



Palmpay

PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

* For identification purpose only



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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

For the six months ended 30th September 2007

- the turnover of the Group was approximately HK\$69,890,000 as compared to the turnover of approximately HK\$57,846,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$3,545,000 (2006: profit HK\$822,000).
- the directors do not recommend the payment of an interim dividend (2006: Nil).
- the earnings per share of the Company was approximately HK0.32 cents (2006: profit HK0.19 cents).



FINANCIAL RESULTS

The board of directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30th September 2007 together with the comparative unaudited figures for the corresponding periods in 2006 respectively as follows:

Unaudited Consolidated Income Statement

For the three months and six months ended 30th September 2007

	Notes	Six months ended 30th September 2007		Three months ended 30th September 2007	
		(Unaudited) HK\$'000	(Unaudited) 2006 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2006 HK\$'000
Turnover	3	69,890	57,846	37,971	29,776
Cost of sales		(50,135)	(43,731)	(29,225)	(21,964)
Gross profit		19,755	14,115	8,746	7,812
Other revenue		2,134	653	1,210	523
Distribution costs		(2,598)	(624)	(2,412)	(418)
Administrative expenses		(9,704)	(8,462)	(3,993)	(4,260)
Profit from operating activities		9,587	5,682	3,551	3,657
Provision for impairment loss of other investments		–	(620)	–	(620)
Gain on disposal of subsidiaries		2,850	–	2,850	–
Finance costs		(3,674)	(3,495)	(1,874)	(2,053)
Profit before income tax	4	8,763	1,567	4,527	984
Income tax	5	(1,489)	(745)	(773)	(683)
Profit for the period		7,274	822	3,754	301
Attributable to:					
Equity holders of the company		3,545	822	1,835	301
Minority interests		3,729	–	1,919	–
Dividends	9	–	–	–	–
Earnings per share	6				
– Basic (cent)		0.32	0.19	0.16	0.06
– Diluted (cent)		N/A	N/A	N/A	N/A

Unaudited Consolidated Balance Sheet

As at 30th September 2007

	As at 30th September 2007 (Unaudited) Notes	As at 31st March 2007 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Fixed assets	43,373	39,822
Available-for-sale financial assets	–	150
Intangible assets	61,522	60,730
Deferred tax assets	–	430
	104,895	101,132
CURRENT ASSETS		
Inventories	53,255	38,484
Accounts receivable	7 26,644	21,756
Prepayments, deposits and other receivables	11,797	7,469
Tax prepaid	234	64
Pledged time deposits	14,351	14,260
Cash and cash equivalents	93,689	33,784
	199,970	115,817
CURRENT LIABILITIES		
Accounts payable	8 33,419	20,087
Bank borrowings	59,419	64,517
Current portion of finance lease payables	2,773	2,778
Other loans	1,024	1,044
Accrued expenses and other payables	23,495	7,886
Amount due to a shareholder	–	215
Amount due to shareholders of subsidiaries	16,440	13,741
Promissory notes	–	6,158
Tax payable	1,141	854
	137,711	117,280
NET CURRENT ASSETS/(LIABILITIES)	62,259	(1,463)
TOTAL ASSETS LESS CURRENT LIABILITIES	167,154	99,669



	As at 30th September 2007 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31st March 2007 (Audited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank borrowings	550	1,153
Finance lease payables	3,339	4,005
Provision for long services payment	171	171
Deferred tax liabilities	1,412	1,412
	<hr/> 5,472	<hr/> 6,741
NET ASSETS	<hr/> 161,682	<hr/> 92,928
CAPITAL AND RESERVES		
Share capital	55,948	48,471
Reserves	99,333	39,890
	<hr/> 155,281	<hr/> 88,361
MINORITY INTERESTS	<hr/> 6,401	<hr/> 4,567
TOTAL EQUITY	<hr/> 161,682	<hr/> 92,928

