THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Palmpay China (Holdings) Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Palmpay

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 24% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS; AND (2) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Financial Adviser to the Company

INCU

INCU Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Nuada Limited
Corporate Finance Advisory

A notice convening a special general meeting (the "**SGM**") of the Company to be held on Wednesday, 19 December 2007 at 10:30 a.m. at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong is set out on pages 174 to 178 of this circular. A form of proxy for use thereat is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular 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.

3 December 2007

* *For identification purpose only*

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

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"13,333 MM Shares"	13,333 ordinary shares of US$1 each in the issued share capital of Media Magic, representing approximately 24% of the total issued shares of Media Magic
"2009 Actual Profit"	the actual audited consolidated net profits after tax and extraordinary or exceptional items of the Media Magic Group for the year ending 31 March 2009
"2009 Earn Out Convertible Bonds"	the convertible bonds in the principal amount of HK$76,800,000, or as the case may be, HK$38,400,000, to be issued by the Company in favour of the Vendors to satisfy part of the Consideration
"2010 Earn Out Convertible Bonds"	the convertible bonds in the principal amount of HK$38,400,000, to be issued by the Company in favour of the Vendors to satisfy part of the Consideration
"5,000 Sale Shares"	5,000 MM Shares legally and beneficially owned by the Vendor A to be sold to Upper Power under the First Sale and Purchase Agreement
"8,333 Sale Shares"	8,333 MM Shares legally and beneficially owned by the Vendor B to be sold to Upper Power under the Second Sale and Purchase Agreement
"Acquisition"	the acquisition of 13,333 MM Shares (being approximately 24% of the total issued shares of Media Magic) pursuant to the Sale and Purchase Agreements
"AGM"	the annual general meeting of the Company held on 23 August 2007 at which the Shareholders approved, among other matters, the Current General Mandate
"Announcement"	the announcement dated 12 November 2007 whereby the Company announced, among other matters, the Sale and Purchase Agreements and the Acquisition
"associates"	has the same meaning ascribed to it under the GEM Listing Rules

"Averaged Actual Profit"	the average of the actual audited consolidated net profits after tax and extraordinary or exceptional items of the Media Magic Group for the years ending 31 March 2009 and 31 March 2010
"Balance"	together the Balance of the First Sale and Purchase Agreement and the Balance of the Second Sale and Purchase Agreement
"Basic Consideration"	together the Basic Consideration of the First Sale and Purchase Agreement and the Basic Consideration of the Second Sale and Purchase Agreement
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bond(s)
"Business Days"	a day (other than a Saturday, a Sunday and a public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of the Company
"Company"	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
"Completion"	completion of the sale and purchase of 13,333 MM Shares (being approximately 24% of the total issued shares of Media Magic) in accordance with the terms and conditions of the Sale and Purchase Agreements
"Completion Convertible Bonds"	the convertible bonds in the principal amount of HK$3,200,000 to be issued by the Company in favour of the Vendors to satisfy part of the Consideration at Completion
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the aggregate consideration of HK$203,520,000 for the sale and purchase of 13,333 MM Shares pursuant to the Sale and Purchase Agreements
"Consideration Shares"	163,377,778 new Shares to be allotted and issued by the Company to the Vendors at the Issue Price as part of the Consideration

"Conversion Shares"	the 145,454,545 new Shares (subject to adjustments) to be allotted and issued to the Bondholder(s) upon conversion of the Convertible Bonds
"Convertible Bonds"	the convertible bonds in aggregate principal of HK$80,000,000 to be issued by the Company in favour of the Vendors to satisfy part of the Consideration including the Completion Convertible Bonds, the 2009 Earn Out Convertible Bonds and the 2010 Earn Out Convertible Bonds
"Current General Mandate"	the general mandate approved at the AGM authorising the Directors to allot and issue Shares of up to 20% of the share capital of the Company in issue on the date of the passing of the relevant ordinary resolution, which was on 23 August 2007
"Deposits"	the aggregate payment of HK$40,000,000 in cash, of which (i) HK$20,000,000 will be paid by the Purchaser to the Vendors within five Business Days from the date of the Sale and Purchase Agreements; (ii) HK$10,000,000 will be paid in cash on the date two weeks from the date of the Sale and Purchase Agreements; and (iii) HK$10,000,000 will be paid in cash on the date one month from the date of the Sale and Purchase Agreements, which shall be refundable if the Acquisition shall not proceed
"Director(s)"	the director(s) of the Company, from time to time
"Enlarged Group"	the Company and its subsidiaries (including the Media Magic Group) after Completion
"eMarketer"	a U.S. company specializing in marketing research worldwide
"First Earn Out Period"	for the year ending 31 March 2009
"First Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 5 November 2007 entered into between Upper Power as purchaser and Vendor A, as vendor for the sale and purchase of 5,000 MM Shares
"Former Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 11 November 2006 entered into among Upper Power as purchaser and Mr. Hsu Tung Sheng, as vendor for the sale of an aggregate of 17,222 MM Shares, representing approximately 31% of the issued share capital of Media Magic, thereunder which has been completed on 5 January 2007

"Guarantee Certificate"	the certificate to be given by the auditors for the time being of the Media Magic Group certifying the amount of the 2009 Actual Profit or, as the case may be, the Averaged Actual Profit
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee of the Company, comprising Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, all being independent non-executive Directors, established to advise the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder and the proposed grant of the New General Mandate
"Independent Financial Adviser or IFA"	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the transaction contemplated thereunder and the proposed grant of the New General Mandate
"Independent Shareholders"	Shareholders other than Vendor A, Vendor B, Mr. Hsu Tung Sheng, Dr. Ho Hoi Lap and their respective associates or others who are interested in the Acquisition and the proposed grant of the New General Mandate at the forthcoming SGM
"Independent Third Party(ies)"	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
"Initial Conversion Price"	HK$0.55 per Conversion Share, subject to usual anti-dilution adjustments, being the initial price at which the Convertible Bonds may be converted into the Conversion Shares
"Issue Price"	issue price of HK$0.45 per Consideration Share

"Latest Practicable Date"	30 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Locked Up Consideration Shares"	50% of the Consideration Shares will not be transferred or otherwise disposed by the Vendors within the period commencing on Completion until the Profit Guarantee is achieved
"Media Magic"	Media Magic Technology Limited, a company incorporated in BVI
"Media Magic Group"	Media Magic and its subsidiaries
"MII"	the PRC Ministry of Information Industry (中國信息產業部), including its local counterparts
"MM Shares"	shares in the share capital of Media Magic
"New General Mandate"	the general mandate proposed to be granted to the Directors at the SGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the share capital of the Company in issue on the date of the passing of the relevant ordinary resolution
"PalmPay (互聯視通)"	PalmPay Technology Co. Ltd. (北京互聯視通科技有限公司), a company established in the PRC
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Profit Guarantee"	the profit guarantee provided by the Vendors under the Sale and Purchase Agreements in respect of the audited consolidated net profit after tax and extraordinary or exceptional items of the Media Magic Group for the year ending 31 March 2009 which shall not be less than HK$33,000,000 (to be prepared in accordance with generally accepted accounting principles in Hong Kong)
"Purchaser" or "Upper Power"	Upper Power Limited, a company incorporated in BVI which is a wholly-owned subsidiary of the Company, being the purchaser of 13,333 MM Shares from the Vendors pursuant to the Sale and Purchase Agreements
"Sale and Purchase Agreements"	together the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement

"Second Earn Out Period"	for the year ending 31 March 2010
"Second Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 5 November 2007 entered into between Upper Power as purchaser and the Vendor B, as vendor for the sale and purchase of 8,333 MM Shares
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition and the transaction contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares, the issue of the Convertible Bonds, and the allotment and issue of the Conversion Shares and the proposed grant of the New General Mandate
"Shareholder(s)"	holder(s) of Shares from time to time
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued and unissued share capital of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Transaction"	the aggregate of transactions under the Former Sale and Purchase Agreement which has been completed within twelve months before the date of the Sale and Purchase Agreements and the Sale and Purchase Agreements
"Vendor A"	Mr. Hsu Tung Chi, a permanent resident of the Republic of China, who is the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company
"Vendor B"	Mr. Pang Hong Tao, a permanent resident in the PRC
"Vendors"	together, Vendor A and Vendor B
"Warrant Price"	together the issue price of HK$0.007 and the exercise price of HK$0.543 for issuing 223,000,000 un-listed warrants of the Company which was completed on 11 September 2007
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"%"	per cent.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

Executive Directors :
Mr. Chan Francis Ping Kuen *(deputy chairman)*
Mr. Hsu Tung Sheng *(chief executive officer)*
Mr. Lo Ka Tong
Mr. Chan Hin Wing, James

Non-executive Director:
Dr. Ho Hoi Lap *(chairman)*

Independent non-executive Directors:
Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Chan Wing Chiu

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 1601, 16/F
Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

3 December 2007

To the Shareholders

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 24% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS; AND (2) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

(A) INTRODUCTION

By the Announcement, the Board announced that the Purchaser entered into the Sale and Purchase Agreements on 5 November 2007, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase 5,000 Sale Shares and 8,333 Sale Shares for a total consideration of HK$203,520,000 payable by cash, allotment and issue of Consideration Shares and issue of Convertible Bonds (upon exercise of the conversion rights under the Convertible Bonds, allotment and issue of Conversion Shares).

* *For identification purpose only*

Reference is also made to the announcements dated 22 August 2006 and 23 November 2006 and the circulars dated 7 September 2006 and 14 December 2006 respectively in relation to the acquisition of an aggregate of approximately 51% indirect interests in Media Magic by the Company. The acquisition of the aggregate of approximately 51% indirect interests in Media Magic has been carried out in two stages, namely the acquisition of 20% indirect interests in Media Magic, which was completed on 22 August 2006 followed by the acquisition of 31% indirect interests in Media Magic, which was completed on 5 January 2007.

The Transaction (the aggregate of transactions under the Former Sale and Purchase Agreement (which was a discloseable transaction to the Company) and the Sale and Purchase Agreements) constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Vendor A is a director of Media Magic, which being a subsidiary of the Company and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive office of the Company, Vendor A is a connected person of the Company. As Vendor B is a substantial shareholder of Media Magic, which being a subsidiary of the Company, Vendor B is also a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

The Company further proposes to refresh the Current General Mandate and in accordance with the GEM Listing Rules, the proposed grant of the New General Mandate is subject to the approval of the Independent Shareholders at the SGM.

The purpose of this circular is to provide you with (i) details of the Acquisition and the proposed grant of the New General Mandate, (ii) a letter from the Independent Board Committee containing its advice and recommendation in respect of the Acquisition and the proposed grant of the New General Mandate; (iii) a letter from an independent financial adviser to the Independent Board Committee and Independent Shareholders containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Acquisition and the proposed grant of the New General Mandate; and (iv) a notice convening the SGM at which the necessary ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Acquisition and the New General Mandate by way of poll.

