



PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2009**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than companies listed on Exchange. 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.

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim 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, 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 purposes only

HIGHLIGHTS

For the three months ended 30 June 2009

- the turnover of the Group was approximately HK\$13,118,000 as compared to the turnover of approximately HK\$13,077,000 recorded in the corresponding period last year.
- the profit attributable to equity holders of the Company was approximately HK\$5,148,000 (2008: approximately HK\$3,902,000).
- the directors do not recommend the payment of any dividend (2008: Nil).
- the earnings per share of the Company was approximately HK0.32 cents (2008: approximately HK0.30 cents).

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 ended 30 June 2009 together with the comparative unaudited figures for the corresponding period in 2008 as follows:

Unaudited Consolidated Income Statement

		Three months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	3	13,118	13,077
Cost of sales		<u>(1,383)</u>	<u>(1,820)</u>
Gross profit		11,735	11,257
Other revenue		176	48
Distribution costs		(826)	(1,517)
Administrative expenses		<u>(3,111)</u>	<u>(2,448)</u>
Profit from operating activities		7,974	7,340
Finance costs		<u>(37)</u>	<u>(35)</u>
Profit before income tax		7,937	7,305
Income tax	4	<u>(677)</u>	<u>(2,076)</u>
Profit for the period		<u><u>7,260</u></u>	<u><u>5,229</u></u>
Attributable to:			
Equity holders of the Company		5,148	3,902
Minority interests		<u>2,112</u>	<u>1,327</u>
Dividends	7	<u><u>–</u></u>	<u><u>–</u></u>
Earnings per share			
– Basic (cent)	5	<u><u>0.32</u></u>	<u><u>0.30</u></u>
– Diluted (cent)		<u><u>0.31</u></u>	<u><u>N/A</u></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.

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 certain financial assets which have been measured at fair value. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2009.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and services rendered.

	Three months ended	
	30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Mobile payment gateway services	<u>13,118</u>	<u>13,077</u>
	<u>13,118</u>	<u>13,077</u>

4. INCOME TAX

No provision for the Hong Kong profits tax has been made in the financial statements as the Group did not have any assessable income for the period (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2008: Nil).

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2009 was based on the unaudited net profit attributable to equity holders of the Company of approximately HK\$5,148,000 (2008: approximately HK\$3,902,000) and the weighted average number of 1,606,652,305 (2008: 1,290,001,160) ordinary shares of the Company.

Diluted 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 ended 30 June 2009, the Company had three categories of dilutive potential ordinary shares: share options, warrants and convertible bonds.

	Three months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit used to determine diluted earnings per share	<u>5,148</u>	<u>3,902</u>
Weighted average number of ordinary shares in issue	1,606,652,305	1,290,001,160
Adjustments for assumed exercise of share options, warrants and convertible bonds	<u>43,150,661</u>	<u>—</u>
Weighted average number of ordinary shares of diluted earnings per share	<u>1,649,802,966</u>	<u>1,290,001,160</u>
	2009	2008
Diluted earnings per share	<u>0.31</u>	<u>N/A</u>

No diluted earnings per share had been presented for the three months ended 30 June 2008 as the exercise price of the Company's share options, warrants and convertible bonds was higher than the average market price for the share.

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	Warrant reserve (Unaudited) HK\$'000	Available- for-sale investment reserve (Unaudited) HK\$'000	Retained profits/ losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
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
Exchange realignment	-	-	(807)	-	-	-	-	-	(807)	-	(807)
Net profit for the period	-	-	-	-	-	-	-	3,902	3,902	1,327	5,229
At 30 June 2008	<u>194,094</u>	<u>6,015</u>	<u>1,507</u>	<u>443</u>	<u>3,736</u>	<u>1,340</u>	<u>-</u>	<u>(41,822)</u>	<u>165,313</u>	<u>8,177</u>	<u>173,490</u>
At 1 April 2009	181,041	6,015	3,216	443	6,008	1,340	(1,734)	(25,661)	170,668	16,088	186,756
Issue of consideration shares	14,182	-	-	-	-	-	-	-	14,182	-	14,182
Issue of convertible notes	-	-	-	5,362	-	-	-	-	5,362	-	5,362
Conversion of convertible notes	9,578	-	-	(1,692)	-	-	-	-	7,886	-	7,886
Exchange realignment	-	-	157	-	-	-	-	-	157	54	211
Acquired on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	(18,476)	(18,476)
Net profit for the period	-	-	-	-	-	-	-	5,148	5,148	2,112	7,260
At 30 June 2009	<u>204,801</u>	<u>6,015</u>	<u>3,373</u>	<u>4,113</u>	<u>6,008</u>	<u>1,340</u>	<u>(1,734)</u>	<u>(20,513)</u>	<u>203,403</u>	<u>(222)</u>	<u>203,181</u>