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30th September 2007

	Share	Share	Contributed	Exchange	Convertible	Share	Warrant	Accumulated	Sub-total	Minority	Total
	Capital	premium	surplus	reserve	notes	option	reserve	losses		interests	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2006	18,750	11,152	6,015	96	885	-	-	(17,856)	19,042	1,988	21,030
Issue of shares	3,000	15,000	-	-	-	-	-	-	18,000	-	18,000
Share issue expenses	-	(811)	-	-	-	-	-	-	(811)	-	(811)
Exercise of share options	1,500	2,640	-	-	-	-	-	-	4,140	-	4,140
Arising on consolidation of subsidiaries	-	-	-	142	-	-	-	-	142	-	142
Net profit for the period	-	-	-	-	-	-	-	822	822	-	822
At 30th September 2006	23,250	27,981	6,015	238	885	-	-	(17,034)	41,335	1,988	43,323
At 1st April 2007	48,471	57,163	6,015	1,205	-	2,480	-	(26,973)	88,361	4,567	92,928
Issue of shares under placing	5,500	46,200	-	-	-	-	-	-	51,700	-	51,700
Share issue expenses	-	(1,853)	-	-	-	-	-	-	(1,853)	-	(1,853)
Exercise of share options	1,977	12,763	-	-	-	(2,480)	-	-	12,260	-	12,260
Issue of warrants	-	-	-	-	-	-	1,441	-	1,441	-	1,441
Disposal of subsidiaries	-	-	-	(96)	-	-	-	-	(96)	(1,987)	(2,083)
Arising on consolidation of subsidiaries	-	-	-	(77)	-	-	-	-	(77)	92	15
Net profit for the period	-	-	-	-	-	-	-	3,545	3,545	3,729	7,274
At 30th September 2007	55,948	114,273	6,015	1,032	-	-	1,441	(23,428)	155,281	6,401	161,682



Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2007

	Six months ended 30th September 2007 (Unaudited) HK\$'000	Six months ended 30th September 2006 (Unaudited) HK\$'000
Net cash inflow from operating activities	17,304	7,013
Net cash outflow from investing activities	(10,805)	(6,087)
Net cash inflow/(outflow) from financing activities	53,046	(5,182)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	59,545	(4,256)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,677	(22,124)
	64,222	(26,380)
Effect of foreign exchange rate changes	15	142
CASH AND CASH EQUIVALENTS AT END OF PERIOD	64,237	(26,238)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	93,689	1,558
Bank overdrafts	(29,452)	(27,796)
	64,237	(26,238)

*Notes:***1. General**

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on GEM.

The Group is principally engaged in the research, development, provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of mobile payment gateway services and a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

2. Basis of presentation

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

3. Turnover

Turnover represents the net invoiced value of goods sold, after sales discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and segment results by business and geographical segments is as follows:

(a) *Business segments*

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Six months ended 30th September								Consolidated	
	Internet appliances and related products		Electronic devices and components		Design and engineering services		Mobile payment gateway services			
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	-	1,804	55,607	52,019	620	4,023	13,663	-	69,890	57,846
Segment results	-	161	8,477	11,152	(764)	2,802	12,042	-	19,755	14,115
Other revenue									2,134	653
Net unallocated expenses									(12,302)	(9,086)
Profit from operating activities									9,587	5,682
Provision for impairment loss of other investments									-	(620)
Gain on disposal of subsidiaries									2,850	-
Finance costs									(3,674)	(3,495)
Profit before income tax									8,763	1,567
Income tax									(1,489)	(745)
Profit for the period									7,274	822
Assets										
Segment assets	-	14,485	67,310	58,173	15,592	16,285	27,418	-	110,320	89,943
Unallocated assets									194,545	73,259
Total assets									304,865	163,202
Liabilities										
Segment liabilities	-	21,589	33,419	22,516	-	-	-	-	33,419	44,105
Unallocated liabilities									109,764	75,774
Total liabilities									143,183	119,879
Other segment information:										
Depreciation	17	223	1,830	1,320	-	71	594	-	2,441	1,614
Capital expenditure									724	680
Capital expenditure - unallocated									6,716	14,340

(b) Geographical segments

A summary of the geographical segments for the six months ended 30 September 2007 and the corresponding period in 2006 is as follows:

	China		Middle East		United State of America		United Kingdom		Europe		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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
Turnover														
External sales	13,925	2,054	15,287	17,602	3,410	9,451	21,390	16,800	15,616	11,935	260	4	69,890	57,846

