PALMPAY CHINA (HOLDINGS) LIMITED
中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

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.

This announcement, for which the directors of Palmpay China (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *for identification purpose only*

FINANCIAL RESULTS

The board of directors (the "Board") of Palmpay China (Holdings) Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010 together with the comparative figures for the corresponding year in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Note	**2010** ***HK$'000***	2009 *HK$'000*
Turnover	*5*	**43,409**	56,810
Cost of services rendered		**(4,028)**	(6,483)
Gross profit		**39,381**	50,327
Other revenue	*5*	**706**	859
Distribution costs		**(2,035)**	(4,116)
Administrative expenses		**(19,373)**	(17,191)
Finance costs	*6*	**(615)**	(142)
Profit before taxation	*7*	**18,064**	29,737
Income tax expenses	*8*	**(2,201)**	(1,043)
Profit for the year		**15,863**	28,694
Other comprehensive income			
Change in fair value of available-for-sale financial assets		**(7,453)**	(1,734)
Exchange differences on consolidation		**221**	1,004
		(7,232)	(730)
Total comprehensive income for the year		**8,631**	27,964
Profit attributable to:			
Equity holders of the Company		**13,761**	20,063
Minority interests		**2,102**	8,631
		15,863	28,694
Total comprehensive income attributable to:			
Equity holders of the Company		**6,470**	19,231
Minority interests		**2,161**	8,733
		8,631	27,964
Earnings per share	*10*		
Basic		**HK0.70 cent**	HK1.29 cents
Diluted		**HK0.70 cent**	HK1.28 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**12,349**	15,436
Available-for-sale financial assets		**18,870**	26,323
Intangible assets		**35,861**	10,768
Goodwill		**209,627**	145,592
		276,707	198,119
Current assets			
Inventories		**3,684**	–
Trade and other receivables	*11*	**90,789**	84,384
Restricted deposits		**2,399**	–
Bank balances and cash		**19,101**	9,985
		115,973	94,369
Current liabilities			
Accruals and other payables		**32,161**	21,585
Tax payable		**4,640**	2,896
Convertible bonds		**3,083**	–
		39,884	24,481
Net current assets		**76,089**	69,888
Total assets less current liabilities		**352,796**	268,007
Non-current liabilities			
Convertible bonds		**–**	2,933
NET ASSETS		**352,796**	265,074
Capital and reserves			
Share capital		**117,611**	78,318
Reserves		**235,185**	170,668
Equity attributable to equity holders of the Company		**352,796**	248,986
Minority interests		**–**	16,088
TOTAL EQUITY		**352,796**	265,074

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	Attributable to equity holders of the Company													
		Reserves												
	Share capital	Share premium	Contributed surplus	Exchange reserve	Convertible bonds reserve	Employee share-based payment reserve	Warrant reserve	Available-for-sale financial assets reserve	Statutory reserve	Accumulated (losses) profits	Total reserves	Subtotal	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	64,117	179,624	6,015	2,314	443	3,736	1,340	–	–	(45,724)	147,748	211,865	6,850	218,715
Partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	505	505
Issue of consideration shares	1,148	14,470	–	–	–	–	–	–	–	–	14,470	15,618	–	15,618
Issue of bonus shares	13,053	(13,053)	–	–	–	–	–	–	–	–	(13,053)	–	–	–
Employee share-based payment	–	–	–	–	–	2,272	–	–	–	–	2,272	2,272	–	2,272
Total comprehensive income for the year	–	–	–	902	–	–	–	(1,734)	–	20,063	19,231	19,231	8,733	27,964
At 31 March 2009	78,318	181,041	6,015	3,216	443	6,008	1,340	(1,734)	–	(25,661)	170,668	248,986	16,088	265,074
At 1 April 2009	78,318	181,041	6,015	3,216	443	6,008	1,340	(1,734)	–	(25,661)	170,668	248,986	16,088	265,074
Share premium reduction	–	(181,041)	139,111	–	–	–	–	–	–	41,930	–	–	–	–
Acquisition of additional interest in subsidiary from minority shareholders	–	–	–	7	–	–	–	–	–	(58)	(51)	(51)	(18,249)	(18,300)
Issue of consideration shares	11,818	14,182	–	–	–	–	–	–	–	–	14,182	26,000	–	26,000
Issue of convertible bonds	–	–	–	–	5,362	–	–	–	–	–	5,362	5,362	–	5,362
Conversion of convertible bonds	18,975	30,496	–	–	(5,362)	–	–	–	–	–	25,134	44,109	–	44,109
Exercise of share options	3,500	6,192	–	–	–	(2,272)	–	–	–	–	3,920	7,420	–	7,420
Lapse of share options	–	–	–	–	–	(813)	–	–	–	813	–	–	–	–
Issue of unlisted warrants	–	–	–	–	–	–	750	–	–	–	750	750	–	750
Exercise of unlisted warrants	5,000	9,500	–	–	–	–	(750)	–	–	–	8,750	13,750	–	13,750
Expiry of unlisted warrants	–	–	–	–	–	–	(1,340)	–	–	1,340	–	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	–	1,037	(1,037)	–	–	–	–
Total comprehensive income for the year	–	–	–	162	–	–	–	(7,453)	–	13,761	6,470	6,470	2,161	8,631
At 31 March 2010	**117,611**	**60,370**	**145,126**	**3,385**	**443**	**2,923**	**–**	**(9,187)**	**1,037**	**31,088**	**235,185**	**352,796**	**–**	**352,796**

