



## **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 2008**

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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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.*

\* For identification purpose only

## **HIGHLIGHTS**

For the nine months ended 31 December 2008

- the turnover of the Group, which represents revenue from its mobile payment gateway business, was approximately HK\$39,379,000 as compared to the same of approximately HK\$23,689,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$11,718,000 (2007: HK\$5,411,000).
- the directors do not recommend the payment of any dividend (2007: Nil).
- the earnings per share of the Company was approximately HK0.82 cents (2007: HK0.49 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 2008 together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

	<i>Notes</i>	Nine months ended 31 December		Three months ended 31 December	
		2008 (unaudited) <i>HK\$'000</i>	2007 (unaudited) <i>HK\$'000</i>	2008 (unaudited) <i>HK\$'000</i>	2007 (unaudited) <i>HK\$'000</i>
Turnover	3	<b>39,379</b>	110,484	<b>13,677</b>	40,594
Cost of sales		<u><b>(5,589)</b></u>	<u>(76,649)</u>	<u><b>(1,846)</b></u>	<u>(26,514)</u>
Gross profit		<b>33,790</b>	33,835	<b>11,831</b>	14,080
Other revenue		<b>2,949</b>	3,100	<b>2,496</b>	966
Distribution costs		<b>(4,350)</b>	(5,265)	<b>(1,380)</b>	(2,667)
Administrative expenses		<u><b>(8,717)</b></u>	<u>(15,459)</u>	<u><b>(3,094)</b></u>	<u>(5,755)</u>
Profit from operating activities		<b>23,672</b>	16,211	<b>9,853</b>	6,624
Gain on disposal of subsidiaries		–	2,850	–	–
Finance costs		<u><b>(110)</b></u>	<u>(5,213)</u>	<u><b>(40)</b></u>	<u>(1,539)</u>
Profit before income tax		<b>23,562</b>	13,848	<b>9,813</b>	5,085
Income tax	4	<u><b>(6,405)</b></u>	<u>(2,445)</u>	<u><b>(2,313)</b></u>	<u>(956)</u>
Profit for the period		<u><b>17,157</b></u>	<u>11,403</u>	<u><b>7,500</b></u>	<u>4,129</u>
Attributable to Equity holders of the Company		<b>11,718</b>	5,411	<b>5,373</b>	1,866
Minority interests		<u><b>5,439</b></u>	<u>5,992</u>	<u><b>2,127</b></u>	<u>2,263</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share	5				
– Basic (cents)		<u><b>0.82</b></u>	<u>0.49</u>	<u><b>0.34</b></u>	<u>0.16</u>
– Diluted (cents)		<u><b>0.79</b></u>	<u>0.49</u>	<u><b>0.33</b></u>	<u>0.16</u>

Notes:

## 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange.

The Group is principally engaged in the provision of mobile payment gateway services.

## 2. Basis of presentation

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value and promissory notes which have been measured at amortised cost. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2008.

## 3. Turnover

The Group’s turnover represents the net invoiced services rendered. All significant intra-group transactions have been eliminated on consolidation.

	Nine months ended 31 December 2008 (unaudited) HK\$’000		Three months ended 31 December 2008 (unaudited) HK\$’000	
	2007 (unaudited) HK\$’000		2007 (unaudited) HK\$’000	
Continuing Operation				
Mobile payment gateway services		39,379		13,677
Discontinued Operations				
Trading and manufacturing of electronic devices and components		–		–
Design and engineering services		–		–
		23,689		10,026
		85,334		29,727
		1,461		841
		<u>39,379</u>		<u>13,677</u>
		<u>110,484</u>		<u>40,594</u>

## 4. Income tax

Hong Kong profits tax has not been provided (2007: 17.5%) as there was no assessable income in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Nine months ended 31 December 2008 (unaudited) HK\$’000		Three months ended 31 December 2008 (unaudited) HK\$’000	
	2007 (unaudited) HK\$’000		2007 (unaudited) HK\$’000	
Current tax		6,405		2,313
Deferred tax		–		–
		1,880		829
		565		127
Tax charge for the period		<u>6,405</u>		<u>2,313</u>
		<u>2,445</u>		<u>956</u>

Deferred tax is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.