4. Profit before income tax

The Group's profit before taxation is arrived at after charging the following:

	Six months ended 30th September		Three months ended 30th September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest on overdrafts and bank loans	3,132	3,495	1,603	2,053
Amortisation of product development costs	1,072	802	537	401
Depreciation of fixed assets	3,165	2,294	1,597	1,308

5. Income tax

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

	Six months ended 30th September		Three months ended 30th September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current tax	1,051	182	335	120
Deferred tax	438	563	438	563
Tax charge for the period	1,489	745	773	683

Deferred tax is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates.



6. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit attributable to equity holders of the Company for the three months and six months ended 30th September 2007 of approximately HK\$1,835,000 and HK\$3,545,000 respectively (three months and six months ended 30th September 2006: unaudited net profit of approximately HK\$301,000 and HK\$822,000 respectively) and the weighted average number of 1,117,866,957 and 1,093,510,779 ordinary shares of the Company (three months and six months ended 30th September 2006: 465,000,000 and 434,016,000 shares).

No diluted earnings per share had been presented for the three months and six months ended 30th September 2007 as the exercise price of the Company's share options and warrants were higher than the average market price for the share.

No diluted earnings per share had been presented for the three months and six months ended 30th September 2006 as there were no diluting events existed during the three months and six months ended 30th September 2006.

7. Accounts receivable

The aging analysis of the Group's accounts receivable at the balance sheet date, based on date of goods delivered, is as follows:

	As at 30th September 2007 (Unaudited) HK\$'000	As at 31st March 2007 (Audited) HK\$'000
Within 30 days	7,856	8,327
31 to 60 days	6,442	3,774
61 to 90 days	4,127	4,164
91 to 120 days	2,498	1,473
Over 120 days	5,721	4,018
	<hr/> 26,644	<hr/> 21,756

8. Accounts payable

The aging analysis of the Group's accounts payable at the balance sheet date, based on date of goods received, is as follows:

	As at 30th September 2007 (Unaudited) HK\$'000	As at 31st March 2007 (Audited) HK\$'000
Within 30 days	6,063	5,170
31 to 60 days	6,001	3,149
61 to 90 days	4,600	3,032
91 to 120 days	6,036	1,270
Over 120 days	10,719	7,466
	<hr/> 33,419	<hr/> 20,087

9. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2007 (2006: Nil).

10. Post balance sheet events

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

On 5th November 2007, Upper Power Limited, a wholly-owned subsidiary of the Company, entered into two agreements to purchase respectively 9% and 15% of the total issued shares of Media Magic Technology Limited. Further details of the transactions have been disclosed on the announcement of the Company on 12th November 2007.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the six months ended 30th September 2007, the Group recorded a turnover of approximately HK\$69,890,000 which increased by approximately 20.8% compared to the previous corresponding period. Turnover from the trading and manufacturing of electronic devices and components amounted to approximately HK\$55,607,000 contributing approximately 79.6% of the Group's turnover, whereas turnover from the design and engineering services amounted to approximately HK\$620,000, contributing approximately 0.9% of the Group's turnover. There was no income recorded from trading of internet appliances and related products because there was no order received during this period. The gross profit margin increased from approximately 24.4% in the previous corresponding period to approximately 28.3% in the current period. The increase was due to the consolidation of the results of Media Magic Technology Limited and its subsidiaries ("Media Magic Group") which contributed high gross profit margin from the mobile payment gateway services.