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 have been 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.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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 financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 financial statements except for the adoption of certain new / revised HKFRS effective from the current year that are relevant to the Company as detailed below.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new / revised HKFRS

HKAS 1 (Revised): Presentation of Financial Statements

HKAS 1 (Revised) requires transactions with owners to be presented separately from all other income and expenses in a revised statement of changes in equity. The revised Standard however allows non-owner changes in equity to be shown in a single statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to prepare one statement. In addition, the revised Standard requires that when comparative information is restated or reclassified, a statement of financial position as at the beginning of the comparative period, in addition to the statements of financial position as at the end of the current period and the comparative period, should be presented. Since the Group and the Company did not restate comparative information during the year, this new requirement has no impact on the financial statements.

HKAS 23 (Revised): Borrowing costs

HKAS 23 (Revised) eliminated the option to expense borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. Since the Group has not previously adopted the option to expense borrowing costs, the revised Standard has no impact on the financial statements.

Amendments to HKFRS 2: Share-based payments – Vesting conditions and cancellations

Amendments to HKFRS 2 clarify that vesting conditions include service and performance conditions only, and all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of these amendments had no impact on the financial statements.

Amendments to HKFRS 7 Financial Instruments: Disclosures

Amendments to HKFRS 7 require additional disclosure about fair value measurements and liquidity risk. The fair value measurement and the liquidity risk disclosures are not significantly impacted by the amendments. The Group has taken advantage of the transitional provisions set out in the amendments, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments are not provided in the financial statements.

HKFRS 8: Operating segments

The standard, replacing HKAS 14: Segment Reporting, requires segment information to be reported based on internal information used by management to evaluate the performance of operating segments and allocate resources to those segments. Adoption of this standard did not have any effect on the Group's results of operations or financial position. The Group has determined that its operating segments are substantially the same as the business segments previously identified under HKAS 14.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued the following new / revised HKFRS that are not yet effective for the current year, which the Group has not early adopted.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[1]
HKFRIC 14 Amendments	Amendments to HKFRIC 14 Prepayments of a Minimum Funding Requirement[5]
HKFRIC 17	Distributions of Non-cash Assets to Owners[1]
HKFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary[1]
HKFRS (Amendments – 2009)	Improvements to HKFRS issued in May 2009[7]
HKFRS (Amendments – 2010)	Improvements to HKFRS issued in May 2010[8]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
8 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The directors are in the process of assessing the possible impact on the future adoption of these new and revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two reporting segments. No operating segments have been aggregated to form the following reporting segments:

- the mobile payment gateway services segment providing e-payment services; and

- the diversified mobile value-added services segment providing software development services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all tangible and intangible assets and current assets with the exception of other corporate assets. Segment liabilities include accruals and other payables to the service activities of the individual segments.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arisen from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segments to another, including sharing assets, is not measured.

Information regarding to the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2010 and 2009 is set out below.

	Mobile payment gateway services		Diversified mobile value-added services		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Services to external customers	**43,409**	51,143	**–**	5,667	**43,409**	56,810
Segment results	**26,911**	33,432	**–**	4,627	**26,911**	38,059
Unallocated income					**704**	853
Unallocated expenses					**(8,936)**	(9,033)
Unallocated finance costs					**(615)**	(142)
Profit before taxation					**18,064**	29,737
Income tax expenses					**(2,201)**	(1,043)
Profit for the year					**15,863**	28,694
Assets and liabilities						
Segment assets	**342,583**	248,098	**–**	5,680	**342,583**	253,778
Unallocated assets					**50,097**	38,710
Consolidated total assets					**392,680**	292,488
Segment liabilities	**28,176**	22,214	**–**	–	**28,176**	22,214
Unallocated liabilities					**11,708**	5,200
Consolidated total liabilities					**39,884**	27,414
Other segment information						
Depreciation						
– Segment	**3,975**	3,916	**–**	–	**3,975**	3,916
– Unallocated					**617**	192
					4,592	4,108
Capital expenditure						
– Segment	**23,575**	1,087	**–**	–	**23,575**	1,087
– Unallocated					**3,007**	2,208
					26,582	3,295
Goodwill – addition	**64,035**	–	**–**	–	**64,035**	–
Allowance for bad and doubtful debts	**4,236**	2,389	**–**	–	**4,236**	2,389