7. DIVIDENDS

The directors do not propose the payment of any dividend for the three months ended 30 June 2009 (2008: Nil).

8. POST BALANCE SHEET EVENTS

On 3 July 2009, the Company entered into the warrant placing agreement in relation to a private placing of 100,000,000 warrants at the warrants issue price of HK\$0.0075. The subscription price is HK\$0.1375 per new share. On 14 July 2009, the Company completed the warrant placing. Further details of the transactions have been disclosed on the announcements of the Company on 3 July 2009 and 14 July 2009.

REVIEW AND PROSPECT

OVERVIEW

The payment gateway business made steady contribution to the Group during the period. The Group recorded profit attributable to the equity shareholders of approximately HK\$5,100,000 for the period which represents an increment of 32% as compared to the corresponding period last year.

BUSINESS OVERVIEW

The entire telecommunication industry has been focus on the development of 3G and such market is expected to take into shape in six months to a year time. With the increasing adoption of 3G at rapid rate in the PRC, mobile payment gateway for downloading 3G contents, i.e. music entertainment contents and others, will be of high demand.

In an effort to enhance this existing payment gateway platform in view of the upcoming 3G age, the Group has developed a web-based payment gateway platform based on the Near Field Communication Technology (“NFC”). Such technology is already widely adopted globally and will also become one of the most important payment tools in the very near future in the PRC. The web-based payment gateway platform, which is based on the NFC technology and developed by the Group, has completed the testing stage and the trial run of which is expected to complete next month. Such platform is expected to be fully operational in the last quarter of 2009.

The Group is in the process of finalizing with its web-based payment gateway strategic partners in the PRC, a leading commercial bank, which has developed the largest Internet banking platform in the PRC and two telecommunication providers for the development of the NFC web-based payment gateway platform.

In addition to launching the NFC web-based payment gateway platform through banks with premium customers as the prime targets, the Group is in final negotiation stage on the co-operation with a leading payment collection (utilities and other household bills) company with over 1,000 convenient stores in two provinces in the PRC. The Group intends to, through application of its NFC technology, develop the payment system of such payment collection company into a NFC web-based payment gateway platform. The Board is of the view that such co-operation will serve as a stepping stone for the Group to develop the Group’s NFC web-based payment gateway platform into the mass payment gateway market so as to synergize and further develop the payment gateway business of the Group.

FINANCIAL REVIEW

For the period ended 30 June 2009, the Group recorded a turnover of approximately HK\$13,118,000 (2008: approximately HK\$13,077,000) from its mobile payment gateway business. The gross profit margin of the Group increased from approximately 86% in previous corresponding period to approximately 89% in the current period which was mainly due to the effective cost control during this period.

During the period, the Group's net profit and profit attributable to equity holders of the Company increased from approximately HK\$5,229,000 and HK\$3,902,000 of previous corresponding period to approximately HK\$7,260,000 and HK\$5,148,000 respectively. The administrative expenses increased by approximately 27% as compared to the previous corresponding period mainly due to the increase in professional fees for acquisition of additional interest in subsidiaries and issuance of warrants.