The accounts of the Media Magic Group were consolidated into the Group upon the completion of its acquisition on 5th January 2007. Media Magic Group engaged in the provision of mobile payment gateway services. Pursuant to the Sale and Purchase Agreement dated 11th November 2006, Mr. Hsu Tung Sheng has provided a profit guarantee of RMB8 million for the Media Magic Group for the year ending 31st March 2008. For the six months ended 30th September 2007, the profit after taxation of the Media Magic Group has reached over RMB7 million which represented about 87.5% of the profit guarantee. For the six months ended 30th September 2007, turnover from the mobile payment gateway services amounted to approximately HK\$13,663,000 contributing approximately 19.5% of the Group's turnover. The monthly turnover increased at an average rate of approximately 17.2% during these six months. The high gross profit margin of over 60% of the sector has resulted in the improvement of the overall gross profit of the Group. The provision of mobile payment gateway services includes the sale and subscription of the IP cards, the virtual game cards and accident insurance services through the mobile payment gateway platform. As at the date of this report, the Media Magic Group has commenced the operation of its mobile payment gateway services in 9 major provinces and municipal cities in the PRC covering Liaoning, Shanghai, Guangxi, Hunan, Jilin, Guizhou, Gansu, Hubei and Chongqing. It is expected that the operation will further expand to additional 12 other major provinces and municipal cities in the PRC such as Guangdong, Beijing, Fujian, Shandong and Heilongjiang by the end of 2007.

During the period, the Group had net profit attributable to equity holders of the Company of approximately HK\$3,545,000 as compared to approximately HK\$822,000 in the previous corresponding period. Distribution costs significantly increased by approximately 316.3% and administrative expenses increased by approximately 14.7% compared to the previous corresponding period as a result of the consolidation of the Media Magic Group. There was a gain on disposal of subsidiaries of HK\$2,850,000 as a result of the disposal of Smart Time Development Limited and its subsidiaries during the period.

Liquidity, financial resources and capital structure

As at 30th September 2007, the Group had total assets of approximately HK\$304.9 million (31st March 2007: approximately HK\$216.9 million), including cash and bank balances of approximately HK\$93.7 (31st March 2007: approximately HK\$33.8 million).

For the period ended 30th September 2007, the Group financed its operations mainly with its own working capital and general banking facilities. As at the balance sheet date, the total banking facilities granted to the Group amounted to approximately HK\$95.9 million (31st March 2007: approximately HK\$77.0 million) of which approximately HK\$72.1 million was utilized at the balance sheet date (31st March 2007: approximately HK\$64.0 million). Approximately HK\$15.7 million of assets was charged at the balance sheet date (31st March 2007: approximately HK\$16.0 million).

Net book value of the Group's fixed assets held under finance leases as at 30th September 2007 amounted to approximately HK\$10,990,000 (31st March 2007: approximately HK\$11,177,000).

As at 30th September 2007, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 0.2 (31st March 2007: approximately 0.3) and the Group had bank borrowings of approximately HK\$60.0 million as at 30th September 2007 (31st March 2007: approximately HK\$65.7 million).

Most of the transactions of the Group are denominated in US Dollars, Hong Kong Dollars and Renminbi. As the exchange rate of US Dollars and Renminbi to Hong Kong Dollars are fairly stable, the Board is of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Material acquisitions or disposal of subsidiaries and affiliated companies

On 15th June 2007, Multi Channel Technology Limited, a 51% subsidiary of the Company, entered into a conditional sale and purchase agreement with two vendors to purchase their entire interests in PalmPay Technology Company Limited. The transaction was completed on 18th October 2007.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and affiliated companies in the course of the six months ended 30th September 2007.



Contingent liabilities

The Group had a contingent liability in respect of possible future long services payment to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$1,144,000 as at 30th September 2007 (31st March, 2007: HK\$1,144,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long services payment under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognized in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Save as disclosed above, the Group had no other material contingent liabilities (31st March 2007: Nil).

Employees and remuneration policies

As at 30th September 2007, the Group had 529 (31st March 2007: 537) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK\$5,825,000 for the six months ended 30th September 2007, as compared to approximately HK\$2,930,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. 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 for its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

Business review and prospects

After the acquisition of the Media Magic Group, the provision of mobile payment gateway services contributed a stable and significant profit to the Group. Due to the high profit margin of the mobile payment gateway services, the overall profit margin of the Group has been improved. Going forward, the Group will look for the other opportunities to diversify its revenue base, explore new markets and develop new products as well as explore investment opportunities so as to optimize the shareholders' value.

On 23rd April 2007, the Company completed the placing of existing shares and top-up subscription of new shares. The placing agent placed 110,000,000 shares of the Company at HK\$0.47 per share. After completion of the placing, the total issued shares of the Company increased from 969,417,500 shares to 1,079,417,500 shares. The net proceeds of the placing was approximately HK\$49.7 million.