## 5. Earnings per share

The calculation of basic earnings per share for the three months and nine months ended 31 December 2008 is based on the unaudited consolidated net profit from ordinary activities attributable to equity holders for the three months and nine months ended 31 December 2008 of approximately HK\$5,373,000 and approximately HK\$11,718,000 respectively (three months and nine months ended 31 December 2007: approximately HK\$1,866,000 and approximately HK\$5,411,000 respectively) and the weighted average number of 1,566,375,508 and 1,433,673,154 shares in issue (three months and nine months ended 31 December 2007: 1,138,501,800 and 1,104,160,211 shares).

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and nine months ended 31 December 2008, the Company had one category of dilutive potential ordinary shares: share options.

	<b>Nine months ended 31 December 2008 HK\$'000</b>	Three months ended 31 December 2008 HK\$'000
Profit used to determine diluted earnings per share	<u><b>11,718</b></u>	<u>5,373</u>
Weighted average number of ordinary shares in issue	<b>1,433,673,154</b>	1,566,375,508
Adjustments for assumed exercise of share options	<u><b>44,437,488</b></u>	<u>44,437,488</u>
Weighted average number of ordinary shares of diluted earnings per share	<u><b>1,478,110,642</b></u>	<u>1,610,812,996</u>
	<b>Nine months ended 31 December 2008</b>	Three months ended 31 December 2008
Diluted earnings per share	<u><b>HK0.79 cents</b></u>	<u>HK0.33 cents</u>

	<b>Nine months ended 31 December 2007 <i>HK\$'000</i></b>	Three months ended 31 December 2007 <i>HK\$'000</i>
Profit used to determine diluted earnings per share	<u><u>5,411</u></u>	<u><u>1,866</u></u>
Weighted average number of ordinary shares in issue	<u>1,104,160,211</u>	1,138,501,800
Adjustments for assumed exercise of share options	<u>3,636,066</u>	<u>3,636,066</u>
Weighted average number of ordinary shares of diluted earnings per share	<u><u>1,107,796,277</u></u>	<u><u>1,142,137,866</u></u>
	<b>Nine months ended 31 December 2007</b>	Three months ended 31 December 2007
Diluted earnings per share	<u><u>HK0.49 cents</u></u>	<u><u>HK0.16 cents</u></u>

## 6. Reserves

	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Convertible notes reserve (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Warrants reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 April 2007	57,163	6,015	1,205	-	2,480	-	(26,973)	39,890	4,567	44,457
Issue of shares	46,200	-	-	-	-	-	-	46,200	-	46,200
Share issuing expenses	(1,853)	-	-	-	-	-	-	(1,853)	-	(1,853)
Exercise of share options	12,763	-	-	-	(2,480)	-	-	10,283	-	10,283
Issue of warrants	-	-	-	-	-	1,441	-	1,441	-	1,441
Disposal of subsidiaries	-	-	(96)	-	-	-	-	(96)	(1,987)	(2,083)
Arising on consolidation of subsidiaries	-	-	(77)	-	-	-	-	(77)	92	15
Net profit for the period	-	-	-	-	-	-	3,545	3,545	3,729	7,274
At 30 September 2007 and at 1 October 2007	114,273	6,015	1,032	-	-	1,441	(23,428)	99,333	6,401	105,734
Issue of shares	65,351	-	-	-	-	-	-	65,351	-	65,351
Issue of convertible notes	-	-	-	443	-	-	-	443	-	443
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	(4,858)	(4,858)
Arising on consolidation of subsidiaries	-	-	(46)	-	-	-	-	(46)	-	(46)
Net profit for the period	-	-	-	-	-	-	1,866	1,866	2,263	4,129
At 31 December 2007	<u>179,624</u>	<u>6,015</u>	<u>986</u>	<u>443</u>	<u>-</u>	<u>1,441</u>	<u>(21,562)</u>	<u>166,947</u>	<u>3,806</u>	<u>170,753</u>
At 1 April 2008	179,624	6,015	2,314	443	3,736	1,340	(45,724)	147,748	6,850	154,598
Issue of consideration shares	14,470	-	-	-	-	-	-	14,470	-	14,470
Issue of bonus shares	(13,053)	-	-	-	-	-	-	(13,053)	-	(13,053)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	450	450
Arising on consolidation of subsidiaries	-	-	1,122	-	-	-	-	1,122	-	1,122
Net profit for the period	-	-	-	-	-	-	6,345	6,345	3,312	9,657
At 30 September 2008 and at 1 October 2008	181,041	6,015	3,436	443	3,736	1,340	(39,379)	156,632	10,612	167,244
Arising on consolidation of subsidiaries	-	-	332	-	-	-	-	332	-	332
Net profit for the period	-	-	-	-	-	-	5,373	5,373	2,127	7,500
At 31 December 2008	<u>181,041</u>	<u>6,015</u>	<u>3,768</u>	<u>443</u>	<u>3,736</u>	<u>1,340</u>	<u>(34,006)</u>	<u>162,337</u>	<u>12,739</u>	<u>175,076</u>