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

As at 30 June 2009, 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 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
Hsu Tung Chi (<i>Note 1</i>)	Beneficial	130,576,183(L)	6.79%
Hsu Tung Sheng	Beneficial	900,000(L)	0.05%
Yuan Shengjun	Beneficial	26,012,000(L)	1.35%

(L) denotes long position

Note:

- Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 65,074,000 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 30 June 2009, Mr. Hsu has not converted any convertible bonds.

(ii) Interests in share options:

Name of director	Number of share options outstanding	Approximate percentage of issued share capital
Hsu Tung Sheng	3,840,000 [#]	0.20%
	11,000,000 [^]	0.57%
Hsu Tung Chi	3,840,000 [#]	0.20%
	11,000,000 [^]	0.57%
Yuan Shengjun	3,840,000 [#]	0.20%
	11,000,000 [^]	0.57%
Chan Hin Wing, James	3,840,000 [#]	0.20%
	11,000,000 [^]	0.57%
Chan Francis Ping Kuen	13,200,000 [*]	0.69%
	2,160,000 [#]	0.11%
	13,000,000 [^]	0.68%

* 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.

[^] 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 30 June 2009, 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. 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 31/3/2009	Granted during the period	Exercised during the period	Outstanding as at 30/06/2009
Directors							
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
Mr. Yuan Shengjun	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
Employees	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	3,840,000	–	–	7,680,000
	1/12/2008	1/12/2008 – 30/11/2013	0.1060	13,000,000	–	–	24,000,000
Consultants	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	–	–	13,200,000
	17/12/2007	17/12/2007 – 16/12/2017	0.3775	24,000,000	–	–	24,000,000
				164,560,000	–	–	164,560,000

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

As at 30 June 2009, 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:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited (<i>Note 1</i>)	Beneficial	351,354,000(L)	18.28%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	351,354,000(L)	18.28%
	Beneficial	11,208,000(L)	0.58%
	Deemed	1,200,000(L)	0.06%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	362,562,000(L)	18.86%
	Beneficial	1,200,000(L)	0.06%
Big Well Investments Limited (<i>Note 2</i>)	Beneficial owner	267,304,635(L)	13.90%
Chong Tin Lung (<i>Note 2</i>)	Interests in controlled corporation	267,304,635(L)	13.90%
Lo Yee Man (<i>Note 2</i>)	Deemed	267,304,635(L)	13.90%
Pang Hong Tao (<i>Note 3</i>)	Beneficial	242,776,548(L)	12.63%
Wang Jing (<i>Note 3</i>)	Deemed	242,776,548(L)	12.63%

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Winner Gain Investments Limited (Note 4)	Beneficial	401,543,091(L)	20.89%
Yip Yung Kan (Note 4)	Beneficial	10,800,000(L)	0.56%
	Interests in controlled corporation	401,543,091(L)	20.89%
Lei I Si (Note 4)	Deemed	412,343,091(L)	21.45%

(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 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 133,606,242 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 30 June 2009, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 133,606,242 shares and 109,170,306 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

4. Winner Gain Investments Limited (“Winner Gain”), a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Yip Yung Kan (“Mr. Yip”). Winner Gain is interested in 254,109,091 shares. According to the sale and purchase agreement entered into between Upper Power and Winner Gain on 26 February 2009, the Company has allotted 247,434,000 convertible bonds to Winner Gain on 16 June 2009, of which Winner Gain has converted 100,000,000 convertible bonds into shares of the Company on 30 June 2009 and 147,434,000 convertible bonds remain outstanding. Mr. Yip is deemed to be interested in 254,109,091 shares and 147,434,000 convertible bonds held by Winner Gain.

Ms. Lei I Si, being the spouse of Mr. Yip, is deemed to be interested in 401,543,091 shares held by Winner Gain and 10,800,000 shares held by Mr. Yip.

Save as disclosed above, as at 30 June 2009, 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 heading “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 three months ended 30 June 2009, there were no purchases, sales or redemptions of the Company’s listed securities 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) has any interest in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata 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 30 June 2009, 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 30 June 2009 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 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 currently 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 financial statements of the Group for the period ended 30 June 2009 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, 13 August 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 nonexecutive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will 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.