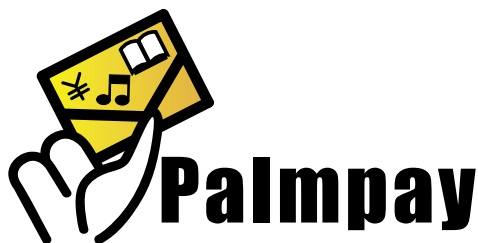


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## **PALMPAY CHINA (HOLDINGS) LIMITED**

**中國掌付(集團)有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 8047)

### **PRIVATE PLACING OF NON-LISTED WARRANTS**

**Financial Adviser to the Company**



**INCUB Corporate Finance Limited**

#### **PLACING OF WARRANTS**

The Directors are pleased to announce that on 3 July 2009, the Company as issuer entered into the conditional Warrant Placing Agreement with the Subscriber as subscriber and Mr. So as guarantor in relation to a private placing of 100,000,000 Warrants to the Subscriber, at the Warrant Issue Price of HK\$0.0075.

The Warrants entitle the holders thereof to subscribe for the New Shares at the Subscription Price of HK\$0.1375 per New Share for a period of 3 years commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion is subject to the fulfillment of the conditions stated in the section headed “Conditions of the Warrant Placing” in this announcement.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$500,000 will be applied as general working capital of the Group.

The New Shares will be issued under the General Mandate.

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.

\* *for identification purpose only*

## **WARRANT PLACING AGREEMENT**

**Date:** 3 July 2009

**Parties:** (i) Issuer: the Company  
(ii) Subscriber: the Subscriber  
(iii) Guarantor: Mr. So

### **Information on the Subscriber**

Magic Global Holdings Limited, being the Subscriber, is a company incorporated in the British Virgin Islands carrying on the principal business of investment holding and is wholly and beneficially owned by Mr. So. Apart from the entering into of the Warrant Placing Agreement, Magic Global Holdings Limited has not conducted any business activity since its incorporation.

Mr. So is a merchant and a private investor who has extensive experience in the management, operation and strategic planning in various corporations engaging in a variety of business activities in Hong Kong, the PRC and Europe.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Subscriber and its ultimate beneficial owner, Mr. So, are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules). As at the date of this announcement, Many Wishes Limited, a company beneficially owned as to 50% by Mr. So and as to 50% by his spouse respectively, holds 2,400,000 Shares. Mr. So is therefore deemed to be interested in the 2,400,000 Shares held by Many Wishes Limited. Save as disclosed, neither the Subscriber nor Mr. So has any interests in the securities of the Company or any business dealings/ transactions with the Group.

In addition, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner, Mr. So, are also third parties independent of and not connected nor acting in concert with Big Well Investments Limited, being the subscriber to non-listed warrants of the Company with the principal amount of HK\$121,089,000 as disclosed in the announcement of the Company dated 27 August 2007, and Mr. Chong Tin Lung, the ultimate beneficial owner of Big Well Investments Limited.

### **Number of Warrants**

Pursuant to the Warrant Placing Agreement, the Subscriber has agreed to subscribe for and the Company has agreed to issue 100,000,000 Warrants, representing 100% of the aggregate number of Warrants to be issued.

## **Warrant Issue Price**

The Warrant Issue Price is HK\$0.0075 per Warrant. Taking into account, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares, the net Warrant Issue Price is approximately HK\$0.005 per Warrant. It is intended that the net proceeds from the Warrant Placing of approximately HK\$500,000 will be applied as general working capital of the Group.

## **Subscription Price**

The Subscription Price is HK\$0.1375 per New Share, which is same as the net Subscription Price and is subject to adjustment 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 Shareholders (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 recognised 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 (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

It is intended that the net proceeds from the exercise of Warrants of approximately HK\$13.75 million, of which approximately HK\$10 million will be applied as future investment and development of payment gateway services, including but not limited to the online payment gateway platform based on the Near Field Communication Technology, and the remaining will be applied as general working capital of the Group.

The Subscription Price represents (i) a discount of approximately 16.67% to the closing price of HK\$0.165 per Share as quoted on the GEM on 3 July 2009, being the date of entering into the Warrant Placing Agreement; (ii) a discount of approximately 19.50% to the average closing price of HK\$0.1708 per Share as quoted on the GEM for the last five trading days immediately prior to 3 July 2009; (iii) a discount of approximately 21.79% to the average closing price of HK\$0.1758 per Share as quoted on the GEM for the last ten trading days immediately prior to 3 July 2009; and (iv) a premium of approximately 6.18% over the latest published audited net asset value per Share of approximately HK\$0.1295 as shown in the Group' audited consolidated financial statements for the financial year ended 31 March 2009 (on the basis of 1,922,473,144 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 12.12% to the closing price of HK\$0.165 per Share as quoted on the GEM on 3 July 2009, being the date of entering into the Warrant Placing Agreement; (ii) a discount of approximately 15.11% to the average closing price of HK\$0.1708 per Share as quoted on the GEM for the last five trading days immediately prior to 3 July 2009; (iii) a discount of approximately 17.52% to the average closing price of HK\$0.1758 per Share as quoted on the GEM for the last ten trading days immediately prior to 3 July 2009; and (iv) a premium of approximately 11.97% over the latest published audited net asset value per Share of approximately HK\$0.1295 as shown in the Group' audited consolidated financial statements for the financial year ended 31 March 2009 (on the basis of 1,922,473,144 total existing issued Shares as at the date of this announcement).

