



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 31ST DECEMBER 2007

Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 of the Company, 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 31st December 2007

- the turnover of the Group was approximately HK\$110,484,000 as compared to the turnover of approximately HK\$84,323,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$5,411,000 (2006: loss HK\$1,023,000).
- the directors do not recommend the payment of any dividend (2006: Nil).
- the earnings per share of the Company was approximately HK0.49 cents (2006: loss HK0.23 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 31st December 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

	<i>Notes</i>	Nine months ended 31st December		Three months ended 31st December	
		2007 (unaudited) <i>HK\$'000</i>	2006 (unaudited) <i>HK\$'000</i>	2007 (unaudited) <i>HK\$'000</i>	2006 (unaudited) <i>HK\$'000</i>
Turnover	3	110,484	84,323	40,594	26,477
Cost of sales		(76,649)	(64,247)	(26,514)	(20,516)
Gross profit		33,835	20,076	14,080	5,961
Other revenue		3,100	754	966	101
Distribution costs		(5,265)	(963)	(2,667)	(339)
Administrative expenses		(15,459)	(12,853)	(5,755)	(4,391)
Other operating expenses		–	(620)	–	–
Profit from operating activities		16,211	6,394	6,624	1,332
Gain on disposal of subsidiaries		2,850	–	–	–
Finance costs		(5,213)	(5,339)	(1,539)	(1,844)
Share of results of an associate		–	(187)	–	(187)
Profit/(Loss) before income tax		13,848	868	5,085	(699)
Income tax	4	(2,445)	(1,891)	(956)	(1,146)
Profit/(Loss) for the period		<u>11,403</u>	<u>(1,023)</u>	<u>4,129</u>	<u>(1,845)</u>
Attributable to Equity holders of the Company		5,411	(1,023)	1,866	(1,845)
Minority interests		<u>5,992</u>	<u>–</u>	<u>2,263</u>	<u>–</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings/(Loss) per share	5				
– Basic (cents)		<u>0.49</u>	<u>(0.23)</u>	<u>0.16</u>	<u>(0.40)</u>
– Diluted (cents)		<u>0.49</u>	<u>N/A</u>	<u>0.16</u>	<u>N/A</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. The Group is also engaged in a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

2. Basis of presentation

The unaudited consolidated results have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit and loss, which have been measured at fair value and promissory notes which have been measured at amortised cost and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st March 2007.

3. Turnover

The Group’s turnover represents the net invoiced value of goods sold and services rendered less discounts, returns and applicable business taxes. All significant intra-group translations have been eliminated on consolidation.

	Nine months ended 31st December		Three months ended 31st December	
	2007 (unaudited) HK\$’000	2006 (unaudited) HK\$’000	2007 (unaudited) HK\$’000	2006 (unaudited) HK\$’000
Trading of internet appliances and related products	–	2,147	–	343
Trading and manufacturing of electronic devices and components	85,334	77,745	29,727	25,726
Design and engineering services	1,461	4,431	841	408
Mobile payment gateway services	23,689	–	10,026	–
	110,484	84,323	40,594	26,477

4. Income tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated profit arising in Hong Kong during the period. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Nine months ended 31st December		Three months ended 31st December	
	2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Current tax	1,880	182	829	–
Deferred tax	565	1,709	127	1,146
Tax charge for the period	<u>2,445</u>	<u>1,891</u>	<u>956</u>	<u>1,146</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/(Loss) per share

The calculation of basic earnings per share for the three months and nine months ended 31st December 2007 is based on the unaudited consolidated net profit from ordinary activities attributable to equity holders for the three months and nine months ended 31st December 2007 of approximately HK\$1,866,000 and approximately HK\$5,411,000 respectively (three months and nine months ended 31st December 2006: unaudited consolidated net loss of approximately HK\$1,845,000 and approximately HK\$1,023,000 respectively) and the weighted average number of 1,138,501,800 and 1,104,160,211 shares in issue (three months and nine months ended 31st December 2006: 465,978,261 and 444,709,091 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 31st December 2007, the Company had one category of dilutive potential ordinary shares: share options.

	Nine months ended 31st December 2007 HK\$'000	Three months ended 31st December 2007 HK\$'000
Profit used to determine diluted earnings per share	<u>5,411</u>	<u>1,866</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>1,107,796,277</u>	<u>1,142,137,866</u>
	Nine months ended 31st December 2007	Three months ended 31st December 2007
Diluted earnings per share	<u>HK0.49 cents</u>	<u>HK0.16 cents</u>

No diluted loss per share had been presented for the three months and nine months ended 31st December 2006 as there were no diluting events existed during the three months and nine months ended 31st December 2006.