(B) THE FIRST SALE AND PURCHASE AGREEMENT

Date: 5 November 2007

Parties:

Purchaser: Upper Power, a wholly-owned subsidiary of the Company

Vendor: Vendor A, being a director of Media Magic and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company, thus a connected person of the Company

As at the date of the First Sale and Purchase Agreement, Media Magic is beneficially owned as to approximately 9% by Vendor A, approximately 16.3% by Vendor B, approximately 16.3% by Winner Gain Investments Limited, approximately 7.4% by Morning Sun Technology Limited and approximately 51% by Upper Power.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Winner Gain Investments Limited and Morning Sun Technology Limited and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

5,000 Sale Shares represent approximately 9% of the existing issued share capital of Media Magic as at the date of the First Sale and Purchase Agreement and the entire interests held by the Vendor A in Media Magic.

Consideration

The total consideration for 5,000 Sale Shares is HK$76,320,000, of which HK$47,520,000 (the "**Basic Consideration of the First Sale and Purchase Agreement**") shall be settled by the Purchaser upon Completion in the following manner:

(i) out of the Deposits of HK$15,000,000:

(a) HK$7,500,000 shall be payable in cash within five Business Days from the date of the First Sale and Purchase Agreement;

(b) HK$3,750,000 shall be payable in cash on the date two weeks from the date of the First Sale and Purchase Agreement; and

(c) HK$3,750,000 shall be payable in cash on the date one month from the date of the First Sale and Purchase Agreement.

(ii) HK$3,750,000 shall be payable in cash on Completion.

(iii) as to HK$27,570,000 by the Purchaser by procuring the Company to allot and issue 61,266,667 Consideration Shares to Vendor A credited as fully paid, at the Issue Price and 50% of 61,266,667 Consideration Shares will be locked up until Profit Guarantee is achieved as elaborated in the sections headed "Profit Guarantee" and "Consideration Shares" below.

(iv) as to HK$1,200,000 by the Purchaser by procuring the Company to issue at Completion the Completion Convertible Bonds to Vendor A, which shall then be delivered to the Purchaser as escrow until the fulfillment of the Profit Guarantee, the details of which can be found in the section headed "Profit Guarantee".

The remaining balance of the total consideration for 5,000 Sale Shares (excluding the Basic Consideration of the First Sale and Purchase Agreement) of HK$28,800,000 (the "**Balance of the First Sale and Purchase Agreement**") shall be payable by Upper Power to Vendor A upon the production of evidence to the reasonable satisfaction of Upper Power that the audited consolidated net profits after tax and extraordinary or exceptional items of the Media Magic Group, based on Hong Kong Financial Reporting Standards, in the following manner:

(a) (i) HK$28,800,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate is equal to or greater than HK$53,000,000; or (ii) HK$14,400,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000. For the avoidance of doubt, if the Media Magic Group fails to achieve the above earn out amount of HK$43,000,000 for the financial year ending 31 March 2009, the Purchaser's obligation to pay to Vendor A the amount of the Consideration as referred to in this (a) and (b) (as referred below) are deemed satisfied and fulfilled; and

(b) subject to the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000, HK$14,400,000 by the Purchaser by procuring the Company to issue the 2010 Earn Out Convertible Bonds provided that the Averaged Actual Profit as shown in the Guarantee Certificate shall not be less than HK$53,000,000. For the avoidance of doubt, if the Media Magic Group fails to achieve the Averaged Actual Profit of HK$53,000,000, the Purchaser's obligation to pay to Vendor A such amount of the Consideration as referred to in this (b) is deemed satisfied and fulfilled.

The payments referred to in items (ii), (iii) and (iv) above shall be made on Completion.

As at the Latest Practicable Date, an aggregate of HK$11,250,000 being the part of the Deposits for the First Sale and Purchase Agreement has been paid by the Purchaser to Vendor A.

(C) THE SECOND SALE AND PURCHASE AGREEMENT

Date: 5 November 2007

Parties:

Purchaser: Upper Power, a wholly-owned subsidiary of the Company

Vendor: Vendor B, being a substantial shareholder of Media Magic and thus a connected person of the Company

As at the date of the Second Sale and Purchase Agreement, Media Magic is beneficially owned as to approximately 9% by Vendor A, approximately 16.3% by Vendor B, approximately 16.3% by Winner Gain Investments Limited, approximately 7.4% by Morning Sun Technology Limited and approximately 51% by Upper Power.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Winner Gain Investments Limited and Morning Sun Technology Limited and their ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

8,333 Sale Shares represent approximately 15% of the existing issued share capital of Media Magic as at the date of the Second Sale and Purchase Agreement and approximately 92% interests by the Vendor B in Media Magic. Upon completion of the Acquisition, Vendor B will hold the remaining 722 MM Shares representing approximately 1.3% interests in Media Magic.

Consideration

The total consideration for 8,333 Sale Shares is HK$127,200,000, of which HK$79,200,000 (the "**Basic Consideration of the Second Sale and Purchase Agreement**") shall be settled by the Purchaser upon Completion in the following manner:

(i) out of the Deposits of HK$25,000,000:

   (a) HK$12,500,000 shall be payable in cash within five Business Days from the date of the Second Sale and Purchase Agreement;

   (b) HK$6,250,000 shall be payable in cash on the date two weeks from the date of the Second Sale and Purchase Agreement; and

   (c) HK$6,250,000 shall be payable in cash on the date one month from the date of the Second Sale and Purchase Agreement.

(ii) HK$6,250,000 shall be payable in cash at Completion.

(iii) as to HK$45,950,000 by the Purchaser by procuring the Company to allot and issue the 102,111,111 Consideration Shares to Vendor B credited as fully paid, at the Issue Price and 50% of 102,111,111 Consideration Shares will be locked up until Profit Guarantee is achieved as elaborated in the sections headed "Profit Guarantee" and "Consideration Shares" below.

(iv) as to HK$2,000,000 by the Purchaser by procuring the Company to issue at Completion the Completion Convertible Bonds to Vendor B, which shall then be delivered to the Purchaser as escrow until the fulfillment of the Profit Guarantee, the details of which can be found in the section headed "Profit Guarantee".

The remaining balance of the total consideration for 8,333 Sale Shares (excluding the Basic Consideration of the Second Sale and Purchase Agreement) of HK$48,000,000 (the "**Balance of the Second Sale and Purchase Agreement**") shall be payable by Upper Power to Vendor B upon the production of evidence to the reasonable satisfaction of Upper Power that the audited consolidated net profits after tax and extraordinary or exceptional items of the Media Magic Group, based on Hong Kong Financial Reporting Standards, in the following manner:

(a) (i) HK$48,000,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate is equal to or greater than HK$53,000,000; or (ii) HK$24,000,000 by the Purchaser by procuring the Company to issue the 2009 Earn Out Convertible Bonds provided that the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000. For the avoidance of doubt, if the Media Magic Group fails to achieve the above earn out amount of HK$43,000,000 for the financial year ending 31 March 2009, the Purchaser's obligation to pay to Vendor B the amount of the Consideration as referred to in this (a) and (b) (as referred below) are deemed satisfied and fulfilled; and

(b) subject to the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000, HK$24,000,000 by the Purchaser by procuring the Company to issue the 2010 Earn Out Convertible Bonds provided that the Averaged Actual Profit as shown in the Guarantee Certificate shall not be less than HK$53,000,000. For the avoidance of doubt, if the Media Magic Group fails to achieve the Averaged Actual Profit of HK$53,000,000, the Purchaser's obligation to pay to Vendor B such amount of the Consideration as referred to in this (b) is deemed satisfied and fulfilled.

The payments referred to in items (ii), (iii) and (iv) above shall be made on Completion.

As at the Latest Practicable Date, an aggregate of HK$18,750,000 being the part of the Deposits for the Second Sale and Purchase Agreement has been paid by the Purchaser to Vendor B.

Source of Funding

Cash portion of the Consideration will be financed by net proceeds from previous fund raising exercises (including placing of warrants completed on 11 September 2007, top-up placing completed on 23 April 2007, open offer completed on 28 February 2007 and placing of warrants completed on 27 October 2006) and internal resources of the Group.

In order to facilitate the payment of the cash consideration for the Acquisition which might exceed the remaining net proceeds originally set aside for investments from previous fund raising exercise (the placing and top-up subscription which has been completed and published on 23 April 2007), the Directors decided to reallocate approximately HK$4.24 million as originally intended to be applied towards general working capital in relation to the top-up placing completed on 23 April 2007 for partial payment for this Acquisition.

The terms of the Consideration Shares and the Convertible Bonds are set out under the headed "Terms of the Consideration Shares" and "Terms of the Convertible Bonds" below respectively.

Basis of Consideration

The Consideration is determined after arm's length negotiation between Upper Power and the Vendors with reference to (i) the future prospect and business plan of the Media Magic Group and PalmPay (互聯視通); (ii) the Profit Guarantee; (iii) the earn out amounts of HK$43,000,000 and HK$53,000,000 respectively as described above; and (iv) the profit earning ratios of a number of listed companies engaging similar business in the telecommunication sector in the PRC (listed on Shanghai Stock Exchange and Shenzhen Stock Exchange) and Hong Kong ranging from about 3 to 348 times. For details of Media Magic and its future prospect and business plan and the Profit Guarantee, please refer to the sections headed "INFORMATION ON THE MEDIA MAGIC GROUP" and "REASONS FOR THE ACQUISITION" and "Profit Guarantee" respectively below.

The Basic Consideration is calculated based on the Profit Guarantee times 16 price earnings multiple and equity interests to be acquired in Media Magic, i.e. HK$33,000,000 x 16 x 24% = HK$126,720,000 while the Balance is calculated based on the excess of HK$53,000,000 over the Profit Guarantee of HK$33,000,000 times 16 price earnings multiple and equity interests to be acquired in Media Magic, i.e. HK$20,000,000 x 16 x 24% = HK$76,800,000.

The Consideration of HK$203,520,000 for the Acquisition together with the total consideration of HK$16,120,000 paid under the Former Sale and Purchase Agreement (the "Total Consideration") represents approximately 60.02 times based on attributable 55% equity interests in the Media Magic Group's audited net assets value of approximately HK$6,653,000 as at 31 March 2007, i.e. HK$3,659,150. The Consideration alone represents approximately 127.46 times based on attributable 24% equity interests in the Media Magic Group's audited net assets value of HK$6,653,000 as at 31 March 2007, i.e. HK$1,596,720. The financial information on the Media Magic Group is further provided in the section "Information on the Media Magic Group" below.

The Directors consider that the prospect of a service based business lies on its earning potentials, rather than on its net asset value, as such, comparison with the price earnings multiple is a more reasonable reference rather than comparison with the net asset value of the Media Magic Group.

In view of the above, the Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable and that the Sale and Purchase Agreements are on normal commercial terms and its terms are fair and reasonable and the entering into of the Sale and Purchase Agreements is in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion is subject to, among other matters, the following conditions having been fulfilled or waived under the Sale and Purchase Agreements (as the case may be):

(a) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the Sale and Purchase Agreements and the transactions contemplated thereby having been obtained;

(b) the passing by the Shareholders at the SGM approving the Sale and Purchase Agreements and the transactions contemplated hereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendors at the Issue Price credited as fully paid, the issue of the Convertible Bonds and allotment and issue of the Conversion Shares;

(c) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) in relation to the Sale and Purchase Agreements and the transaction contemplated thereby;

(d) the Warranties remaining true and accurate in all respects;

(e) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Conversion Shares; and

(f) the First Sale and Purchase Agreement having become unconditional (save for the conditions for the Second Sale and Purchase Agreement to become unconditional); and the Second Sale and Purchase Agreement having become unconditional (save for the conditions for the First Sale and Purchase Agreement to become unconditional).

