



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 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

HIGHLIGHTS

For the nine months ended 31 December 2011

- the turnover of the Group was approximately HK\$26,894,000 as compared to the turnover of approximately HK\$19,862,000 recorded in the corresponding period last year.
- the loss of the Group was approximately HK\$23,069,000 (2010: profit of approximately HK\$4,530,000).
- the loss attributable to equity holders of the Company was approximately HK\$22,862,000 (2010: profit of approximately HK\$4,530,000).
- the directors do not recommend the payment of any dividend (2010: Nil).
- the loss per share of the Company was approximately HK2.55 cents (2010: earnings of approximately HK0.85 cents (restated)).

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2011 together with the comparative unaudited figures for the corresponding periods in 2010 respectively as follows:

Consolidated Statement of Comprehensive Income (Unaudited)

For the three months and nine months ended 31 December 2011

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	26,894	19,862	14,716	2,770
Cost of services rendered and cost of good sold		<u>(7,283)</u>	<u>(5,774)</u>	<u>(3,482)</u>	<u>(470)</u>
Gross profit		19,611	14,088	11,234	2,300
Other revenue	3	570	3,887	544	90
Selling and distribution costs		(3,848)	(2,414)	(1,884)	(757)
Administrative expenses		(35,759)	(10,384)	(28,176)	(4,014)
Finance costs		(8)	(116)	(3)	–
(Loss)/Profit before taxation		(19,434)	5,061	(18,285)	(2,381)
Income tax expenses	4	(3,635)	(531)	(2,413)	(104)
(Loss)/Profit for the period		<u>(23,069)</u>	<u>4,530</u>	<u>(20,698)</u>	<u>(2,485)</u>
Other comprehensive income for the period, net of tax					
Available-for-sale financial assets Reclassification adjustments for loss on disposals		15,968	–	15,968	–
Exchange differences on consolidation		1,634	7,327	782	5,982
Total comprehensive (loss)/income for the period		<u>(5,467)</u>	<u>11,857</u>	<u>(3,948)</u>	<u>3,497</u>
(Loss)/Profit for the period attributable to:					
Equity holders of the Company		(22,862)	4,530	(17,761)	(2,485)
Non-controlling interests		(207)	–	(2,937)	–
		<u>(23,069)</u>	<u>4,530</u>	<u>(20,698)</u>	<u>(2,485)</u>
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(5,505)	11,857	(1,135)	3,497
Non-controlling interests		38	–	(2,813)	–
		<u>(5,467)</u>	<u>11,857</u>	<u>(3,948)</u>	<u>3,497</u>
Dividends	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
			(restated)		(restated)
(Loss)/Earnings per share	5				
– Basic (cent)		<u>(2.55)</u>	<u>0.85</u>	<u>(1.31)</u>	<u>(0.46)</u>
– Diluted (cent)		<u>(2.55)</u>	<u>0.85</u>	<u>(1.31)</u>	<u>(0.46)</u>

Notes:

1. CORPORATE INFORMATION

Palmpay China (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the provision of payment gateway services, manufacturing and trading of products related to optical fibers, telecommunications, electric power network systems and equipment and the provision of energy management services.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations 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. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The accounting policy adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2011.

3. TURNOVER AND REVENUE

An analysis of the Group’s turnover and revenue during the period is as follow:

	Nine months ended		Three months ended	
	31 December		31 December	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Rendering of services	2,482	19,862	2,482	2,770
Sales of goods	22,342	–	10,164	–
Provision of energy management services	2,070	–	2,070	–
Turnover	<u>26,894</u>	<u>19,862</u>	<u>14,716</u>	<u>2,770</u>
Reversal of bad and doubtful debts	–	3,882	–	89
Interest income	233	5	216	1
Sundry income	337	–	328	–
Other revenue	<u>570</u>	<u>3,887</u>	<u>544</u>	<u>90</u>
Total turnover and revenue	<u>27,464</u>	<u>23,749</u>	<u>15,260</u>	<u>2,860</u>

4. TAXATION

Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purposes for the period (2010: Nil).

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practises in respect thereof.

	Nine months ended		Three months ended	
	31 December		31 December	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax – other jurisdictions	<u>3,635</u>	<u>531</u>	<u>2,413</u>	<u>104</u>
Tax charge for the period	<u><u>3,635</u></u>	<u><u>531</u></u>	<u><u>2,413</u></u>	<u><u>104</u></u>

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2010: Nil).

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders of the Company for the three months and nine months ended 31 December 2011 of approximately HK\$17,761,000 and HK\$22,862,000 respectively (three months and nine months ended 31 December 2010: unaudited net loss of approximately HK\$2,485,000 and profit of approximately HK\$4,530,000 respectively) and the weighted average number of 1,360,333,699 and 897,870,469 ordinary shares of the Company respectively (three months and nine months ended 31 December 2010: 537,247,829 (restated) and 533,701,245 (restated) shares respectively).

Diluted (loss)/earnings per share was 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 2011, diluted loss per share is not presented as the unlisted warrants have anti-dilutive effects on the basic loss per share.