## 7. Dividends

The directors do not recommend the payment of any dividend for the nine months ended 31 December 2008 (nine months ended 31 December 2007: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW AND PROSPECT

#### Overview

The mobile payment gateway business of the Group continued to grow during the three months ended 31 December 2008 amid the global economic crisis. During the period, the Group recorded an increase of turnover on mobile payment gateway business of approximately 36% as compared to the previous corresponding period and an increase of 8.3% as compared to the three months ended 30 September 2008. The Group has consolidated itself as one of the leading providers of mobile payment gateway in the PRC with high profitability and strong growth. For the nine months ended 31 December 2008, net profit and profit attributable to equity holders of the Company of approximately HK\$17,157,000 and HK\$11,718,000 were recorded respectively, which represents an increase of approximately 50% and 117% respectively as compared to the previous corresponding period. During the period, the Group maintained a strong financial position with no bank borrowings and achieved substantial decrease of finance costs and administrative expenses.

#### Financial review

For the nine months ended 31 December 2008, the Group's turnover, which represents revenue from its mobile payment gateway business, increased from approximately HK\$23,689,000 of previous corresponding period to approximately HK\$39,379,000, represents an increase of approximately 66%. Such substantial increase was in line with the consolidation of the Group as one of the leading providers of mobile payment gateway in the PRC.

The gross profit margin of the Group increased from approximately 31% in the previous corresponding period to approximately 86% in the current period, which was mainly due to the focus of the Group on mobile payment gateway business with higher profit margin during the period.

For the nine months ended 31 December 2008, the Group's net profit and profit attributable to equity holders of the Company increased from approximately HK\$11,403,000 and HK\$5,411,000 of previous corresponding period to approximately HK\$17,157,000 and HK\$11,718,000 respectively. Administrative expenses and finance cost decreased by approximately 44% and 98% respectively as compared to the previous corresponding period as a result of the cessation of the electronic devices business in March 2008.

#### Operation review

The Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Company's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in the PRC through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), could be purchased by the subscribers of China Unicom (中國聯通) through mobile phone.



The Group has achieved significant progress on its mobile payment gateway business during the nine months ended 31 December 2008. As at 31 December 2008, the Group has commenced operation of such business in 15 provinces/municipal cities whilst the same in 12 provinces/municipal cities as at 31 December 2007. In particular, the IP card product has penetrated from 9 provinces/municipal cities into 13 provinces/municipal cities, the virtual game card product has penetrated from 6 provinces/municipal cities into 10 provinces/municipal cities and the insurance product has penetrated from 3 province/municipal cities into 10 provinces/municipal cities, from the previous corresponding period to 31 December 2008.

As stated in the interim report of the Group for the six month ended 30 September 2008, the growth of the mobile payment business of the Group during the six months ended 30 September 2008 was affected by the occurrence of several events in the PRC. With all such one-off incidents taken place, the growth of the Group's business resumed during the three months ended 31 December 2008. For the three months ended 31 December 2008, the Group recorded an increase of turnover on mobile payment gateway business of approximately 8.3% as compared to the three months ended 30 September 2008.

### **Prospects**

In an effort to establish a complete payment gateway solution in the PRC, the Group is developing another advanced form of payment gateway based on the Near Field Communication Technology ("NFC"). The Group is in final negotiation stage with one of the mobile telecommunication providers in the PRC, a leading bank in the PRC and a worldwide credit card provider for the introduction and operation of such NFC payment gateway in the PRC on a nation-wide basis.

The new NFC payment gateway will serve as an e-payment gateway and will compliment the mobile payment gateway business of the Group and consolidate the Group's leading position in the payment gateway industry in the PRC. Hence, the Board is optimistic that the Group will achieve good performance in the medium to long term.

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

As at 31 December 2008, the interests and short positions 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 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:**

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of issued share capital</b>
Hsu Tung Chi ( <i>Note 1</i> )	Beneficial	127,176,183(L)	8.12%
Hsu Tung Sheng	Beneficial	900,000(L)	0.06%
Ho Hoi Lap	Beneficial	2,544,000(L)	0.16%

*(L) denotes long position*

*Note:*

1. Mr. Hsu Tung Chi (“Mr. Hsu”) is interested in 61,674,000 shares. According to the sale and purchase agreement entered into between Upper Power Limited (“Upper Power”), a wholly-owned subsidiary of the Company and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. The Company has made the adjustment to the convertible bonds in accordance with the bonus issue approved by the shareholders of the Company on 1 August 2008. The numbers of convertible bonds are adjusted to 2,620,087 and 62,882,096 respectively. As at 31 December 2008, Mr. Hsu has not converted any convertible bonds.