The Directors are not aware of any consents or approvals that are required to be obtained on the part of Upper Power (except for obtaining Independent Shareholders' approval on the Acquisition and the issue and allotment of Consideration Shares and Conversion Shares at the SGM) and the Vendors under condition (a) above. Pursuant to the Sale and Purchase Agreements, all conditions except (c) and (d) are not waivable by Upper Power, however, Upper Power does not have any intention to waive such conditions (c) and (d).

As at the Latest Practicable Date, none of the conditions precedent as stated above has been fulfilled.

Profit Guarantee

Pursuant to the Sale and Purchase Agreements, the Vendors have joint and severally guaranteed and warranted to Upper Power that the audited consolidated net profit after tax and extraordinary or exceptional items of the Media Magic Group for the year ending 31 March 2009 shall not be less than HK$33 million (to be prepared in accordance with generally accepted accounting principles in Hong Kong).

If the Profit Guarantee is not achieved, the Vendors shall set off against the payment obligations of the Company under the Convertible Bonds and the Locked Up Consideration Shares on a dollar to dollar basis in an amount calculated as follows:

A = (Profit Guarantee - 2009 Actual Profit) x 24% x 16

Where A is the amount to be set off in the event there is any shortfall of the Profit Guarantee (subject to a maximum amount of HK$203,520,000).

In the event that the Completion Convertible Bonds and the Locked Up Consideration Shares are insufficient to settle A, the Vendors shall pay to the Purchaser such shortfall in cash.

For the avoidance of doubt, should the Group record a loss in its 2009 Actual Profit, the compensation amount will be the aggregation of the amount of such loss (expressed in positive figure).

Having considered (i) the business model and historical performance of the Media Magic Group (which will be elaborated under the heading "INFORMATION OF THE MEDIA MAGIC GROUP"); (ii) the business co-operations that have been secured by PalmPay (互聯視通) thus far, which are further elaborated under the heading "INFORMATION ON THE MEDIA MAGIC GROUP" below; (iii) the Profit Guarantee is given for the year ending 31 March 2009 of the Media Magic Group, which is about 16 months time from now; (iv) co-operation agreements with China Unicom secured and to be secured; and (v) the market prospect of the telecommunication sector in the PRC. The Vendors are confident in the earnings potentials of the Media Magic Group and are optimistic about the fulfillment of the Profit Guarantee.

Based on the Directors' assessment (including the independent non-executive Directors) on the business prospect of Media Magic Group in meeting to determine the Profit Guarantee, the Directors (including the independent non-executive Directors) are satisfied that there is reasonable assurance of fulfilling the Profit Guarantee requirement in view of the above factors set out by the Vendors with the contractual provision put in place to safeguard compensation to the Company should the Profit Guarantee cannot be fulfilled by the Media Magic Group. Further announcement will be made by the Company in the event the Profit Guarantee is not achieved.

The Company will include details of the Profit Guarantee in its next published annual report and accounts and the independent non-executive Directors will provide an opinion in the said annual report and accounts as to whether the connected person(s) in relation to the Acquisition i.e. Vendor A and Vendor B have fulfilled its obligations under the Profit Guarantee in accordance with the GEM Listing Rules.

Long stop date

The Sale and Purchase Agreements provide that should the satisfaction of all of its conditions, if not waived by Upper Power, not occur on or before 31 December 2007 or such later date (the "**Long Stop Date**") as Upper Power and the Vendors may agree, the Sale and Purchase Agreements shall terminate and neither Upper Power nor the Vendors shall have any liability thereunder other than antecedent breaches.

Completion

Completion of the Sale and Purchase Agreements shall take place on or before 4:00 p.m. within three Business Days after all the conditions of the Sale and Purchase Agreements having been fulfilled or waived or such later date as may be agreed between the Vendors and the Purchaser. The completion of the Sale and Purchase Agreements are inter-conditional upon each other.

If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, or such later date as the Vendors and the Purchaser may agree, the Vendor shall forthwith refund to the Purchaser the Deposits paid by the Purchaser, without interest and the Sale and Purchase Agreements shall cease and determine and thereafter neither party shall have any obligation and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

If the conditions set out above have been fulfilled or waived on or before the Long Stop Date, but Completion does not take place as a result of the sole default of the Purchaser, the Vendors may forthwith determine the Sale and Purchase Agreements by giving notice of termination in writing to the Purchaser to such effect, in which event the Vendors shall be entitled to forfeit the Deposits paid by the Purchaser absolutely and neither party shall have any obligations and liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms thereof.

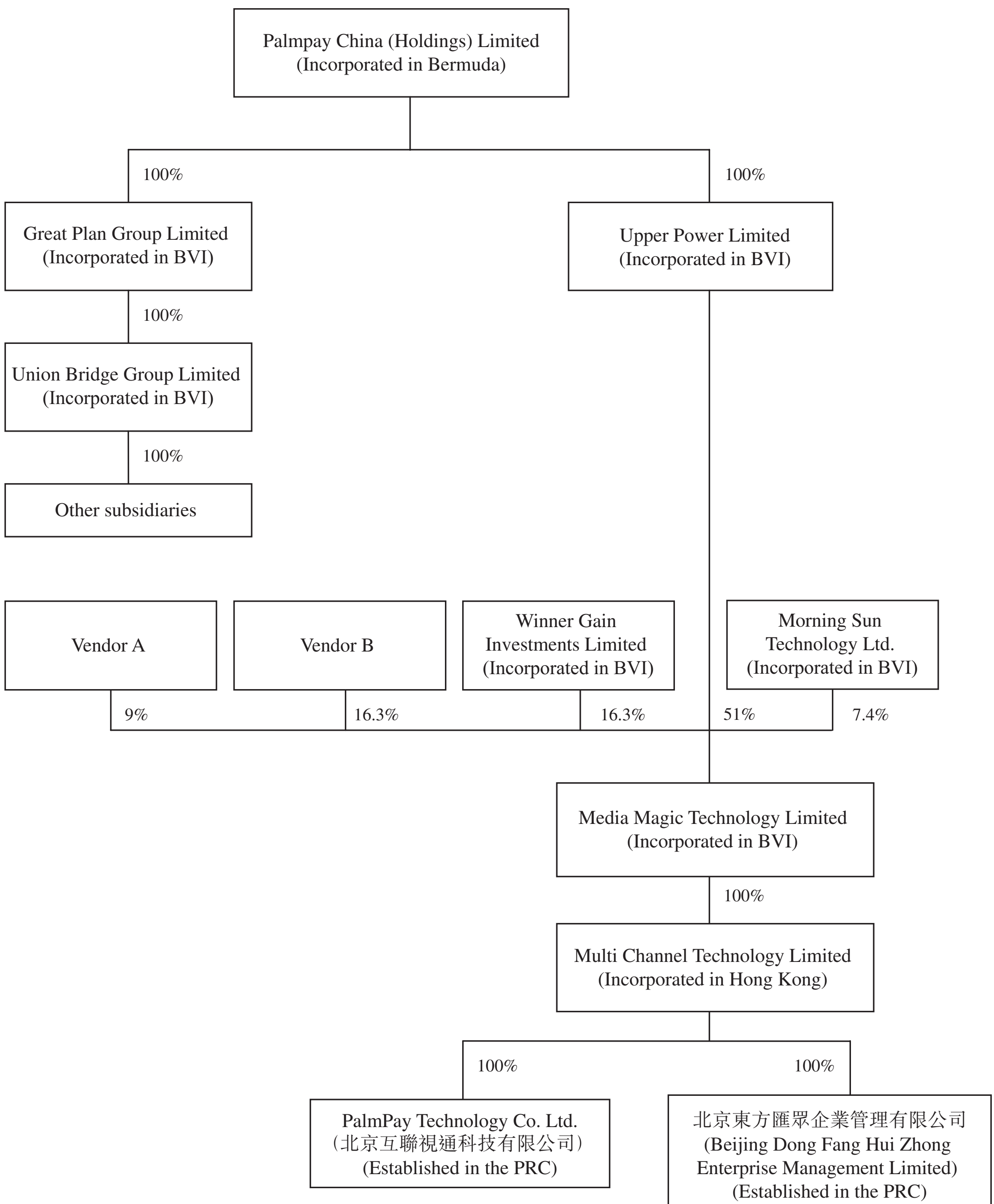
If the conditions set out above have been fulfilled or waived on or before the Long Stop Date, but Completion does not take place otherwise than as a result of the sole default of the Purchaser, the Purchaser may forthwith determine the Sale and Purchase Agreements by giving notice of termination in writing to the Vendors to such effect, in which event the Vendors shall forthwith refund the Deposits paid by the Purchaser without interest plus an amount equivalent to an amount of the Deposits, to the Purchaser and neither party shall have any obligations and liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms thereof.

Before the Acquisition, Media Magic is an indirect subsidiary of the Company. Upon Completion, the Company will hold indirectly 75% equity interests in Media Magic with Media Magic continues to be a subsidiary of the Company and with its consolidated accounts being consolidated with that of the Group.