The weighted average number of ordinary shares for calculating basic and diluted earnings per share for the three months and nine months ended 31 December 2011 has been restated as a result of the share consolidation by the Company.

	Nine months ended 31 December 2011 (Unaudited) HK\$'000		Three months ended 31 December 2011 (Unaudited) HK\$'000	
	2010 (Unaudited) HK\$'000 Restated	2010 (Unaudited) HK\$'000 Restated	2010 (Unaudited) HK\$'000 Restated	2010 (Unaudited) HK\$'000 Restated
(Loss)/Profit used to determine diluted (loss)/earnings per share	<u>(22,862)</u>	<u>4,530</u>	<u>(17,761)</u>	<u>(2,485)</u>
Weighted average number of ordinary shares in issue	<u>897,870,469</u>	533,405,647	<u>1,360,333,699</u>	537,247,829
Adjustments for the effects of all dilutive potential shares	<u>-</u>	295,598	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares of diluted (loss)/earnings per share	<u>897,870,469</u>	<u>533,701,245</u>	<u>1,360,333,699</u>	<u>537,247,829</u>
	2011	2010	2011	2010
Diluted (loss)/earnings per share	<u>(HK2.55 cents)</u>	<u>HK0.85 cents</u>	<u>(HK1.31 cents)</u>	<u>(HK0.46 cents)</u>

6. RESERVES

	Reserves													
	Issued share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Convertible notes reserve (Unaudited) HK\$'000	Employee share-based payment reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Available-for-sale financial assets reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Retained profits/ losses (Unaudited) HK\$'000	Total reserves (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	117,611	60,370	145,126	3,385	443	2,923	-	(9,187)	1,037	31,088	235,185	352,796	-	352,796
Profit for the period	-	-	-	-	-	-	-	-	-	4,530	4,530	4,530	-	4,530
Other comprehensive income	-	-	-	7,327	-	-	-	-	-	-	7,327	7,327	-	7,327
Total comprehensive income for the period	-	-	-	7,327	-	-	-	-	-	4,530	11,857	11,857	-	11,857
Issue of consideration shares	10,350	26,715	-	-	-	-	-	-	-	-	26,715	37,065	-	37,065
Issue of unlisted warrants	-	-	-	-	-	-	621	-	-	-	621	621	-	621
Exercise of unlisted warrants	6,350	17,145	-	-	-	-	(381)	-	-	-	16,764	23,114	-	23,114
At 31 December 2010	<u>134,311</u>	<u>104,230</u>	<u>145,126</u>	<u>10,712</u>	<u>443</u>	<u>2,923</u>	<u>240</u>	<u>(9,187)</u>	<u>1,037</u>	<u>35,618</u>	<u>291,142</u>	<u>425,453</u>	<u>-</u>	<u>425,453</u>
At 1 April 2011	31,381	135,870	252,576	8,397	-	2,785	240	(15,968)	2,421	(298,316)	88,005	119,386	4,309	123,695
Loss for the period	-	-	-	-	-	-	-	-	-	(22,862)	(22,862)	(22,862)	(207)	(23,069)
Other comprehensive income	-	-	-	1,389	-	-	-	15,968	-	-	17,357	17,357	245	17,602
Total comprehensive income (loss) for the period	-	-	-	1,389	-	-	-	15,968	-	(22,862)	(5,505)	(5,505)	38	(5,467)
Issue of new shares upon open offer	31,382	(1,686)	-	-	-	-	-	-	-	-	(1,686)	29,696	-	29,696
Issue of Consideration share	6,275	5,522	-	-	-	-	-	-	-	-	5,522	11,797	-	11,797
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,846	2,846
At 31 December 2011	<u>69,038</u>	<u>139,706</u>	<u>252,576</u>	<u>9,786</u>	<u>-</u>	<u>2,785</u>	<u>240</u>	<u>-</u>	<u>2,421</u>	<u>(321,178)</u>	<u>86,336</u>	<u>155,374</u>	<u>7,193</u>	<u>162,567</u>

7. DIVIDENDS

The directors do not recommend the payment of any dividend for the nine months ended 31 December 2011 (nine months ended 31 December 2010: Nil).

8. EVENT AFTER THE REPORTING PERIOD

On 13 January 2012, Power Chance Holdings Limited, a wholly-owned subsidiary of the Company entered into an agreement in respect of the acquisition of the equity interest of Boomtech Limited. Upon completion of reorganization, Boomtech Limited and its subsidiaries will principally engage in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC. Details of the acquisition are set out in the announcement of the Company dated 13 January 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

The telecommunication enhancement business of the Group continued to growth during the period. Whilst the telecommunication optic fiber business recorded a turnover of approximately HK\$22,342,000 for the nine months ended 31 December 2011, the Group also recorded turnover of approximately HK\$2,070,000 from the resources/energy conservation business, of which the acquisition was completed in November 2011. During the period, the Group recorded a loss of approximately HK\$23,069,000 which was mainly due to the one-off loss on disposal of financial assets and one-off provisions for obsolete stock and doubtful debt in total of approximately HK\$24,167,000 of which HK\$15,815,000 has already provided for in the previous financial period.