(b) Geographic information

The Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's turnover and non-current assets other than available-for-sale financial assets by geographical place of provision of services:

	The PRC		**Hong Kong**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**43,409**	53,410	**–**	3,400	**43,409**	56,810
Other segment information						
Non-current assets	**257,837**	171,796	**–**	–	**257,837**	171,796

(c) Information about major customers

For the year ended 31 March 2010, there was one (2009: one) customer which accounted for over 10% of total revenue of the Group with revenue of HK$40,588,000 (2009: HK$46,129,000).

5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Mobile payment gateway services	**43,409**	51,143
Diversified mobile value-added services	**–**	5,667
Turnover	**43,409**	56,810
Dividend income	**702**	702
Interest income	**4**	155
Sundry income	**–**	2
Other revenue	**706**	859
Total turnover and revenue	**44,115**	57,669

6. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Interest on convertible bonds	**615**	142

7. PROFIT BEFORE TAXATION

This is stated after charging:

	Group 2010	2009
	HK$'000	*HK$'000*
Employee benefits expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**6,136**	5,617
Contribution to defined contribution schemes	**1,555**	383
Employee share-based payment	**–**	2,273
	7,691	8,273
Auditor's remuneration		
Current year	**350**	309
Underprovision in previous year	**146**	–
Cost of services rendered (including relevant employee benefits expenses and depreciation)	**4,028**	6,483
Depreciation of property, plant and equipment	**4,592**	4,108
Property, plant and equipment written-off	**51**	144
Exchange losses, net	**24**	38
Operating lease payment on premises	**296**	933
Allowances for bad and doubtful debts	**4,236**	2,389

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the year.

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 year based on existing legislation, interpretations and practices in respect thereof.

	Group 2010	2009
	HK$'000	*HK$'000*
Current year provision		
PRC enterprise income tax	**2,201**	2,677
Overprovision in prior years		
PRC enterprise income tax	**–**	(1,634)
Tax expense for the year	**2,201**	1,043

Reconciliation of effective tax rate

	Group	
	2010	2009
	%	%
Applicable tax rate	**28.2**	26.5
Effect of tax concession	**(26.1)**	(21.0)
Non-deductible expenses	**9.6**	3.0
Non-taxable revenues	**(2.3)**	(1.8)
Unrecognised tax losses	**2.8**	2.3
Overprovision in the prior years	**–**	(5.5)
Tax expenses for the year	**12.2**	3.5

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the group entities operate.

9. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year (2009: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2010	2009
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**13,761**	20,063

	Number of shares	
	2010	2009
Weighted average number of ordinary shares in issue during the year	**1,967,767,689**	1,561,920,415

For the year ended 31 March 2010, diluted earnings per share is the same as basic earnings per share as the potential ordinary shares issuable under the convertible bonds and share options have anti-dilutive effects on the basic earnings per share.

For the year ended 31 March 2009, the calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$20,063,000 and the weighted average of 1,565,340,170 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

11. TRADE AND OTHER RECEIVABLES

		Group	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Trade receivables from third parties	*(i)*	**94,473**	48,296
Allowance for bad and doubtful debts	*(ii)*	**(6,606)**	(2,389)
		87,867	45,907
Other receivables			
Prepayments, deposits and other receivables		**2,922**	38,477
		90,789	84,384

(i) Included in the Group's trade and other receivables are the following amounts denominated in a currency other than the presentation currency of the Company to which they relate:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Renminbi	**87,867**	68,841

(ii) Allowance for bad and doubtful debts

	Group	
	2010	2009
	HK$'000	*HK$'000*
At beginning of reporting period	**2,389**	–
Increase in allowance	**4,236**	2,389
Amount written-off	**(25)**	–
Exchange realignment	**6**	–
At end of reporting period	**6,606**	2,389

The Group maintains a credit policy for their customers. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$83,326,000 (2009: HK$39,136,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality and part of which has been subsequently settled.