Having considered (i) there is a premium of the aggregate of the Warrant Issue Price and Subscription Price over the net asset value per Share as at 31 March 2009 based on a total of 1,922,473,144 issued Shares as at the date of this announcement; and (ii) the value of the Warrants the Subscriber is subscribing, the Board considers that both the Subscription Price and the aggregate of it with the Warrant Issue Price are fair and reasonable, which were determined after arm's length negotiations between the Company and the Subscriber, and are in the interests of the Company and the Shareholders as a whole.

## **Transferability**

The Warrants are transferable only to third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company, 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 Subscriber to other parties, and no consent from the Company is required before such transfer is to take place.

## **Completion Date**

Completion will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrant Placing” below. HK\$750,000, being the aggregate Warrant Issue Price for 100,000,000 Warrants, shall be payable by the Subscriber at Completion. The Subscription Price shall be payable by holder(s) of Warrants upon the exercise of the subscription rights attaching to the Warrants.

## **Information of the Warrants**

The Warrants will be issued to the Subscriber upon Completion 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 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 3 years commencing from the date of issue of the Warrants at integral multiples of 1,000,000 Warrants. Where the number of the outstanding Warrants is less than 1,000,000 Warrants, the Subscriber shall have the right to exercise the whole but not in 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 then 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 Placing Agreement 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 3-year subscription period shall lapse.

A total of 100,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 100,000,000 New Shares (in aggregate nominal value of HK\$5,000,000), representing (i) 5.20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.94% 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\$0.165 per Share as quoted on the GEM on 3 July 2009, the market value of the New Shares is HK\$16,500,000.

As at the date of this announcement, the Company has 1,922,473,144 Shares in issue, save for the Warrants to be issued, there are (i) 164,560,000 outstanding share options; (ii) 267,304,635 non-listed warrants issued on 11 September 2007 entitling the holders thereof to subscribe for 267,304,635 Shares at the total subscription price of HK\$121,089,000 remain outstanding; (iii) convertible bonds with the principal amount of HK\$3,200,000 which entitle the holders thereof to subscribe for 6,986,889 Shares at the subscription price of HK\$0.458 per Share remain outstanding. Such convertible bonds were issued pursuant to the conditional sale and purchase agreements dated 5 November 2007 entered into among Upper Power Limited (“**Upper Power**”), a wholly owned subsidiary of the Company, as purchaser and Mr. Hsu Tung Chi and Mr. Pang Hong Tao, as vendors for the acquisition of 24% interest in Media Magic Technology Limited (“**Media Magic**”). Such agreement was completed on 21 December 2007; and (iv) convertible bonds with the principal amount of HK\$33,769,580 which entitle the holders thereof to subscribe for 259,766,000 Shares at the subscription price of HK\$0.13 per Share remain outstanding. Such convertible bonds were originally issued in the principal amount of HK\$49,335,000 which entitle the holders thereof to subscribe for 379,500,000 Shares at the subscription price of HK\$0.13 per Share pursuant to the conditional sale and purchase agreements dated 26 February 2009 entered into among Upper Power as purchaser and Mr. Pang Hong Tao, Winner Gain Investments Limited and Morning Sun Technology Limited as vendors for the acquisition of 25% interest in Media Magic. Such agreement was completed on 16 June 2009. As at 30 June 2009, part of this convertible bonds with the principal amount of HK\$15,565,420 have converted into 119,734,000 Shares and so convertible bonds with the principal amount of HK\$33,769,580 which entitle the holders thereof to subscribe for 259,766,000 Shares at the subscription price of HK\$0.13 per Share remain outstanding. 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 limitation on the Subscriber to transfer the New Shares in the Warrant Placing Agreement.

### **Conditions of the Warrant Placing**

Completion 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 Subscriber shall reasonably object and the satisfaction of such conditions; and
- (2) the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares.

If the conditions of the Warrant Placing Agreement are not fulfilled on or before 5:00 p.m. on 20 July 2009 (or such later date as may be agreed between the Company and the Subscriber), the Warrant Placing Agreement 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.