On 11th September 2007, the Company completed the private placing of 223,000,000 warrants at an issue price of HK\$0.007 per warrant. The warrant holder can subscribe for the new shares at the subscription of HK\$0.543 per share within a period of 30 months from the date of issue of warrants.

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

As at 30th September 2007, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors of the Company as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company:

Director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Chan Francis Ping Kuen (<i>Note 1</i>)	Personal interest	11,000,000	0.98%
Dr. Ho Hoi Lap (<i>Note 2</i>)	Personal interest	13,120,000	1.17%

1. Mr. Chan was granted options on 14th August 2007 to subscribe for 11,000,000 shares at a subscription price of HK\$0.52 per share.
2. Dr. Ho is interested in 2,120,000 shares and was granted options on 14th August 2007 to subscribe for 11,000,000 shares at a subscription price of HK\$0.52 per share.

Save as disclosed above, as at 30th September 2007, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.



SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 18th October 2001 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the period under the Scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 31/3/2007	Granted during the period	Exercised during the period	Outstanding as at 30/9/2007
Directors							
Mr. Wong Tak Shing (Resigned on 22nd May 2007)	12/03/2007	12/03/2007 – 11/03/2017	0.31	5,800,000	–	5,800,000	–
Mr. Chan Hin Wing, James	12/03/2007	12/03/2007 – 11/03/2017	0.31	9,550,000	–	9,550,000	–
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.52	–	11,000,000	–	11,000,000
Employees							
	12/03/2007	12/03/2007 – 11/03/2017	0.31	24,200,000	–	24,200,000	–
				<hr/>			
				39,550,000	22,000,000	39,550,000	22,000,000

The directors consider that it is inappropriate to state the value of the options granted under the Scheme on the ground that certain crucial factors for such valuation are variables such as the expected volatility and interest rate, which cannot be reasonably determined at this stage. Any valuation of the share options based on speculation assumptions in respect of these variables would not be meaningful and would be misleading to the shareholders of the Company.

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

As at 30th September 2007, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholders	Number of ordinary shares interested	Approximate percentage of the shareholding in the Company
Starryland Profits Limited (<i>Note 1</i>)	322,795,000	28.85%
Farmosa Profits Limited (<i>Note 1</i>)	1,725,000	0.15%
Lau Kim Hung, Jack (<i>Note 1</i>)	324,520,000	29.00%
Chan Yiu Kan, Katie (<i>Note 1</i>)	324,520,000	29.00%
Big Well Investments Limited (<i>Note 2</i>)	223,000,000	19.93%
Chong Tin Lung (<i>Note 2</i>)	223,000,000	19.93%
Lo Yee Man (<i>Note 2</i>)	223,000,000	19.93%

Notes:

- Each of Starryland Profits Limited and Farmosa Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack. Ms. Chan Yiu Kan, Katie is deemed to be interested in 324,520,000 shares of the Company by virtue of her being the spouse of Mr. Lau Kim Hung, Jack.
- Big Well Investments Limited which is wholly and beneficially owned by Mr. Chong Tin Lung, is interested in 223,000,000 warrants of the Company. By virtue of being the spouse of Mr. Chong Tin Lung, Ms. Lo Yee Man is deemed to be interested in 223,000,000 shares of the Company.

Save as disclosed above, as at 30th September 2007, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors 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 six months ended 30th September 2007, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the Bye-laws of Bermuda, which would 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 30th September 2007, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

CODE ON CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30th September 2007 except that no nomination committee of the Board is established.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code on Corporate Governance Practices. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu and one executive director being Mr. Chan Francis Ping Kuen. Mr. Kwok Chi Sun, Vincent is the chairman of the Remuneration Committee. The role and function of the Remuneration Committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu. The unaudited financial statements of the Group for the period ended 30th September 2007 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 13 November 2007

As at the date of this report, Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Lo Ka Tong and Mr. Chan Hin Wing, James are executive Directors, Dr. Ho Hoi Lap is a non-executive Director and Chairman of the Company, and Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu are independent non-executive Directors.