upon issued, will rank pari passu with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

Conditions of Bonus Issue

The Bonus Issue is conditional upon:

- (i) the approval of the Bonus Issue by the Shareholders at the AGM of the Company to be held;
- (ii) the GEM Listing Committee of the Stock Exchange granting the listings of, and permission to deal in, the Bonus Shares; and
- (iii) the completion of the increase in authorised share capital of the Company.

The Directors confirm that none of the Shareholders will be required to abstain from voting at the AGM.

Application will be made to the GEM Listing Committee of the Stock Exchange in respect of such listings of, and permission to deal in, the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares.

Adjustments to Convertible Bonds, Options and Warrants

Taking into account of the Acquisition, the Company will issue a maximum of 145,454,545 convertible bonds, of which 5,818,182 convertible bonds were issued. As at the date of this announcement, there are 5,818,182 Convertible Bonds, 78,800,000 Options and 223,000,000 Warrants outstanding. The Bonus Issue may lead to adjustment to the exercise price and/or the number of Shares which may fall to be issued upon exercise of Convertible Bonds, Options and Warrants. In view that the exact number of the Bonus Shares will not be determined until the Record Date, therefore the Company will make further announcement upon the aforesaid adjustments to the Convertible Bonds, Options and Warrants have been determined in the circular.

Save for the Convertible Bonds, Options and Warrants, the Company has no outstanding options, warrants or convertible securities to subscribe for any Shares.

Certificates for Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or before 12 August 2008 after all the conditions have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on the next business day after the allotment and issue of the Bonus Shares.

Expected timetable

2008

Despatch of the circular of AGM	On or before Wednesday, 9 July
Last day of dealings in the Shares on a cum-entitlement basis	Wednesday, 23 July
First day of dealing in the Shares on an ex-entitlement basis	Thursday, 24 July
Latest time for lodging transfers of the Shares for registration in order to qualify for the Bonus Issue	4:00 p.m. on Friday, 25 July
Latest time for lodging the Option exercise form or Warrant exercise form together with a remittance in cash for the amount of the exercise price for the respective Shares in order to be qualified for the Bonus Issue	4:00 p.m. on Friday, 25 July
Closure of register of members of the Company	Monday, 28 July to Friday, 1 August, (both days inclusive)
Latest time to return form of proxy for the AGM	11:00 a.m. Wednesday, 30 July
Date of AGM	11:00 a.m. Friday, 1 August
Record date for determination of entitlements to the Bonus Issue of Shares	Friday, 1 August
Register of members re-opens	Monday, 4 August
Certificates for the Bonus Shares expected to be despatched	On or before Tuesday, 12 August
Dealings in Bonus Shares commence	Thursday, 14 August

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares, of which 1,305,312,924 Shares are in issue and fully paid. Taking into account of the Acquisition, of which the Company will issue a maximum of 145,454,545 convertible bonds, the outstanding Options and Warrant, the total number of issued Shares may increase to up to 1,752,567,469 Shares after the Bonus Issue. In order to accommodate future expansion and growth of the Group, the Board proposes to increase the existing authorised share capital of the Company to HK\$200,000,000 dividend into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 unissued Shares of HK\$0.05 each. As at the date of this announcement, there are not any plans for the Directors to issue Shares out of the additional 2,000,000,000 unissued Shares to be created.

The proposed increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the AGM. No Shareholder is required to abstain from voting on such resolution.

GENERAL

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Bonus Shares. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

The Bonus Issue and the increase in authorised share capital of the Company are not inter-conditional.

No Shareholder is required to abstain from voting on the ordinary resolutions to approve the Bonus Issue and the increase in authorised share capital of the Company at the AGM.

A circular containing, among others, details of the Bonus Issue and the increase in authorised share capital of the Company, together with a notice convening the AGM, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	acquisition of 24% interest in Media Magic Technology Limited which was completed on 21 December 2007
“AGM”	the annual general meeting of the Company to be convened and held on 11:00 a.m. Friday, 1 August 2008
“Annual Results Announcement”	announcement of the Company dated 25 June 2008 in relation to its annual results for the year ended 31 March 2008
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of Bonus Shares on the basis of one bonus Share for every five existing Shares
“Bonus Shares”	the new Shares to be issued under the Bonus Issue
“business days”	any day on which the Stock Exchange is open for the transaction of business
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Convertible Bonds”	convertible bonds issued pursuant to the terms of the Acquisition
“Directors”	the directors of the Company from time to time
“Excepted Shareholders”	those Overseas Shareholders, the Board, after making enquiries pursuant to Rule 17.41 of the GEM Listing Rules, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant body or stock exchange in that place not to extend the Bonus Issue to them
“GEM Listing Committee”	the listing committee of GEM
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM

“GEM”	the Growth Enterprise Market of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Option(s)”	share option(s) granted under the share option scheme adopted by the Company on 18 October 2001
“Overseas Shareholders”	holders of Shares whose addresses as shown on the register of members on the Record date are outside Hong Kong
“Qualifying Shareholders”	holders of Shares not being Excepted Shareholders who are entitled to the Bonus Issue
“Record Date”	1 August 2008, being the record date for determination of entitlements to the Bonus Issue
“Registrar”	Tricor Tengis Limited, Hong Kong branch share registrar and transfer office of the Company at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	unlisted warrant(s) of the Company in registered form, each conferring rights to holder(s) thereof to subscribe for one Share

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

Hong Kong, 2 July 2008

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and Mr. Chan Hin Wing, James. The non-executive Director and the chairman of the Company is Dr. Ho Hoi Lap. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing.

This announcement, 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:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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