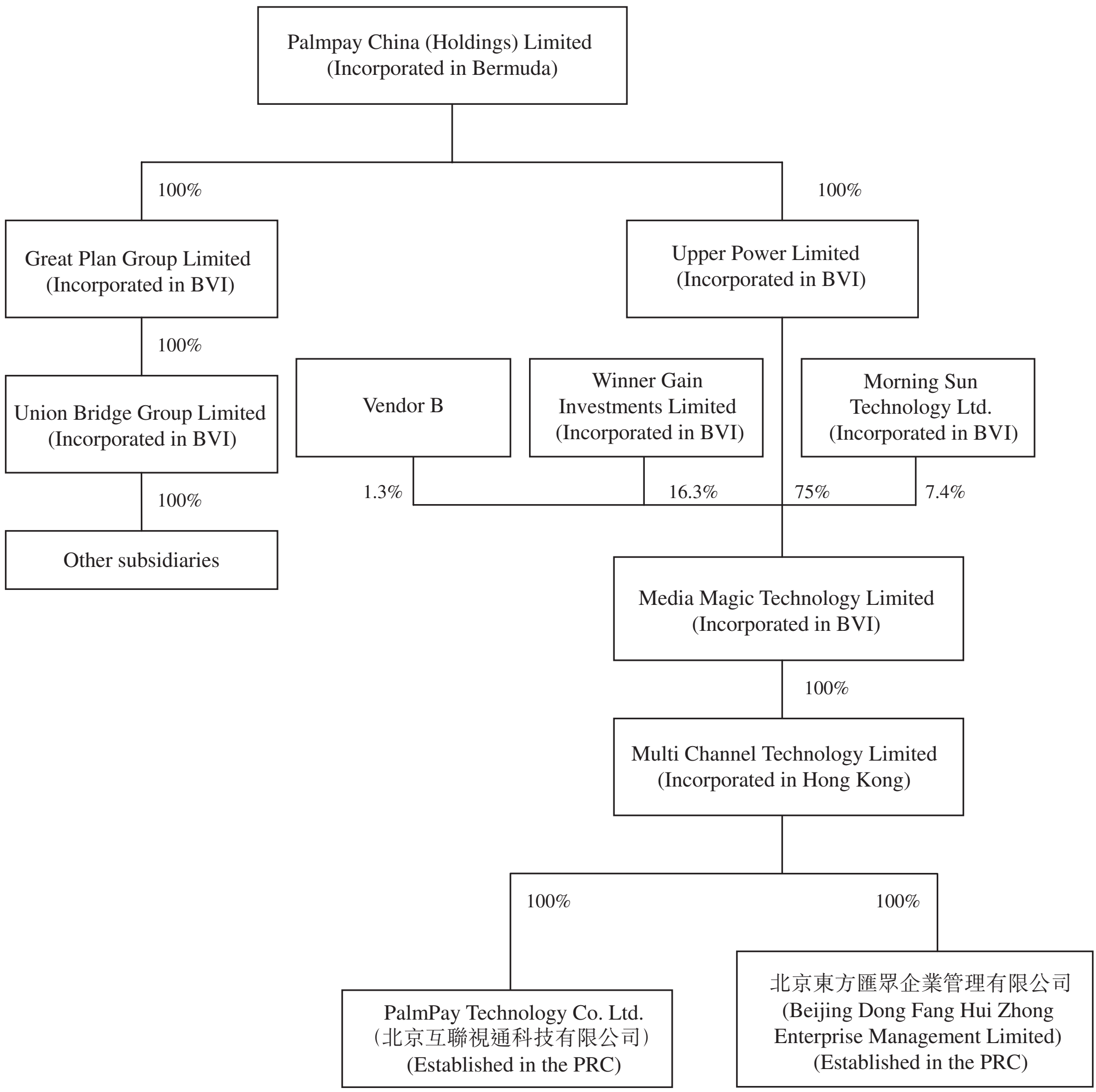
(D) GROUP STRUCTURE

The diagram below shows separately the structure of the Group immediately before and after completion of the Acquisition:

Before completion of the Acquisition:



After completion of the Acquisition:



(E) CONSIDERATION SHARES

163,377,778 new Shares will be issued at an Issue Price of HK$0.45 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

(i) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements;

(ii) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements;

(iii) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of both the Sale and Purchase Agreements;

(iv) a premium of approximately 462.5% over the net asset value per Share of approximately HK$0.08 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,118,967,500 as at the date of the Announcement;

(v) a discount of approximately 2.17% to the closing price of HK$0.46 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 221.4% over the net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2007.

The Vendors undertake to and covenant with Upper Power that, it will not, within the period commencing on the date of completion of the Sale and Purchase Agreements and ending on the date falling 21 months thereafter until the Profit Guarantee is achieved, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Locked Up Consideration Shares.

Based on the closing price of HK$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements, the Consideration Shares has a total market value of approximately HK$71,886,222.

The Consideration Shares of 163,377,778 new Shares, of which 61,266,667 new Shares will be issued to Vendor A and 102,111,111 new Shares will be issued to Vendor B, representing approximately 14.6% of the existing issued share capital of the Company, approximately 12.74% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 11.44% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

61,266,667 new Shares will be issued to Vendor A representing approximately 5.48% of the existing issued share capital of the Company, approximately 4.78% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 4.29% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

102,111,111 new Shares will be issued to Vendor B representing approximately 9.13% of the existing issued share capital of the Company, approximately 7.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 7.15% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price.

The Issue Price was arrived at by the Vendors and the Purchaser after taking into consideration of (i) the average recent trading prices of the Shares during the course of negotiation; (ii) 21 months lock-up period for the Locked Up Consideration Shares which may secure the medium-term commitment on the part of the Vendors in the Consideration Shares that minimizes fluctuations in prices of the Shares caused by the Vendors in short run and (iii) the Issue Price represents a premium of approximately 462.5% over the net asset value per Share of HK$0.08 based on the audited consolidated financial statements of the Group as at 31 March 2007, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Mandate to issue Consideration Shares

As at the Latest Practicable Date, the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 23 August 2007 has been utilised 99.65% for the issue of 223,000,000 warrants to an Independent Third Party. Details of the issue of the aforesaid warrants have been set out in an announcement of the Company dated 27 August 2007.

The Directors will seek a specific mandate from the Independent Shareholders at the SGM to allot and issue the Consideration Shares.

Application for listing

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

(F) CONVERTIBLE BONDS

To satisfy part of the Consideration, the Company will issue to the Vendors (or its nominees) the Convertible Bonds in the principal amount of HK$80,000,000 by issue of the Completion Convertible Bonds, the 2009 Earn Out Convertible Bonds and the 2010 Earn Out Convertible Bonds.

The following is a summary of the principal terms of the Convertible Bonds:

Initial Conversion Price: HK$0.55 per Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues. Such adjustments will be certified by an independent approved merchant bank or the auditors of the Company for the then time being.

The Initial Conversion Price of HK$0.55 per Conversion Share represents:

(i) a premium of approximately 25% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange on 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements;

(ii) a premium of approximately 25% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements;

(iii) a premium of approximately 25% to/over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 5 November 2007, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreements;

(iv) a premium of approximately 587.5% over the net asset value per Share of approximately HK$0.08 based on the audited consolidated financial statements of the Group as at 31 March 2007 and the total number of issued shares of the Company of 1,118,967,500 as at the date of the Announcement;

(v) a premium of approximately 19.57% over the closing price of HK$0.46 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 292.9% over the net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2007.

The Initial Conversion Price was determined after arm's length negotiations among the Purchaser, the Vendors and the Company with reference to average recent market prices of the Shares and the Issue Price and reference to the Warrant Price. The Initial Conversion Price is set at a greater price than the Issue Price and represents a premium of 22.2% over the Issue Price in view of (i) the maturity of the Convertible Bonds of over one year; (ii) the Completion Convertible Bonds to be placed in escrow for over 16 months from now; and (iii) the issue of 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds is subject to the fulfillment of certain conditions as described under the sub-section "Consideration" which is expected to be issued 16 months from now which means there will be no immediate issue and allotment of Conversion Shares.

Interest rate: The Convertible Bonds will not carry any interest.

Transferability: Save for the Completion Convertible Bonds, the Bondholder(s) may assign or transfer the Convertible Bonds to Independent Third Parties in whole or in part in integral multiples of HK$1,000,000 or if the outstanding principal amount of the Convertible Bonds is less than HK$1,000,000, the whole but not part of the Convertible Bonds may be assigned or transferred.

Conversion: Save for the Completion Convertible Bonds, the Vendors will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares during the Conversion period in amounts of not less than a whole multiple of HK$1,000,000 on each conversion.

Conversion period: Save for the Completion Convertible Bonds, Bondholder(s) shall have the right to convert, from the date of issue of the Convertible Bonds up to and including the respective maturity dates of the 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds, the whole or any part (in an amount or integral multiple of HK$1,000,000) of the principal amount of the Convertible Bonds into Conversion Shares.

Conversion Shares: Upon full conversion of the Convertible Bonds at the Initial Conversion Price, an aggregate of 145,454,545 Conversion Shares will be issued by the Company (representing approximately 13% of the existing issued share capital of the Company, approximately 11.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 10.19% of the issued share capital of the Company as enlarged by the allotment and issue of both the Consideration Shares and the Conversion Shares, assuming the Conversion Shares were to be issued at the Initial Conversion Price).

The Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds will rank pari passu in all respects with all other Shares in issue at the date on which the conversion rights attached to the Convertible Bonds are exercised. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued upon exercise by the Vendors.

Voting: A Bondholder will not be entitled to receive notice of, attend or vote, at any general meeting of the Company by reason only of it being a Bondholder.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Ranking: The Convertible Bonds will rank pari passu with all other present and future unsecured and un-subordinated obligations of the Company.

Redemption: Unless previously converted or lapsed or redeemed by the Company, the Company will redeem the Convertible Bonds on the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds.

The Company may at any time before the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds by serving prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at par.

Any amount of the Convertible Bond(s) which remains outstanding on the respective maturity dates of the Completion Convertible Bonds, 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds shall be redeemed at its then outstanding principal amount, inclusive of interest as accrued.

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the Completion Convertible Bonds:

Principal amount:	HK$3,200,000, of which HK$1,200,000 to Vendor A and HK$2,000,000 to Vendor B
Maturity:	31 December 2010
Transferability:	The transferability of the Completion Convertible Bonds commences until the Profit Guarantee is being satisfied
Conversion period:	The Completion Convertible Bonds can only be converted after the Profit Guarantee is being satisfied until the end of the maturity date on 31 December 2010

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the 2009 Earn Out Convertible Bonds:

Principal amount:	(i) HK$76,800,000, of which HK$28,800,000 to Vendor A and HK$48,000,000 to Vendor B; or as the case may be (ii) HK$38,400,000, of which HK$14,400,000 to Vendor A and HK$24,000,000 to Vendor B
Maturity:	31 December 2010

Save as the above mentioned general terms of the Convertible Bonds, the following is a summary of the principal terms of the 2010 Earn Out Convertible Bonds:

Principal amount:	HK$38,400,000, of which HK$14,400,000 to Vendor A and HK$24,000,000 to Vendor B
Maturity:	30 September 2011

An application will be made by the Company for the listing of and permission to deal in the Conversion Shares to be issued.

(G) CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,118,967,500 Shares in issue, 22,000,000 outstanding share options and 223,000,000 non-listed warrants issued on 11 September 2007.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and before Completion; (ii) immediately after Completion and the allotment and issue of the Consideration Shares; and (iii) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds at the Initial Conversion Price assuming no further Shares (including exercise of non-listed warrants and share options) will be issued or no Shares will be repurchased before the allotment and issue of the Consideration Shares and Conversion Shares:

Shareholders	As at the Latest Practicable Date before the allotment and issue of the Consideration Shares and Conversion Shares		Immediately after the allotment and issue of the Consideration Shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Starryland Profits Limited *(Note 1)*	322,795,000	28.85	322,795,000	25.17	322,795,000	22.61
Mr. Lau Kim Hung, Jack *(Note 1)*	5,160,000	0.46	5,160,000	0.40	5,160,000	0.36
Subtotal	327,955,000	29.31	327,955,000	25.57	327,955,000	22.97
Hsu Tung Sheng *(Note 2)*	2,000,000	0.18	2,000,000	0.16	2,000,000	0.14
Ho Hoi Lap *(Note 2)*	2,120,000	0.19	2,120,000	0.17	2,120,000	0.15
Vendor A *(Note 3)*	18,220,000	1.63	79,486,667	6.20	134,032,121	9.39
Vendor B *(Note 4)*	3,720,000	0.33	105,831,111	8.25	196,740,202	13.78
Public	764,952,500	68.36	764,952,500	59.65	764,952,500	53.57
Total	1,118,967,500	100.00	1,282,345,278	100.00	1,427,799,823	100.00

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack who does not hold any position in the Group.

2. Mr. Hsu Tung Sheng is executive Director and chief executive officer of the Company, Dr. Ho Hoi Lap is a non-executive Director and chairman of the Company.

3. Vendor A is the younger brother of Mr. Hsu Tung Sheng. Vendor A and his parties acting in concert will hold less than 30% total issued Shares after Completion.

4. Vendor B and his parties acting in concert will hold less than 30% total issued Shares after Completion.

There will be no change of control of the Company after the allotment and issue of the Conversion Shares and/or the Consideration Shares.