At the end of the reporting period, the ageing analysis of the trade receivables (net of allowances for bad and doubtful debts) by overdue date is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**4,541**	6,771
Less than 3 months past due	**8,941**	13,907
3 months to 6 months past due	**13,811**	9,827
6 months to 9 months past due	**14,675**	7,282
9 months to 1 year past due	**20,546**	5,758
Over 1 year past due	**25,353**	2,362
	83,326	39,136
	87,867	45,907

12. EVENTS AFTER THE REPORTING PERIOD

In March 2010, the Company entered into (i) three share subscription agreements to allot and issue in aggregate 207,000,000 shares of the Company in cash at the placing price of HK$0.185 per placing share and (ii) three warrant subscription agreements to place in aggregate 207,000,000 warrants in cash at the warrant issue price of HK$0.003 per warrant. The warrantholders can subscribe the Company's shares at the subscription price of HK$0.182 per share for a period of three years commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company. The net proceeds from the share and warrant subscriptions will be applied towards business development of the payment gateway business and other related investments and general working capital of the Group.

The completion of the share subscription and warrant subscription took place in April 2010. Details of the transactions have been set out in the circular of the Company dated 23 March 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

During the period, the payment business of the Group was affected by the ongoing structural changes of the payment industry in the PRC. Whilst the telecommunication value-added business remains stable, the mobile payment gateway business recorded a decrease of 15.1% as compared to the previous period.

Structural changes of the payment industry in the PRC

The People's Bank of China recently announced that non-bank payment service providers will be required to meet the requirements of, amongst others, registered capital (RMB100 million), expertise and track record profit so as to obtain a license to conduct payment business in the PRC. With such new regulations, the entry barriers to the payment industry in the PRC will be tightened and the Group expects that a majority of the current payment industry players will be eliminated.

The Group will deploy all the necessary resources to apply for the payment business license. With its track record, financial resources and experience in the payment industry, the Board believes that the Group will have a reasonable chance to successfully obtain such license.

With the take up of 3G at an accelerated rate and the popularity of internet in the PRC, the payment industry is experiencing a transitional stage which both the existing mobile payment gateway and the e-payment are changing to contactless payment system.

Among all the main contactless payment system technologies in the PRC, namely SIMPASS, Near Field Communication Technology ("NFC Technology"), which both adopt the frequency of 13.56 Megahertz ("MHz") and RF-SIM, which adopts the frequency of 2.4 Gigahertz ("G"), NFC Technology is the most secured and with a relatively low production cost. It is the main stream and widely adopted in telecommunication industry (by China Unicom and China Telecom), banking and finance industry (by UnionPay) and public transport.

Following the main stream, China Mobile recently changed the contactless payment system technology adopted on its mobile payment network from 2.4G RF-SIM to 13.26MHz NFC Technology.

Partnership with Sony – Development based on Sony FeliCa

The Group has entered into co-operation agreement with Sony to develop and introduce the contactless payment system in China based on the 13.56MHz NFC Technology, FeliCa, developed by Sony. FeliCa is a technologically advanced form of NFC Technology with high security and stability. Sony FeliCa is already widely adopted, for example, NTT DoCoMo, KDDI and Softbank use FeliCa technology for their mobile wallets in Japan (NTT DoCoMo, KDDI and Softbank are the three major telecommunication operators in Japan) as well as Octopus in Hong Kong. Whilst Sony FeliCa will provide the competitive edge to the Group in the contactless payment market in the PRC, it will at the same time complement the telecommunication value added business of the Group.

With the full technical support from Sony, the Palmpay USB reader / writer, which is integrated with the Sony module, and the related clearance system has been completed, fully tested to be operational by the Group.

The Group has entered into cooperation agreement with Beijing Huatong Toyota Sales & Services Co. Limited for incorporation of Palmpay USB reader / writer into the membership system of Toyota in the PRC to develop a comprehensive cyber customer service centre / e-payment platform supported by the point of sale network in the PRC. Such operation will be officially launched on 1 July 2010.

The Group is in negotiation with a well known online travel booking internet portal in the PRC to develop its membership system into a cyber travel agent / e-payment platform with the incorporation of Sony FeliCa.

The Group has started negotiation with a marketing / e-commerce organisation in Fuzhou, Fujian Province, which is engaged in the marketing of cosmetic and health care products in the PRC, for development of a membership system through Sony FeliCa.

Prospects

Whilst the Group regards the structural changes in the payment industry as a challenge to be overcome in short term, the Group also considers such changes as an opportunity to differentiate the Group as the forerunner in the payment industry particularly in the areas of mobile payment and e-payment through the NFC Technology, Sony FeliCa. The Board is optimistic that the Group is well facilitated to be a competitive player in the rapidly growing e-payment industry in the PRC which will generate ample business opportunities to the Group in the near future.