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 1st April 2006	11,152	6,015	96	885	-	-	(17,856)	292	1,988	2,280
Issue of shares	15,000	-	-	-	-	-	-	15,000	-	15,000
Share issuing expenses	(811)	-	-	-	-	-	-	(811)	-	(811)
Exercise of share options	2,640	-	-	-	-	-	-	2,640	-	2,640
Arising on consolidation of a subsidiary	-	-	142	-	-	-	-	142	-	142
Net profit for the period	-	-	-	-	-	-	822	822	-	822
At 30th September 2006 and at 1st October 2006	27,981	6,015	238	885	-	-	(17,034)	18,085	1,988	20,073
Issue of warrants	-	-	-	-	-	1,395	-	1,395	-	1,395
Exercise of warrants	1,150	-	-	-	-	(150)	-	1,000	-	1,000
Net loss for the period	-	-	-	-	-	-	(1,845)	(1,845)	-	(1,845)
At 31st December 2006	<u>29,131</u>	<u>6,015</u>	<u>238</u>	<u>885</u>	<u>-</u>	<u>1,245</u>	<u>(18,879)</u>	<u>18,635</u>	<u>1,988</u>	<u>20,623</u>
At 1st 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 30th September 2007 and at 1st 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 31st 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>

7. Dividends

The directors do not recommend the payment of any dividend for the nine months ended 31st December 2007 (nine months ended 31st December 2006: Nil).

8. Post balance sheet events

On 11th January 2008, Great Plan Group Limited, a wholly-owned subsidiary of the Company, entered into two agreements to dispose of 100% equity interests of Union Bridge Group Limited. Further details of the transactions have been disclosed in the announcement of the Company on 16th January 2008.

REVIEW AND PROSPECT

General

The Group is principally engaged in the provision of mobile payment gateway services. The Group is also engaged in a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

Financial review

For the nine months ended 31st December 2007, the Group recorded a turnover of approximately HK\$110,484,000 which increased by approximately 31.0% compared to the previous corresponding period. Turnover from the trading and manufacturing of electronic devices and components amounted to approximately HK\$85,334,000 contributing approximately 77.3% of the Group's turnover, whereas turnover from the design and engineering services amounted to approximately HK\$1,461,000, contributing approximately 1.3% of the Group's turnover. There was no income recorded from trading of internet appliances and related products because there was no order received during this period. The trading of internet appliances and related products had been discontinued to operate subsequent to the disposal of the subsidiary, Smart Time Development Limited during the period. The gross profit margin increased from approximately 23.8% in the previous corresponding period to approximately 30.6% in the current period. The increase was mainly due to the consolidation of the results of Media Magic Technology Limited and its subsidiaries ("Media Magic Group") which contributed high gross profit margin from the mobile payment gateway services.

The accounts of the Media Magic Group were consolidated into the Group upon the completion of its acquisition on 5th January 2007. Media Magic Group engaged in the provision of mobile payment gateway services. Pursuant to the Sale and Purchase Agreement dated 11th November 2006, Mr. Hsu Tung Sheng has provided a profit guarantee of RMB8 million for the Media Magic Group for the year

ending 31st March 2008. For the nine months ended 31st December 2007, the unaudited profit after taxation of the Media Magic Group has reached over RMB11 million. For the nine months ended 31st December 2007, turnover from the mobile payment gateway services amounted to approximately HK\$23,689,000 contributing approximately 21.4% of the Group's turnover. The turnover increased at an average rate of approximately 32.5% on a quarterly basis during these nine months. The high gross profit margin of over 60% of the sector has resulted in the improvement of the overall gross profit of the Group.

The provision of mobile payment gateway services includes the sale and subscription of the IP cards, the virtual game cards and accident insurance services through the mobile payment gateway platform. As at the date of this announcement, the Media Magic Group has commenced the operation of its mobile payment gateway services in 12 major provinces and municipal cities in the PRC covering Liaoning, Shanghai, Guangxi, Hunan, Jilin, Guizhou, Gansu, Hubei, Chongqing, Shaanxi, Inner Mongolia and Heilongjiang. It is expected that the operation will further expand to additional 11 other major provinces and municipal cities in the PRC such as Guangdong, Beijing, Fujian and Shandong within the next 2 to 3 months.