(H) INFORMATION ON THE VENDORS

Vendor A is a director of Media Magic and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company and a previous vendor of Media Magic in relation to the Former Sale and Purchase Agreement. Vendor A does not have any relationship with Mr. Lau Kim Hung, Jack, a substantial Shareholder.

Vendor B, apart from being a substantial shareholder of Media Magic, does not assume any role in Media Magic. Vendor B does not have any relationship with Mr. Lau Kim Hung, Jack and the previous vendor of Media Magic in relation to the Former Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor A and Vendor B are independent to each other.

Vendor A, Vendor B, Mr. Lau Kim Hung, Jack and the previous vendor of Media Magic in relation to the Former Sale and Purchase Agreement are not parties acting in concert.

(I) INFORMATION ON THE MEDIA MAGIC GROUP

1. Business carried on by Media Magic and PalmPay (互聯視通)

Media Magic is a company incorporated in BVI on 5 January 2004 and commenced operation from September 2006, which principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc., for mobile phone users in the PRC through franchising and cooperation with telecommunication business licensed providers.

PalmPay (互聯視通), being the principal operating subsidiary of the Media Magic Group, is a PRC enterprise established on 20 March 2005, which is currently engaged principally in the mobile payment gateway business in the PRC. Mobile payment gateway business refers to the provision of online mobile payment services such as online shopping and payment of service bills by the services providers to mobile phone users. The product variety of PalmPay (互聯視通) has been enlarged compared with that at the time of its commencement of business in September 2006. PalmPay (互聯視通) is currently selling a variety of products through its mobile payment platforms, such as IP cards, virtual game cards and accident insurance products.

Set out below is a summary of key financial data of the Media Magic Group, which has been prepared based on the generally accepted accounting principles in Hong Kong.

	From 1 April 2007 to 30 September 2007	For the year ended 31 March 2007	For the year ended 31 March 2006	Period from 5 January 2004 (Date of incorporation) to 31 March 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Results				
Turnover	13,662	3,177	–	–
Profit/(Loss) before tax	9,129	1,428	(16)	(22)
Profit/(Loss) before tax *(%)*	66.82%	44.95%	–	–
Profit/(Loss) after tax	6,074	931	(16)	(22)
Profit/(Loss) after tax *(%)*	44.46%	29.30%	–	–

	As at 30 September 2007	As at 31 March 2007	As at 31 March 2006	As at 31 March 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Assets and liabilities				
Total assets	43,297	21,309	391	400
Net assets value	12,890	6,653	352	368

As at the Latest Practicable Date, PalmPay (互聯視通), through cooperation with China Unicom (中國聯通) (i) is in full operation for the provision of mobile payment gateway services in 9 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Guangxi (廣西), Jilin (吉林), Hunan (湖南), Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) (full operation for Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) commenced operation in October 2007); (ii) has secured cooperation agreement with China Unicom (中國聯通) in providing mobile payment gateway services in Heilongjiang (黑龍江); and (iii) is also in advanced stage of negotiations with China Unicom (中國聯通) for the provision of mobile payment gateway services in 11 other major provinces/municipal cities in the PRC such as Guangdong (廣東), Beijing (北京), Fujian (福建) and Shandong (山東). It is expected by the management of the Media Magic Group that full scale operations for a total of 21 major provinces/municipal cities in the PRC for the provision of mobile payment gateway services will be available by the end of this year.

Based on the unaudited management accounts of the Media Magic Group for October 2007, the monthly turnover of the Group is approximately HK$3 million for the one month ended 31 October 2007 which comprises contribution from 9 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Guangxi (廣西), Jilin (吉林), Guizhou (貴州), Gansu (甘肅), Hubei (湖北), Chongqing (重慶) and Hunan (湖南) for the sale of mainly IP cards and virtual game cards.

As for the insurance products, PalmPay (互聯視通) has secured co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) for the sale of accident insurance products through mobile payment gateway. Full operation has been carried out in Guangxi (廣西) and Jilin (吉林) and it is expected that sale of accident insurance products will expand to other major provinces/municipal cities gradually. Driven by the strong economic growth which leads to increasing number of travelers (for business or otherwise) in the PRC and the increasing awareness of the importance of insurance amongst the PRC citizens, there will be an increasing demand for accident insurance products in the PRC. Given the convenience of subscription of insurance package through mobile, the Directors expect that there will be a promising prospect from the sale of accident insurance products through the mobile payment gateway.

The accounts of the Media Magic Group were consolidated into the Group upon completion of its acquisition on 5 January 2007. From the above figures, the monthly turnover from the mobile payment gateway services increased by 292% since its accounts being consolidated with that of the Group and thus its contribution to total turnover of the Group has been increasing. Moreover, following full scale operations of the mobile payment gateway services in 21 major provinces/municipal cities in the PRC by the end of this year, the Directors believe that the Media Magic Group will generate steady source of income as well as bringing promising returns to the Group in the near future.

2. Management discussion and analysis of the results of the Media Magic Group

(i) Financial and business performance

For the period ended 31 March 2005

There was no turnover and direct cost of sales for the period ended 31 March 2005 as the Target Group did not commence its operation during the period.

For the year ended 31 March 2006

There was no turnover and direct cost of sales for the period ended 31 March 2006 as the Target Group did not commence its operation during the year.

For the year ended 31 March 2007

The Media Magic Group commenced its operation since September 2006 and was principally engaged in the mobile payment gateway services through its indirect wholly owned subsidiary i.e. PalmPay (互聯視通) in four provinces and municipal cities in the PRC, i.e. Shanghai (上海), Liaoning (遼寧), Guangxi (廣西) and Jilin (吉林). Turnover for the year amounted to approximately HK3.2 million. There was no direct cost of sales incurred in the year.

For the six months ended 30 September 2007

Turnover for the period amounted to approximately HK$13.6 million. The significant increase in turnover was due to the full scale operation of the mobile payment gateway services in five provinces or municipal cities in the PRC, i.e. Hunan (湖南), Shanghai (上海), Liaoning (遼寧), Guangxi (廣西) and Jilin (吉林).

(ii) Capital structure

The Media Magic Group's capital structure as at 31 March 2005 consisted of shareholders' equity of approximately HK$390,000 as registered capital and deficit of approximately HK$22,000.

The Media Magic Group's capital structure as at 31 March 2006 consisted of shareholders' equity of approximately HK$390,000 as registered capital and deficit of approximately HK$38,000.

The Media Magic Group's capital structure as at 31 March 2007 consisted of shareholders' equity of approximately HK$433,000 as registered capital and approximately HK$5,851,000 as reserves.

The Media Magic Group's capital structure as at 30 September 2007 consisted of shareholders' equity of approximately HK$433,000 as registered capital and approximately HK$11,833,000 as reserves.

(iii) Liquidity and financial resources

As at 31 March 2005, there were no long-term liabilities and bank borrowings.

As at 31 March 2006, there were no long-term liabilities and bank borrowings.

As at 31 March 2007, cash and bank balances amounted to approximately HK$955,000 and there were no long-term liabilities and bank borrowings.

As at 30 September 2007, cash and bank balances amounted to approximately HK$5,633,000 and there were no long-term liabilities and bank borrowings.

(iv) Significant investments

As at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007, Media Magic did not have any significant investment.

(v) Material acquisitions or disposals of subsidiaries and affiliated companies

Multi Channel Technology Limited, a wholly-owned subsidiary of the Media Magic Group, completed the acquisition of the entire interest in PalmPay (互聯視通) on 18 October 2007. Save as disclosed, there was no material acquisition and disposal of subsidiaries and affiliated companies.

(vi) Existing business of the Media Magic Group

As a result of the Acquisition, the Directors expect to expand the existing customer base, operation scale and variety of services provided by the Media Magic Group to meet the market demand.

(vii) Segment information

For each of the periods and years ended 31 March 2005, 2006 and 2007 and 30 September 2007, the Media Magic Group's turnover and operating assets were attributable to the mobile payment gateway services in the PRC. Accordingly, no analysis by either business or geographical segment was noted.

(viii) Number of employees and remuneration policies

For each of the period and year ended 31 March 2005 and 2006, the Media Magic Group did not have any employee. For the year and period ended 31 March 2007 and 30 September 2007, the Media Magic Group has about 25 and 40 employees respectively, total salary and allowances amounted to about HK$121,000 and HK$301,000. The Media Magic Group's remuneration policy includes a pension scheme. Please refer to Accountants' Report of the Media Magic Group as shown in Appendix II to this circular for details.

(ix) Charges on Media Magic's assets

There was no charge on the Media Magic Group's assets as at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007.

(x) Future plans for material investments

As at the Latest Practicable Date, there are no proposed material investments of the Media Magic Group.

(xi) Exposure to exchange rates

Most of the transactions of the Media Magic Group were denominated in Renminbi. As the exchange of Renminbi to Hong Kong Dollars were fairly stable. Hence, no hedging or other arrangements to reduce the currency risk were implemented.

(xii) Contingent liabilities

There were no contingent liabilities of the Media Magic Group as at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007.

(xiii) Gearing

There were no bank borrowings as at as 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007.

(J) REASONS FOR THE ACQUISITION

Upper Power is an investment holding company. The Group is principally engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry as well as the provision of mobile payment gateway services.

As indicated in the Interim Report 2007-2008 of the Company, during the period under review, the trading and manufacturing of electronic devices and components remained the main source of the income of the Group. The profit margin for trading and manufacturing of electronic devices and components was low while it provided a stable income to the Group. The acquisition of the Media Magic Group (i.e. 51% equity interests) which is a service based business has a much higher profit margins than that of the trading and manufacturing industry and thus not only diversified the sources of income for the Group but also improved the overall profit margins of the Group. Furthermore, the Acquisition has provided cost and operation efficiency and other synergy to the Group. The Board believes that the business of the provision of diversified mobile value-added services is of great potential and prospects in the PRC which can strengthen the Group's financial performance as well as optimize Shareholders' interests in the long run.

Taking into account (i) the future prospect and potential of the telecommunication sector in the PRC and PalmPay (互聯視通); (ii) there is an increasing number of mobile phone users in the PRC (current users have already reached 461 million by the end of December 2006 according to the statistics released by the MII and eMarketer has forecasted that the number of mobile phone subscribers in the PRC will reach 635 million by 2010) under the environment of fast economic growth in the PRC and in light of this, it is expected that there will be a growing demand for diversified mobile value-added services; (iii) the benefits of consolidating the business of the Media Magic Group as described above; and (iv) opportunities for the acquisition of a further 24% equity interests in Media Magic, the Directors (including independent non-executive Directors) view that it is the right time to increase its stake in Media Magic to capture potential opportunities in the booming mobile phone market in the PRC and to achieve business growth for the Group and are of the view that the terms of the Sale and Purchase Agreements, are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

(K) FINANCIAL EFFECT OF THE ACQUISITION

(1) Assets

Based on the unaudited proforma financial information of the Enlarged Group as shown in Appendix III to this circular, the unaudited pro forma net assets value of the Enlarged Group is about HK$232 million as if completion of the Acquisition could have taken place on 30 September 2007. The increase in unaudited net assets value of the Enlarged Group is mainly attributable to the goodwill arising from the acquisition of the Media Magic Group and the increase in share capital as a result of the issue of 163,377,778 Consideration Shares.