Regarding the resources/energy conservation business, the business contracts that the Group has entered into has developed and expanded from 2 provinces/municipal cities in 2010 to as at now over 15 provinces/municipal cities with China Telecommunications Corporation, China United Network Communications Group Co., Ltd. (“China Unicom”), China Mobile Limited and national enterprises.

On 13 January 2012, the Group entered into a formal agreement for the acquisition of electromagnetic pulse management business which holds Class C qualification in lightning protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質). The business contracts that the Group has entered into has developed and expanded from 5 provinces/municipal cities in 2010 to as at now over 11 provinces/municipal cities with China Unicom in Hubei (湖北), Tianjin (天津), Anhui (安徽), Shanxi (山西), Jilin (吉林) Guangdong (廣東) and national enterprises.

The Board considers that the acquisition of the above business represents a significant further step on development of the Group’s telecommunication enhancement business in the PRC as a whole. Leveraging on the existing connections and expertise of the Group, the Board believed that it has succeeded in building up the telecommunication enhancement business. To further extend the scope of the business, the Group will continue to look for investment opportunities in the related operations, which will synergize and provide a promising future and generate significant returns to the Group.

FINANCIAL REVIEW

For the nine months ended 31 December 2011, the Group recorded a turnover of approximately HK\$2,482,000 from the payment gateway services, approximately HK\$22,342,000 from telecommunications optic fiber business, and approximately HK\$2,070,000 from energy management services.

During the period, the Group's net loss amounted to approximately HK\$23,069,000 (2010: profit of approximately HK\$4,530,000). Loss attributable to equity holders of the Company was approximately HK\$22,862,000 (2010: profit of approximately HK\$4,530,000). The administrative expenses increased by approximately 244% as compared to the previous corresponding period were mainly due to the loss on disposal of available-for-sale financial assets of approximately HK\$15,815,000, the provision for bad debts of approximately HK\$2,469,000, and the provision for obsolete stock of approximately HK\$5,883,000.

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

As at 31 December 2011, 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 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 referred 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:

Name of director	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Yuan Shengjun	Beneficial	14,804,800(L)	1.07%

(L) denotes long position

Save as disclosed above, as at 31 December 2011, 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 were 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 they were taken or deemed 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 referred to therein; or which were 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. 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	Share price of the Company at the grant date HK\$	Exercise price per share HK\$	Outstanding as at 31/3/2011	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding as at 31/12/2011
Directors									
Mr. Yuan Shengjun	21/12/2007	21/12/2007 – 20/12/2017	0.465	0.3875*	768,000	-	-	(768,000)	-
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.520	0.4333*	2,640,000	-	-	(2,640,000)	-
	21/12/2007	21/12/2007 – 20/12/2017	0.465	0.3875*	432,000	-	-	(432,000)	-
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.465	0.3875*	768,000	-	-	(768,000)	-
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.465	0.3875*	768,000	-	-	(768,000)	-
Employees	17/12/2007	17/12/2007 – 16/12/2017	0.440	0.3775*	4,560,000	-	-	(4,560,000)	-
	21/12/2007	21/12/2007 – 20/12/2017	0.465	0.3875*	768,000	-	-	(768,000)	-
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.440	0.3775*	4,800,000	-	-	(4,800,000)	-
					15,504,000	-	-	(15,504,000)	-

* These represented options granted to directors, employees and consultants with exercise prices ranging from HK\$0.453 to HK\$0.52 per share. The exercise price of these share options granted at the price of HK\$0.453, HK\$0.465 and HK\$0.52 per share had been adjusted to HK\$0.3775, HK\$0.3875 and HK\$0.4333 per share respectively for the effect of the bonus issue of the Company’s shares.

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

As at 31 December 2011, other than the interests of directors 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 and the Stock Exchange under the provisions of Divisions 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 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:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	346,404,682(L)	25.09%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	346,404,682(L)	25.09%
	Beneficial	4,483,200(L)	0.32%
	Deemed	1,480,000(L)	0.11%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	350,887,882(L)	25.41%
	Beneficial	1,480,000(L)	0.11%

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 346,404,682 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 1,480,000 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 346,404,682 shares held by Starryland Profits Limited and 4,483,200 shares held by Mr. Lau.

Save as disclosed above, as at 31 December 2011, 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 and the Stock Exchange 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, 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 the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the nine months ended 31 December 2011, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN 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 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 2011, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

CORPORATE GOVERNANCE PRACTICES

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 2011 except that no nomination committee of the Board is established.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

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. Cheung Chi Hwa, Justin 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 18 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. Cheung Chi Hwa, Justin. The unaudited financial statements of the Group for the period ended 31 December 2011 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange requirements, and that adequate disclosures have been made.

By order of the Board
Palmpay China (Holdings) Limited
Yuan Shengjun
Chairman

Hong Kong, 13 February 2012

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

This announcement 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.