Financial Review

Results

The Group recorded a decrease of approximately 23.6% in its turnover for the year ended 31 March 2010 to approximately HK$43.4 million as compared to approximately HK$56.8 million in the previous year. It was mainly due to there was no diversified mobile value-added services during the year.

The Group recorded a decrease in gross profit of approximately 21.7% to HK$39.4 million in the current year as compared to approximately HK$50.3 million in the previous year mainly due to there was no contribution from turnover of the diversified mobile value-added services.

Net profit attributable to equity holders of the Company for the year amounted to approximately HK$13.8 million (2009: HK$20.1 million).

Liquidity, financial resources and capital structure

As at 31 March 2010, the Group had total assets of approximately HK$392.7 million (2009: HK$292.5 million), including net cash and bank balances of approximately HK$19.1 million (2009: HK$10.0 million).

For the year ended 31 March 2010, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2009: Nil). There was no charge on the Group's assets as at 31 March 2010 (2009: Nil).

As at 31 March 2010, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2009: Nil). The Group had no bank borrowings as at 31 March 2010 (2009: Nil).

Most of the transactions of the Group are denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2010, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Segment information

The revenue of the Group comprises the provision of mobile payment gateway services and diversified mobile value-added services.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK$43.4 million during the year ended 31 March 2010. (2009: HK$53.4 million in the PRC and HK$3.4 million in Hong Kong).

New products and services

During the year, the Group continued to develop new products to increase its products range and strengthen its competitive position.

Significant investments

Other than investment in ordinary and preference shares of a company, the Group did not have any significant investment during the year (2009: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has further acquired 25% equity interests in Media Magic Technology Limited. After competition of the acquisition, the Company indirectly owned 100% equity interest in Media Magic Technology Limited and its subsidiaries ("Media Magic Group"). The Media Magic Group is principally engaged in the provision of mobile payment gateway services.

Future plans for material investments and expected source of funding

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2010. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liability as at 31 March 2010.

Employees and remuneration policies

As at 31 March 2010, the Group had 51 (2009: 51) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$5.4 million for the year ended 31 March 2010 (2009: HK$5.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year under review, none of the directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

CONTINUING CONNECTED TRANSACTION

Under a revolving facility letter signed between the Company and a then 51% owned subsidiary, Multi Channel Technology Limited on 15 June 2007, the Company agreed to conditionally grant the subsidiary a revolving facility up to a maximum amount of HK$22,000,000 at any time during each of the three financial years ended 31 March 2010 for financing the financial requirements of the subsidiary, for its working capital requirements and business development. The facility is interest-bearing at the best lending rate for Hong Kong dollar loan per annum as quoted from time to time by the Hongkong and Shanghai Banking Corporation Limited and secured by personal guarantees of two of the Company's directors, Mr. Hsu Tung Chi and Mr. Hsu Tung Sheng, and a share charge on approximately 25.3% of equity interest of a then 51% owned subsidiary, Media Magic Technology Limited held by Winner Gain Investments Limited and Mr. Hsu Tung Chi. Both Multi Channel Technology Limited and Media Magic Technology Limited have become wholly-owned subsidiary of the Company since June 2009.

As at 31 March 2010, a total amount of HK$18,600,000 (2009: HK$18,600,000) had been utilised against this facility. During the year, loan interest income of HK$935,000 (2009: HK$1,239,000) in respect of this facility was received by the Company.

The foresaid continuing connected transaction has been reviewed by independent non-executive directors. The independent non-executive directors confirmed that the continuing connected transaction set out in above was entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the above transactions.

Save as disclosed herein were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

Based on the work performed, the auditor of the Company have confirmed that nothing has come to their attention that cause them to believe the aforesaid continuing connected transaction on utilisation of revolving facility which determined to be HK$18,600,000 (a) has not been approved by the Board; (b) has not been entered into in accordance with the relevant agreement governing the transaction; and (c) had been exceed the annual cap of HK$22,000,000 for the year ended 31 March 2010 as disclosed in the circular in respect of the transaction.

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 year ended 31 March 2010 except that no nomination committee of the Board is established.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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. During the year, the Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing, who resigned on 15 January 2010 and was replaced by Mr. Cheung Chi Hwa, Justin. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2010 have been reviewed by the Committee, who 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.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group and the annual report for the year ended 31 March 2010.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2010 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars") to the amounts set out in the Group's draft audited consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

By order of the Board
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

Hong Kong, 28 June 2010

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. Cheung Chi Hwa, Justin.

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.