(2) Earnings

As described under the sections "INFORMATION OF THE MEDIA MAGIC GROUP" and "REASONS FOR THE ACQUISITION", it is expected that upon completion of the Acquisition, the income base of the Enlarged Group will be diversified and the profit margin of the Enlarged Group will be improved.

(3) Liabilities

Based on the unaudited proforma financial information of the Enlarged Group as shown in the Appendix III to this circular, the unaudited pro forma total liabilities of the Enlarged Group will be increased to approximately HK$223 million as if completion of the Acquisition could have taken place on 30 September 2007. The increase is mainly due to the issue of Convertible Bonds in relation to the Acquisition.

(L) FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in 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.

As mentioned in the annual report of the Group for the financial year ended 31 March 2007, the Group recorded an increase of approximately 159% in its turnover from approximately HK$42.5 million to approximately HK$110.1 million. The trading and manufacturing electronic devices provided a stable source of revenue to maintain the operation of the Group. The design and engineering services provided a high margin source of revenue and enhanced the overall competitive of the Group business. The major customers for the trading and manufacturing were Middle East, United Stated of America and United Kingdom. The Group tries its best effort to develop new markets to broaden the customer base.

The Group commenced the mobile payment gateway services through acquired 20% interest in the Media Magic Group in 2006 aiming not only to diversify the sources of income for the Group but also improved the overall profit margins of the Group. The mobile payment gateway services has commenced operation 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 major provinces and municipal cities in the PRC such as Guangdong, Beijing, Fujian, Shandong and Heilongjiang by the end of 2007.

According to the statistics released by the MII and eMarketer, which forecasted the number of mobile phone subscribers in the PRC will reach 635 million by 2010 under the environment of fast economic growth in the PRC. In light of this, it is expected that there will be a growing demand for diversified mobile value-added services.

Considering (i) the future prospect and potential of the telecommunication sector in the PRC; (ii) growing demand for diversified mobile value-added services; (iii) the Profit Guarantee provided by the Vendors, it is the right time to increase the Group's stake in the Media Magic Group in order to capture potential opportunities in the booming mobile phone market in the PRC and to achieve significant business growth potential and provides a stable income stream for the Group.

The Group recorded net loss of approximately HK$8.6 million for the year ended 31 March 2007 and recorded net profit of approximately HK$7.3 million for the six months ended 30 September 2007 which was mainly contributed from the mobile payment gateway services. In view of the anticipated significant growth and the stable income stream to be provided to the Enlarged Group through the Acquisition with immense growth potential, the Enlarged Group is in a strong position to improve its financial and trading prospects and thus provide better returns to the Shareholders.

(M) CURRENT GENERAL MANDATE

At the AGM, Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Current General Mandate to issue not more than 223,793,500 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company of 1,118,967,500 Shares as at the date of passing of the resolution.

During the period from the grant of the Current General Mandate up to the Latest Practicable Date, the Current General Mandate has been utilised as to 223,000,000 Shares in association with the issue of 223,000,000 un-listed warrants of the Company which was completed on 11 September 2007, representing approximately 99.65% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate.

(N) PROPOSED GRANT OF NEW GENERAL MANDATE

At the SGM, ordinary resolutions will be proposed to the Independent Shareholders that the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the total issued shares of the Company as at the date of passing of the relevant ordinary resolution.

As at the Latest Practicable Date, the issued share capital of the Company was 1,118,967,500 Shares. On the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue up to 223,793,500 Shares, representing 20% of the total issued share capital of the Company at the date of SGM.

The Company has not refreshed the Current General Mandate since the date of the AGM. The New General Mandate proposed at the SGM will last until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and Bye-laws of the Company or any other applicable laws to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

(O) REASONS FOR THE GRANT OF THE NEW GENERAL MANDATE

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

As explained in the paragraph headed "Current General Mandate" above, the Current General Mandate has been utilised as to 223,000,000 Shares, being approximately 99.65% of the aggregate number of Shares which may be allotted and issued under the Current General Mandate.

The Board considers that grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole in maintaining the financial flexibility necessary for the Group's future business development and to strengthen the capital base of the Company. The Board considers that there is no immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in the Shares. However, the Board is now proposing to seek the approval of Independent Shareholders at the SGM of the New General Mandate such that should future funding needs arise or attractive terms for investment in the Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly because fund raising exercise pursuant to a general mandate provides the Company a more simple and less lead time process than other types of fund raising exercises and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

In view of the above, the Directors consider the grant of the New General Mandate, which may or may not be utilised, is in the best interests of the Company and the Shareholders as a whole.

(P) GEM LISTING RULES IMPLICATIONS IN RELATION TO THE TRANSACTION AND PROPOSED GRANT OF THE NEW GENERAL MANDATE

The Acquisition

The Transaction (the aggregate of transactions under the Former Sale and Purchase Agreement (which was a discloseable transaction to the Company) and the Sale and Purchase Agreements) constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Vendor A is a director of Media Magic, which being a subsidiary of the Company and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive office of the Company, Vendor A is a connected person of the Company. As Vendor B is a substantial shareholder of Media Magic, which being a subsidiary of the Company, Vendor B is also a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

Approval of the Independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Acquisition and the transactions contemplated thereunder including but not limited to the issue of the Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares.

Vendor A, Vendor B and their respective associates, are, in aggregate, interested in 23,940,000 Shares representing approximately 2.14% of the total issued Shares of the Company of 1,118,967,500 Shares as at the Latest Practicable Date and are required to abstain from voting in respect of the Acquisition and the transactions contemplated thereunder at the forthcoming SGM. Save as disclosed, no other Shareholders have material interest in the Acquisition and the transactions contemplated thereunder and are required to abstain from voting in respect of the approval of the Acquisition and the transactions contemplated thereunder at the forthcoming SGM.

Proposed grant of the New General Mandate

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. As at the Latest Practicable Date, Mr. Hsu Tung Sheng, Dr. Ho Hoi Lap (being the Directors) and Vendor A (being the associate of Mr. Hsu Tung Sheng), together are holding 22,340,000 Shares, representing approximately 2.00% of the total issued Shares, and will abstain from voting in favour of the relevant resolutions. The Board was advised by Mr. Hsu Tung Sheng, Dr. Ho Hoi Lap and Vendor A that they have no intention to vote against the grant of the New General Mandate. Further, pursuant to Rule 17.47(4)(b) of the GEM Listing Rules, any vote of the Independent Shareholders at the SGM will be taken by way of poll and an announcement on the results of the SGM will be made after the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders (a) as to whether (i) the terms of the Acquisition and the transactions contemplated thereunder; and (ii) the proposed grant of New General Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and (b) whether to vote in favour of the ordinary resolutions for (i) approving the Acquisition and the matters contemplated thereunder and (ii) the proposed grant of the New General Mandate. An independent financial adviser will give its advice to the Independent Board Committee and the Independent Shareholders in its letter to this circular.

(Q) INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Chan Wing Chiu, all being independent non-executive Directors. It has been established to advise the Independent Shareholders on (i) the Sale and Purchase Agreements and the transaction contemplated thereunder; and (ii) the proposed grant of the New General Mandate.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Sale and Purchase Agreements and the transaction contemplated thereunder; and (ii) the proposed grant of the New General Mandate.

(R) SGM

Set out on pages 174 to 178 of this circular is a notice convening the SGM which will be held on Wednesday, 19 December 2007 at 10:30 a.m. at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. At the SGM, ordinary resolutions will be proposed to approve (i) the Sale and Purchase Agreements and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares, the Conversion Shares and issue of the Convertible Bonds); and (ii) the proposed grant of New General Mandate.

Any vote exercised by the Independent Shareholders at the SGM shall be taken by way of poll.

A form of proxy of the SGM is enclosed with this circular. Whether or not you are able to attend and vote at the SGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of SGM. Completion and return of the form of proxy will not preclude you from attending and voting at SGM or any adjournment thereof if you so wish.

(S) PROCEDURES FOR THE DEMAND BY POLL

The following sets out the procedures by which the Shareholders may demand a poll at the SGM.

Pursuant to bye-law 66 of the Bye-Laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-Laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(i) by the chairman of the meeting; or

(ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(v) if required by the rules of the Designated Stock Exchange (as defined in the Bye-laws), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

(T) RECOMMENDATIONS

Your attention is drawn to the letter of advice from the IFA set out on pages 40 to 67 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with (i) the Sale and Purchase Agreements and transaction contemplated thereunder and (ii) the grant of the New General Mandate and the letter from the Independent Board Committee set out on page 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the same matters.

The Board (including the Independent Board Committee) having taken into account the advice of the IFA in relation to the (i) the Sale and Purchase Agreements and transactions contemplated thereunder and (ii) the grant of the New General Mandate, is of the opinion that (i) the Sale and Purchase Agreements and transaction(s) contemplated thereunder and (ii) the grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole as well as the Sale and Purchase Agreements are on normal commercial terms. Therefore, the Directors (including the independent non-executive Directors) after taking into account the recommendation of the IFA and the Independent Board Committee, recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to (i) the Sale and Purchase Agreements and the transactions contemplated thereunder and (ii) the grant of the New General Mandate.

(U) ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

3 December 2007

To the Independent Shareholders

Dear Sirs or Madams,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 24% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS; AND (2) REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

We refer to the circular of the Company dated 3 December 2007 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in connection with the Acquisition and the proposed grant of the New General Mandate. Nuada Limited has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to us on pages 40 to 67 of the Circular, we are of the opinion that the terms of the Acquisition and the proposed grant of New General Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Acquisition and the proposed grant of the New General Mandate by way of poll.

Independent Board Committee

Mr. Kwok Chi Sun, Vincent **Mr. Yeung Kam Yan** **Mr. Chan Wing Chiu**

Independent non-executive Directors

* *For identification purpose only*

The following is the text of a letter of advice from Nuada Limited in connection with the terms of the Acquisition and the refreshment of the General Mandate which has been prepared for inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

7th Floor, New York House
60 Connaught Road Central
Hong Kong

3 December 2007

*To the Independent Board Committee and
the Independent Shareholders of
Palmpay China (Holdings) Limited*

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 24% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS; AND (2) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) entering into the Acquisition is in the usual and ordinary course of business of the Group, the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Acquisition and the transactions contemplated thereunder; and (ii) the proposed refreshment of general mandate to issue and allot shares of the Company is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of the Acquisition and the grant of the New General Mandate are set out in the letter from the board (the “Board’s Letter”) in the circular to the Shareholders dated 3 December 2007 (the “Circular”), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether (i) the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the grant of the New General Mandate is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be made the date hereof. We have also assumed the accuracy and truthfulness of the public information available from National Bureau of Statistics of China regarding the number of mobile telephone subscribers in the PRC and the Ministry of Information Industry (中華人民共和國信息產業部).