As for the insurance products, the Media Magic Group has secured a co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) on a national basis for the sale of accident insurance products through the mobile payment gateway during this quarter. Full operation has been carried out in Guangxi, Jilin and Shanghai. For the first full month of operation in December 2007, the revenue has already reached RMB237,240. It is expected that sale of accident insurance products will rapidly expand to other major provinces/municipal cities. Media Magic Group is the first operator to launch the sale of accident insurance products through the mobile payment gateway in the PRC. The Directors expect that sale of accident insurance products through the mobile payment gateway will grow significantly as the services penetrate into other major provinces/municipal cities.

Other than the joint promotion with China Unicom Limited (中國聯通股份有限公司) for the sale of products and services through the short message service (SMS), in order to strengthen the marketing efforts, a tele-marketing centre has been opened in Guangxi Province and has been operating very successfully. The tele-marketing centre in Guangxi Province commenced its full operation in November 2007. The turnover for Guangxi Province has jumped from RMB87,004 in October 2007 to RMB229,949 in November and RMB336,613 in December 2007, representing an increase in an average rate of 97%. The total turnover for Guangxi Province for the quarter is RMB653,566 as compared to RMB257,004 in previous quarter, representing an increase of 154%. The Directors will establish similar marketing centres in other major provinces/municipal cities to further increase sales.

In January 2008, the Media Magic Group has signed up a co-operation agreement with a content service provider for the provision of electronic magazine through the mobile payment gateway and it is expected that it will contribute revenue to the Media Magic Group starting February 2008.

During the period, the Group had net profit attributable to equity holders of the Company of approximately HK\$5,411,000 compared to net loss of approximately HK\$1,023,000 in the previous corresponding period. Distribution costs significantly increased by approximately 446.7% and administrative expenses increased by approximately 20.3% compared to the previous corresponding period as a result of the consolidation of the Media Magic Group. There was a gain on disposal of subsidiaries of HK\$2,850,000 as a result of the disposal of Smart Time Development Limited and its subsidiaries during the period.

Business review and prospects

After the acquisition of the Media Magic Group on 5th January 2007, the provision of mobile payment gateway services contributed a stable and significant profit to the Group. Due to the high profit margin of the mobile payment gateway services, the overall profit margin of the Group has been improved.

On 18th October 2007, the Company's 51% owned subsidiary, Multi Channel Technology Limited completed the acquisition of the entire equity interests in PalmPay Technology Co. Ltd.. Upon completion of the acquisition, the Company indirectly owns 51% equity interests in PalmaPay Technology Co. Ltd..

On 21st December 2007, Upper Power Limited, a wholly owned subsidiary of the Company completed the acquisition of additional 24% of issued share capital of Media Magic Technology Limited. After the acquisition, Upper Power Limited has become interested in 75% of the issued share capital of Media Magic Technology Limited.

On 11th January 2008, Great Plan Group Limited, a wholly owned subsidiary of the Company, has entered into two disposal agreements in relation to the disposal of the entire issued share capital of Union Bridge Group Limited for an aggregate consideration of HK\$10,500,000. The disposal agreements which constitute a very substantial disposal and connected transaction will be subject to independent shareholders' approval by way of poll at the special general meeting of the Company. After reviewing the respective financial results and performance of the electronic devices and components business and the mobile payment gateway services business for over one year as well as considering the future prospects of the respective sectors, with a view to optimize the Shareholders' interest, the Directors consider that the Group should dispose of Union Bridge Group Limited.

After such disposal, the Group will have no bank borrowing and the administrative expenses will be down by approximately 60%. Moreover, the Group could direct all its resources and manpower to the mobile payment gateway services business and other related mobile value-added services which are of synergistic effects to the Group's core business.

Being the first mover in the industry, the Directors are optimistic about the prospects of the Group and are confident to achieve remarkable results for the Group in the coming financial year.