**(ii) Interests in share options:**

<b>Name of director</b>	<b>Number of share options outstanding</b>	<b>Approximate percentage of issued share capital</b>
Hsu Tung Sheng	3,840,000 <sup>#</sup>	0.25%
	11,000,000 <sup>^</sup>	0.70%
Hsu Tung Chi	3,840,000 <sup>#</sup>	0.25%
	11,000,000 <sup>^</sup>	0.70%
Ho Hoi Lap	13,200,000 <sup>*</sup>	0.84%
Chan Hin Wing, James	3,840,000 <sup>#</sup>	0.25%
	11,000,000 <sup>^</sup>	0.70%
Chan Francis Ping Kuen	13,200,000 <sup>*</sup>	0.84%
	2,160,000 <sup>#</sup>	0.14%
	13,000,000 <sup>^</sup>	0.83%

\* 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.

<sup>^</sup> The exercise price of the share options is HK\$0.106 per share with the exercise period commencing from 1 December 2008 and ending on 30 November 2013.

Save as disclosed above, as at 31 December 2008, 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 are 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 he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are 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 31/3/2008	Granted during the period	Exercised during the period	Outstanding as at 31/12/2008
<b>Directors</b>							
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	–	11,000,000	–	11,000,000
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
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	–	13,000,000	–	13,000,000
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	–	11,000,000	–	11,000,000
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	–	11,000,000	–	11,000,000
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	–	–	13,200,000
<b>Employees</b>							
	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	7,680,000	–	–	7,680,000
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	–	24,000,000	–	24,000,000
<b>Consultants</b>							
	17/12/2007	17/12/2007 – 16/12/2017	0.3775	24,000,000	–	–	24,000,000
				<u>94,560,000</u>	<u>70,000,000</u>	<u>–</u>	<u>164,560,000</u>

The directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined at this stage. Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the shareholders of the Company.

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

As at 31 December 2008, other than the interests of a director 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 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:

<b>Name</b>	<b>Nature of interests</b>	<b>Number of the shares held</b>	<b>Approximate percentage of issued share capital</b>
Starryland Profits Limited ( <i>Note 1</i> )	Beneficial	351,354,000(L)	22.43%
Lau Kim Hung, Jack ( <i>Note 1</i> )	Interests in controlled corporation	351,354,000(L)	22.43%
	Beneficial	11,208,000(L)	0.72%
	Deemed	1,200,000(L)	0.08%
Chan Yiu Kan, Katie ( <i>Note 1</i> )	Deemed	362,562,000(L)	23.15%
	Beneficial	1,200,000(L)	0.08%
Big Well Investments Limited ( <i>Note 2</i> )	Beneficial owner	267,304,635(L)	17.07%
Chong Tin Lung ( <i>Note 2</i> )	Interests in controlled corporation	267,304,635(L)	17.07%
Lo Yee Man ( <i>Note 2</i> )	Deemed	267,304,635(L)	17.07%
Pang Hong Tao ( <i>Note 3</i> )	Beneficial	214,387,639(L)	13.69%
Wang Jing ( <i>Note 3</i> )	Deemed	214,387,639(L)	13.69%

(L) denotes long position

*Notes:*

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Mr. Lau is deemed to be interested in 351,354,000 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 351,354,000 shares held by Starryland Profits Limited and 11,208,000 shares held by Mr. Lau.

2. Big Well Investments Limited (“**Big Well**”) is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 shares. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 267,304,635 shares as well.
3. Mr. Pang Hong Tao (“**Mr. Pang**”) is interested in 105,217,333 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. After the bonus issue adjustment, the number of convertible bonds are adjusted to 4,366,812 and 104,803,494 respectively. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 105,217,333 shares and 109,170,306 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

Save as disclosed above, as at 31 December 2008, 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 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 2008, 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 2008, 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 2008 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. Chan Kai Wing 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. Chan Kai Wing. The unaudited financial statements of the Group for the period ended 31 December 2008 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 2009

*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 will appear and remain on the “Latest Company Announcements” page of the GEM website at [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).*