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to reach an informed view regarding the Acquisition and New General Mandate, and to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Group and Media Magic Group or the markets in which they respectively operate.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Sale and Purchase Agreements. We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Sale and Purchase Agreements have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Sale and Purchase Agreements.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisition. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

(1) ACQUISITION OF 24% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS

BACKGROUND INFORMATION

On 11 August 2006, the Upper Power, a wholly-owned subsidiary of the Company, had entered into (i) the subscription agreement pursuant to which Upper Power, as subscriber, has subscribed for 5,556 new shares of Media Magic at a total consideration of HK$5,000,000 (the "Subscription Agreement"); and (ii) the sale and purchase agreement pursuant to which Upper Power has agreed to purchase from Mr. Hsu Tung Sheng, Mr. Mar King Tong, Allise and Mr. Cheung Sai Man the 5,556 issued shares of Media Magic at a total consideration of HK$5,000,000 (the "August 2006 Sale and Purchase Agreement"). In addition, Upper Power had entered into a sale and purchase agreement on 16 November 2006 whereby Upper Power has agreed to purchase from Mr. Hsu Tung Sheng the 17,222 issued shares of Media Magic at a total consideration of HK$16,120,000 (the "November 2006 Sale and Purchase Agreement"). Upon completion of the aforesaid agreements, Upper Power became interested in approximately 51% equity interest in Media Magic.

On 12 November 2007, the Company announced that, Upper Power had entered into the Sale and Purchase Agreements, pursuant to which, Upper Power, as purchaser, has agreed to purchase, and the Vendors have agreed to sell, in sum of 13,333 shares of Media Magic, representing approximately 24% of its equity interest, for a total consideration of HK$203,520,000. Upon completion of the Sale and Purchase Agreements, Upper Power would owns, in aggregate, approximately 75% equity interest of Media Magic with its accounts continually being consolidated with that of the Group.

Pursuant to the Sale and Purchase Agreements, 13,333 shares of Media Magic are to be purchased by the Group from Vendors (5,000 shares and 8,333 shares of Media Magic from Vendor A and Vendor B respectively) at a total consideration of HK$203,520,000 (HK$76,320,000 and HK$127,200,000 for 5,000 shares and 8,333 shares respectively), of which HK$50,000,000 will be satisfied by cash on or before Completion. The remaining balance of HK$153,520,000 will be settled as to (i) HK$73,520,000 by the issue of the Consideration Shares and 50% of such Consideration Shares will be subject to Profit Guarantee locked up period to the Vendors (the "Locked Up Consideration Shares"); (ii) HK$3,200,000 by the issue of the Convertible Bonds, the delivery of which to the respective Vendors subject to fulfillment of the Profit Guarantee (the "Completion Convertible Bonds"); and (iii) HK$76,800,000 by the issue of the Convertible Bonds, subject to fulfillment of the Profit Guarantee of the First Earn Out Period and Second Earn Out Period.

Given Media Magic became a subsidiary of the Company upon completion of the November 2006 Sale and Purchase Agreement, (i) Vendor A who is a director of Media Magic and the younger brother of Mr. Hsu Tung Sheng, an executive Director and chief executive officer of the Company; and (ii) Vendor B who is a substantial shareholder of Media Magic, both Vendor A and Vendor B are connected persons of the Company and the Acquisition constitutes a connected transaction as defined under Chapter 20 of the GEM Listing Rules and when aggregated with the series of acquisitions of the Media Magic by the Company within a 12 month period before the date of the Sale and Purchase Agreements constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under the GEM Listing Rules. Approval of the Independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Acquisition and the transactions contemplated thereunder.

Accordingly, Vendor A, Vendor B and Mr. Hsu Tung Sheng (the elder brother of Vendor A) and their respective associates are, in aggregate, interested in 23,940,000 Shares, representing approximately 2.14% of the total issued shares of the Company as at the Latest Practicable Date, and are required to abstain from voting in respect of the Acquisition and the transaction contemplated thereunder at the forthcoming SGM. Save as disclosed, no other Shareholders have any material interest in the Acquisition and are required to abstain from voting in respect thereof at the forthcoming SGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Sale and Purchase Agreements and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Reasons for the Acquisition

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

As mentioned in the Board's Letter, the profit margin for trading and manufacturing of electronic devices and components was low while it provided a stable income to the Group. The acquisition of the Media Magic Group (i.e. 51% equity interests) which is a service based business has a much higher profit margins than that of the trading and manufacturing industry and thus not only diversified the sources of income for the Group but also improved the overall profit margins of the Group. Furthermore, the Acquisition has provided cost and operation efficiency and other synergy to the Group. And with the growing demand for diversified mobile value-added services under the environment of fast economic growth in the PRC, the Board is optimistic in future prospect and potential of the telecommunication section in the PRC and Palmpay (互聯視通).

With the existing cooperation agreements entered into between the Media Magic Group and China Unicom (中國聯通), the Directors believe that the Media Magic Group will not only generate steady source of income and bringing promising returns to the Group in the near future but also can strengthen the Group's financial performance as well as optimize Shareholders' interests in the long run. The details of the cooperation agreements has been disclosed under the sub-section headed "INFORMATION ON THE MEDIA MAGIC GROUP" below.

After considering the above reasons, the Company is of the view that it is the right time to increase its stake in Media Magic to maximize the returns of the Group.

Business review and financial position of the Group

Set out below is the summary of the audited operating results of the Group for each of the three years ended 31 March 2007, 2006 and 2005 and unaudited figures for the six months ended 30 September 2007 and 2006 and of the assets, liabilities and minority interests of the Group as extracted from the Company's respective annual reports for the three years ended 31 March 2007, 2006 and 2005 and the interim report for the periods ended 30 September 2007 and 2006:

	For the six months ended 30 September		For the year ended 31 March		
	2007	**2006**	**2007**	**2006**	**2005**
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	69,890	57,846	110,074	42,474	38,864
Profit/ (Loss) before income tax	8,763	1,567	(5,966)	(8,013)	(25,110)
Profit/ (Loss) after income tax	7,274	822	(8,618)	(7,660)	(23,269)
Attributable to:					
Equity shareholders of the Company	3,545	822	(9,117)	(7,649)	(23,269)
Minority interests	3,729	–	499	(11)	(126)

	As at 30 September	As at 31 March		
	2007	**2007**	**2006**	**2005**
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	304,865	216,949	127,170	29,935
Total liabilities	(143,183)	(124,021)	(106,140)	(11,118)
Net Assets	161,682	92,928	21,030	18,817
Minority interests	(6,401)	(4,567)	(1,988)	(1,999)

According to the 2007 annual report of the Company (the "2007 Annual Report"), the Group recorded an increase of approximately 159% in its turnover for the year ended 31 March 2007 to approximately HK$110.1 million as compared to the previous corresponding year. Turnover from the internet appliances and related products segment recorded a decrease of approximately 91% to HK$2.1 million for the year ended 31 March 2007 compared to the previous corresponding year. There was no income from e-commerce platform and related services recorded for the year ended 31 March 2007 because the Group was still looking for suitable business partner to promote these products. Turnover from the electronic devices and components segment recorded an increase of approximately 507% to HK$100.0 million. The design and engineering services also recorded an increase of approximately 340% to HK$4.8 million. The significant increase in turnover from electronic devices and components and design and engineering services was due to the fact that only one month of the financial results of Union Bridge Group Limited ("Union Bridge Group"), a wholly-owned subsidiary of the Company which was acquired by Group in March 2006, were consolidated into the Group in the previous corresponding year. But for the year ended 31 March 2007, the whole year financial results of Union Bridge Group were consolidated into the Group.

Besides, turnover from mobile payment gateway services of approximately HK$3.2 million was recorded in the year ended 31 March 2007 due to the acquisition of the Media Magic Group. Due to the substantial decrease in turnover from the internet appliances and related products in previous years and the keen competition in this market, the Group had further scaled down the operation in order to minimize the operating cost.

According to the interim report 2007-2008 of the Company (the "Current Period"), the Group recorded a turnover of approximately HK$69,890,000 which increased by approximately 20.8% as compared to the previous corresponding period. Turnover from the design and engineering services amounted to approximately HK$620,000, representing approximately 0.9% of the Group's turnover, whereas turnover from the trading and manufacturing of electronic devices and components amounted to approximately HK$55,607,000, representing approximately 79.6% of the Group's turnover. No income was recorded from trading of internet appliances and related products. Turnover from the mobile payment gateway services amounted to approximately HK$13,663,000 contributing approximately 19.5% of the Group's turnover. For the six months ended 30 September 2007, the profit after taxation of the Media Magic Group has reached over RMB 7,000,000.

The gross profit margin increased to approximately 28.3% in the Current Period from approximately 24.4% in the previous corresponding period. The increase was due to the consolidation of the results of the Media Magic Group which contributed high gross profit margin from the mobile payment gateway services. The monthly turnover increased at an average rate of approximately 17.2% during the six months under the Current Period. The high gross profit margin of over 60% of the mobile payment gateway services has resulted in the improvement of the overall gross profit of the Group.

During the Current Period, the Group had net profit attributable to equity holders of the Company of approximately HK$3,545,000 as compared to approximately HK$882,000 in the previous corresponding period. Distribution costs recorded an increase by approximately 316.3% as compared to the previous corresponding period. Administrative expenses increased by approximately 14.7% as compared to the previous corresponding period as a result of the consolidation of the Media Magic Group. An extraordinary gain of HK$2,850,000 as a result of the disposal of subsidiaries has been recorded.

As indicated in the 2007 Annual Report, the Group will look for other opportunities to diversify its revenue base and will continue to explore new markets and develop new products and will also continue to explore investment opportunities so as to optimize Shareholders' interests.

INFORMATION ON THE MEDIA MAGIC GROUP

With reference to the Board's Letter, Media Magic is a company incorporated in BVI on 5 January 2004, which principally engaged in the provision of diversified mobile value-added services, including but not limited to, the provision of mobile online games, patented popular electronic cartoon characters and animation series download etc., for mobile phone users in the PRC through franchising and cooperation with telecommunication business licensed providers.

The principal operating subsidiary of the Media Magic Group, PalmPay (互聯視通), is a PRC enterprise established on 20 March 2005, which is currently engaged principally in the mobile payment gateway business in the PRC. Mobile payment gateway business refers to the provision of online mobile payment services such as online shopping and payment of service bills by the services providers to mobile phone users. The product variety of PalmPay (互聯視通) has been enlarged compared with that at the time of its commencement of business in September 2006. PalmPay (互聯視通) is currently selling a variety of products through its mobile payment platforms, such as IP cards, virtual game cards and accident insurance products.

As at the Latest Practicable Date, PalmPay (互聯視通), through cooperation with China Unicom (中國聯通) (i) is in full operation for the provision of mobile payment gateway services in 9 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Guangxi (廣西), Jilin (吉林), Hunan (湖南), Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) (full operation for Hubei (湖北), Gansu (甘肅), Guizhou (貴州) and Chongqing (重慶) commenced operation in October 2007); (ii) has secured cooperation agreement with China Unicom (中國聯通) in providing mobile payment gateway services in Heilongjiang (黑龍江); and (iii) is also in advanced stage of negotiations with China Unicom (中國聯通) for the provision of mobile payment gateway services in 11 other major provinces/municipal cities in the PRC such as Guangdong (廣東), Beijing (北京), Fujian (福建) and Shandong (山東). It is expected by the management of the Media Magic Group that full scale operations for a total of 21 major provinces/municipal cities in the PRC for the provision of mobile payment gateway services will be available by the end of this year.