### **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 annual general meeting of the Company held on 1 August 2008 to allot and issue up to HK\$13,053,129.20 divided into 261,062,584 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company on that date.

The 100,000,000 New Shares to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants utilises about 38.30% of the General Mandate. The General Mandate has not been previously utilised prior to the Warrant Placing.

### **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.

### **REASONS FOR THE WARRANT PLACING**

The Group is principally engaged in the provision of mobile payment gateway services and diversified value-added services.

The Directors are of the view that additional funding will strengthen the financial position of the Group for any future investment and development of payment gateway services, including but not limited to the online payment gateway platform based on the Near Field Communication Technology, which will be beneficial and in the interest of the Group and the Shareholders as a whole. The Board considers that the present Warrant Placing is appropriate as (i) it does not have any immediate dilution effect on the shareholding of the existing Shareholders while capital will be raised upon Completion; (ii) non-interest bearing nature of Warrants; and (iii) favorable market sentiment for equity fund raising. In addition, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of the Warrants during the subscription period.

Immediately after Completion, 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 not conducted any fund raising activity for the 12 months immediately preceding the date of this announcement.

## CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 1,922,473,144 Shares in issue. The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants are as follows:

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> )	351,354,000	18.28%	351,354,000	17.37%
Mr. Lau Kim Hung, Jack ( <i>Note 1</i> )	12,408,000	0.64%	12,408,000	0.62%
Subtotal	363,762,000	18.92%	363,762,000	17.99%
Winner Gain Investments Limited ( <i>Note 2</i> )	254,109,091	13.22%	254,109,091	12.57%
Mr. Yip Yung Kan ( <i>Note 2</i> )	10,800,000	0.56%	10,800,000	0.53%
Subtotal	264,909,091	13.78%	264,909,091	13.10%
Hsu Tung Sheng ( <i>Note 3</i> )	900,000	0.05%	900,000	0.04%
Hsu Tung Chi ( <i>Note 3</i> )	65,074,000	3.38%	65,074,000	3.22%
Yuan Shengjun ( <i>Note 3</i> )	26,012,000	1.35%	26,012,000	1.29%
Subtotal	91,986,000	4.78%	91,986,000	4.55%
Public				
Subscriber ( <i>Note 4</i> )	2,400,000	0.13%	102,400,000	5.06%
Other public Shareholders	1,199,416,053	62.39%	1,199,416,053	59.30%
Subtotal	1,201,816,053	62.52%	1,301,816,053	64.36%
Total	<u>1,922,473,144</u>	<u>100%</u>	<u>2,022,473,144</u>	<u>100%</u>



*Notes:*

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”) who does not hold any management position in the Group. Mr. Lau is deemed to be interested in 351,354,000 Shares held by Starryland Profits Limited. In addition, by virtue of being 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.
2. Winner Gain Investments Limited is wholly and beneficially owned by Mr. Yip Yung Kan (“Mr. Yip”) who does not hold any management position in the Group. Mr. Yip is deemed to be interested in 254,109,091 Shares held by Winner Gain Investments Limited.
3. Mr. Hsu Tung Sheng is an executive Director and chairman of the Company. Mr. Hsu Tung Chi is an executive Director. Mr. Yuan Shengjun is an executive Director and chief executive officer of the Company.
4. Many Wishes Limited, a company beneficially owned as to 50% by Mr. So and as to 50% by his spouse respectively, holds 2,400,000 Shares, Mr. So is deemed to be interested in the 2,400,000 Shares held by Many Wishes Limited.

## **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
“Completion”	completion of the Warrant Placing in accordance with the terms and conditions of the Warrant Placing Agreement
“Directors”	the directors of the Company
“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 annual general meeting of the Company convened and held on 1 August 2008

“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mr. So”	Mr. So Kui Kuen Peter, the ultimate beneficial owner of the Subscriber
“New Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrant(s)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Magic Global Holdings Limited, the subscriber to the Warrant Placing Agreement, is a company incorporated in the British Virgin Islands and the ultimate beneficial owner of which is Mr. So
“Subscription Price”	an initial Subscription Price of HK\$0.1375 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares
“Warrant(s)”	100,000,000 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\$0.1375 (subject to adjustment) at any time during a period of 3 years commencing from the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.0075 per unit of Warrant to be issued pursuant to the Warrant Placing
“Warrant Placing”	a private placing of the Warrants at the Warrant Issue Price pursuant to the Warrant Placing Agreement

“Warrant Placing Agreement”	the conditional placing agreement dated 3 July 2009 and entered into between the Company and the Subscriber in relation to the placing of 100,000,000 Warrants to the Subscriber
“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, 3 July 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, Mr. Chan Hin Wing, James and Mr. Yuan Shengjun. 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 Group. 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.*

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