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

As at 31st December 2007, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which

were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company:

Director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Chan Francis Ping Kuen (<i>Note 1</i>)	Personal interest	12,800,000	1.00%
Mr. Hsu Tung Sheng (<i>Note 2</i>)	Personal interest	5,200,000	0.41%
Mr. Chan Hin Wing, James (<i>Note 3</i>)	Personal interest	3,200,000	0.25%
Dr. Ho Hoi Lap (<i>Note 4</i>)	Personal interest	13,120,000	1.02%

1. Mr. Chan Francis Ping Kuen was granted options on 14th August 2007 to subscribe for 11,000,000 shares at a subscription price of HK\$0.52 per share. He was also granted options on 21st December 2007 to subscribe for 1,800,000 shares at a subscription price of HK\$0.465 per share.
2. Mr. Hsu Tung Sheng is interested in 2,000,000 shares and was granted options on 21st December 2007 to subscribe for 3,200,000 shares at a subscription price of HK\$0.465 per share.
3. Mr. Chan Hin Wing, James was granted options on 21st December 2007 to subscribe for 3,200,000 shares at a subscription price of HK\$0.465 per share.
4. Dr. Ho Hoi Lap is interested in 2,120,000 shares and was granted options on 14th August 2007 to subscribe for 11,000,000 shares at a subscription price of HK\$0.52 per share.

Save as disclosed above, as at 31st December 2007, 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 18th October 2001 pursuant to a written resolution of the Company. 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 31/3/2007	Granted during the period	Exercised during the period	Outstanding as at 31/12/2007
Directors							
Mr. Wong Tak Shing (Resigned on 22nd May 2007)	12/03/2007	12/03/2007 – 11/03/2017	0.31	5,800,000	–	5,800,000	–
Mr. Chan Hin Wing, James	12/03/2007	12/03/2007 – 11/03/2017	0.31	9,550,000	–	9,550,000	–
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	3,200,000	–	3,200,000
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	1,800,000	–	1,800,000
Mr. Hsu Tung Sheng	12/03/2007	12/03/2007 – 11/03/2017	0.31	9,550,000	–	9,550,000	–
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	3,200,000	–	3,200,000
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
Employees	12/03/2007	12/03/2007 – 11/03/2017	0.31	14,650,000	–	14,650,000	–
	17/12/2007	17/12/2007 – 16/12/2017	0.453	–	19,000,000	–	19,000,000
	21/12/2007	21/12/2007 – 20/12/2017	0.465	–	9,600,000	–	9,600,000
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.453	–	20,000,000	–	20,000,000
				39,550,000	78,800,000	39,550,000	78,800,000

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 31st December 2007, other than the interests of a director or chief executive 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholders	Number of ordinary shares interested	Approximate percentage of the shareholding in the Company
Starryland Profits Limited (<i>Note 1</i>)	347,795,000	27.12%
Lau Kim Hung, Jack (<i>Note 1</i>)	357,135,000	27.85%
Chan Yiu Kan, Katie (<i>Note 1</i>)	357,135,000	27.85%
Big Well Investments Limited (<i>Note 2</i>)	223,000,000	17.39%
Chong Tin Lung (<i>Note 2</i>)	223,000,000	17.39%
Lo Yee Man (<i>Note 2</i>)	223,000,000	17.39%
Hsu Tung Chi (<i>Note 3</i>)	135,432,121	10.56%
Chuang Meng Hua (<i>Note 3</i>)	135,432,121	10.56%
Pang Hong Tao (<i>Note 4</i>)	196,740,202	15.34%
Wang Jing (<i>Note 4</i>)	196,740,202	15.34%

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Ms. Chan Yiu Kan, Katie is deemed to be interested in 357,135,000 shares of the Company by virtue of her being the spouse of Mr. Lau Kim Hung, Jack.
2. Big Well Investments Limited which is wholly and beneficially owned by Mr. Chong Tin Lung, is interested in 223,000,000 warrants of the Company. By virtue of being the spouse of Mr. Chong Tin Lung, Ms. Lo Yee Man is deemed to be interested in 223,000,000 shares of the Company.

3. Mr. Hsu Tung Chi (“Mr. Hsu”) is interested in 80,886,667 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 5th November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21st December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. As at the date of this announcement, Mr. Hsu has not converted any convertible bonds. Ms. Chuang Meng Hua is deemed to be interested in 80,886,667 shares and 54,545,454 convertible bonds of the Company by virtue of her being the spouse of Mr. Hsu.
4. Mr. Pang Hong Tao (“Mr. Pang”) is interested in 105,831,111 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5th November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21st December 2007; subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. As at the date of this announcement, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 105,831,111 shares and 90,909,091 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

Save as disclosed above, as at 31st December 2007, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as 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 director 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 31st December 2007, 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 RIGHT

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the Bye-laws of Bermuda, which would obligate 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 31st December 2007, 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 31st December 2007 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 Wing Chiu 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 Wing Chiu. The unaudited financial statements of the Group for the period ended 31st December 2007 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, 5th February 2008

As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Lo Ka Tong 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 Wing Chiu.

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:

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