According to the 2006 annual report of China Unicom (中國聯通), it has a consumer base of approximately 142.4 million customers by the end of December 2006 and further increase to approximately 151.6 million customers as at 30 June 2007. Also, based on the statistics as released on the internet at http://www.mii.gov.cn/art/2007/10/25/art_243_34030.html in 25 October 2007 by the Ministry of Information Industry (中華人民共和國信息產業部), the number of mobile phone subscribers in the PRC reached 523 million by the end of September 2007 and based on the analyst report as released on internet at http://www.emarketer.com/Reports/All/Mobile_china _ jul 06.aspx in June 2006 issued by eMarketer, a U.S. company specialize in marketing research worldwide, the number of mobile phone subscribers in China will reach 635 million by 2010.

To further strengthen the core business of the Media Magic Group, other than the cooperation agreements with China Unicom (中國聯通), Palmpay (互聯視通) has secured the co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)) for the sale of accident insurance products through mobile payment gateway. Based on the Board's presentation, Full operation has been carried out in Guangxi (廣西) and Jilin (吉林) and it is expected that sale of insurance products will expand to other major provinces/municipal cities gradually.

With the existing cooperation arrangement with China Unicom (中國聯通) and the business of selling products through its mobile payment platforms presently engaged, such as the co-operation agreements with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), the Directors believe that the Media Magic Group will generate steady source of income as well as bringing promising returns to the Group in the near future.

The following table summarises the audited financial results of the Media Magic Group for the three years ended 31 March 2007 and the six months ended 30 September 2007, which has been prepared based on the generally accepted accounting principles in Hong Kong:

	Six months ended 30 September 2007	**For the year ended 31 March 2007**	**For the year ended 31 March 2006**	**Period from 5 January 2004 (Date of incorporation) to 31 March 2005**
	(audited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Results				
Turnover	13,662	3,177	–	–
Profit / (Loss) before income tax	9,129	1,428	(16)	(22)
Profit / (Loss) after income tax	6,074	931	(16)	(22)
Net Profit Margin	44.46%	29.30%	N/A	N/A

	As at 30 September		**As at 31 March**	
	2007	**2007**	**2006**	**2005**
	(audited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Total assets	43,297	21,309	391	400
Net assets value	12,890	6,653	352	368

As illustrated in the above table, Media Magic Group recorded revenue of approximately HK$13.66 million and profit after tax of approximately HK$6.07 million for the six months 30 September 2007, representing an increase of approximately 330% and approximately 552% respectively as compared to the year ended 31 March 2007.

During the period from 1 April 2007 to 30 September 2007, the net profit margin of Media Magic Group has recorded a 44.46% as compared to 29.30% in the previous corresponding year. The financial performance of Media Magic Group has shown a remarkable achievement with its existing business.

The increase in turnover, profit after tax and net profit margin were mainly attributed to its subsidiary, Palmpay (互聯視通), 48.96% equity interest of which was acquired by the Company in January 2007. Having considered the earning potential in mobile payment gateway business in the PRC operated by PalmPay (互聯視通), we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Overview of number mobile telephone subscribers and number of short messages of mobile served in the PRC

We have preformed a research on the total number of mobile telephone subscribers and total number of short messages of mobile served in the PRC. The following table demonstrates the total number of mobile telephone subscribers in the PRC from 2003 to 2006 and four months ended 30 April 2007 with reference to the official data as released on the internet at http://www.stats.gov.cn of the National Bureau of Statistics of China:

	Total number of mobile telephone subscribers in the PRC *(in millions) approximately*	**Total number of short messages served in the PRC** *(in billions) approximately*
2003	269.95	N/A
2004	334.82	N/A
2005	393.40	N/A
2006	461.08	N/A
2007		
January	467.41	N/A
February	473.93	46.1
March	480.65	48.5
April	487.43	46.8
May	494.60	48.0
June	501.65	48.4
July	508.56	49.4
August	515.67	50.1
September	523.31	52.7
% increase from 31 December 2003 to 30 September 2007	93.85%	

According to the National Bureau of Statistics of China, the total number of mobile telephone subscribers in the PRC in September 2007 reaches approximately 523.31 million, representing an increase of approximately 93.85% from 2003 and the number of short messages of mobile served for September 2007 is 52.7 billion. The number of mobile telephone subscribers has recorded a growth of double-digit percentage in the past four years (i.e. 2003-2006) and has already been to 467.41 million subscribers from the beginning the year 2007 and further increased to 523.31 million subscribers as of the end of September 2007. In this regard, the Directors are of the view it is the right time to increase its stake in Media Magic to capture potential opportunities in the booming mobile phone market in the PRC and to achieve business growth for the Group. As such, we are of the view that the future prospect and market potential of the mobile telecommunication business in PRC will remain strong, and the Acquisition provides the Group with opportunities to generate steady source of income as well as being promising returns to the Group in the near future, and can strengthen the Group's financial performance as well as optimize Shareholders' interests in the long run.

Overview of the domestic tourism in the PRC

Having reviewed the China Statistical Yearbook -2006 published by the National Bureau of Statistics of China, the total number of domestic resident travelers in China, excluding foreigners, reached approximately 1,243 million people in year 2005 (the latest information released) as compared to approximately 755 million people in year 2000, representing an approximately 64.63% increase during the past five years. In view of the upward trend of the mobile phone users and the domestic resident travelers in the PRC as mentioned in the above, we are of the view that the future prospect in the sale of accident insurance products through mobile payment gateway may have positive contribution to the Media Magic Group.

Terms of the Sale and Purchase Agreements

The principal terms are summarized as follow:

A. *The First Sale and Purchase Agreement*

(i) Upper Power, a wholly-owned subsidiary of the Company, agreed to acquire and Vendor A agreed to dispose of the 5,000 shares in Media Magic at a total consideration of HK$76,320,000;

(ii) The total consideration of HK$76,320,000 will be satisfied by the Company to the Vendor A as to (i) HK$18,750,000 by cash; (ii) HK$27,570,000 to allot and issue the 61,266,667 Consideration Shares, 50% of the 61,266,667 Consideration Shares will be locked up until Profit Guarantee is achieved; (iii) HK$1,200,000 to issue at Completion the Completion Convertible Bonds as escrow until the fulfillment of the Profit Guarantee; (iv) the remaining balance of HK$28,800,000 to issue the 2009 Earn Out Convertible Bonds and/ or 2010 Earn Out Convertible Bonds subject to the satisfaction of earn out arrangements as described below.

B. *The Second Sale and Purchase Agreement*

(i) Upper Power, a wholly-owned subsidiary of the Company, agreed to acquire and Vendor B agreed to dispose of the 8,333 shares in Media Magic at a total consideration of HK$127,200,000;

(ii) The total consideration of HK$127,200,000 will be satisfied by the Company to the Vendor B as to (i) HK$31,250,000 by cash; (ii) HK$45,950,000 to allot and issue 102,111,111 Consideration Shares, 50% of the 102,111,111

Consideration Shares will be locked up until Profit Guarantee is achieved; (iii) HK$2,000,000 to issue at Completion the Completion Convertible Bonds as escrow until the fulfillment of the Profit Guarantee; (iv) the remaining balance of HK$48,000,000 to issue the 2009 Earn Out Convertible Bonds and/or 2010 Earn Out Convertible Bonds subject to the earn out arrangements as described below.

Profit Guarantee

The Vendors have joint and severally guaranteed and warranted to Upper Power that the audited consolidated net profit after tax and extraordinary or exceptional items of Media Magic Group for the year ending 31 March 2009 shall not be less than HK$33 million (to be prepared in accordance with generally accepted accounting principles in Hong Kong).

Profit Guarantee adjustments

If the Profit Guarantee is not achieved, the Vendors shall set off against the payment obligations of the Company under the Convertible Bonds and the Locked Up Consideration Shares on a dollar to dollar basis (subject to a maximum amount of the cost of the Acquisition of HK$203,520,000) as calculated in the following manner:

A = (Profit Guarantee - 2009 Actual Profit) x 24% x 16

Where A is the amount to be set off in the event there is any shortfall of the Profit Guarantee (subject to a maximum amount of HK$203,520,000).

In the event that the Completion Convertible Bonds and the Locked Up Consideration Shares are insufficient to settle A, the Vendors shall pay to the Purchaser such shortfall in cash to the Purchaser.

For the avoidance of doubt, should the Media Magic Group record a loss in its 2009 Actual Profit, the compensation amount will be the aggregation of the amount of such loss (expressed in positive figure).

Earn out arrangements

The 2009 Earn Out Convertible Bonds shall be issued by the Company to the respective Vendors in the following manner:

(i) the full amount of the remaining balance provided that the 2009 Actual Profit as shown in the Guarantee Certificate is equal to or greater than HK$53,000,000; or

(ii) 50% of the remaining balance provided that the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000; or

(iii) no 2009 Earn Out Convertible Bonds shall then be issued if Media Magic Group fails to achieve the above earn out amount of HK$43,000,000 for the financial year ending 31 March 2009;

Subject to the 2009 Actual Profit as shown in the Guarantee Certificate shall be equal to or greater than HK$43,000,000 but less than HK$53,000,000, the Company to issue the 2010 Earn Out Convertible Bonds shall be issued by the Company to the respective Vendors in the following manner:

(i) the 50% of the remaining balance provided that the Averaged Actual Profit as shown in the Guarantee Certificate shall not be less than HK$53,000,000; or

(ii) no 2010 Earn Out Convertible Bonds shall then be issued if Media Magic Group fails to achieve the Average Actual Profit of HK$53,000,000.

As the Locked Up Consideration Shares and Completion Convertible Bonds will be subject to the Profit Guarantee adjustments as calculated in this section above and 2009 Earn Out Convertible Bonds and/ or 2010 Earn Out Convertible Bonds will be subject to the 2009 Actual Profit or, if applicable, the Average Actual Profit, the total consideration of HK$203,520,000 for the Acquisition will be secured by the Profit Guarantee and 2009 Actual Profit or Average Actual Profit.

In the event that the Profit Guarantee is not achieved and assuming no profit is recorded for the year ending 31 March 2009, (i) the Locked Up Consideration Shares in the amount of HK$36,760,000; (ii) the Completion Convertible Bonds in the amount of HK$3,200,000; and (iii) the 2009 Earn Out Convertible and 2010 Earn Out Convertible Bonds in the amount of HK$76,800,000 will not be released and/or issued by the Company to the Vendors and any of the shortfall will then be reimbursed to the Purchaser by the Vendors in cash, subject to a maximum amount of HK$86,760,000 (being the total cash to be paid and the Consideration Shares (other than the locked up Consideration Shares) to be issued by the Company upon Completion. We considered that the Profit Guarantee and the earn out arrangements offered by the Vendors has minimized not only the unforeseeable investment risk associated with the Acquisition but also the immediate dilution effect on the shareholding of the Shareholders by the allotment and issue of the Shares in relation to the Acquisition. In view of that we consider that the Profit Guarantee and the earn out arrangements are in the interests of the Company and the Shareholders as a whole.

The Consideration is determined after arm's length negotiation between Upper Power and the Vendors and the Basic Consideration is calculated based on the Profit Guarantee times 16 price earnings multiple and equity interests to be acquired in Media Magic while the Balance is calculated based on the excess of HK$53,000,000 over the Profit Guarantee times 16 price earnings multiple and the equity interests to be acquired in Media Magic.

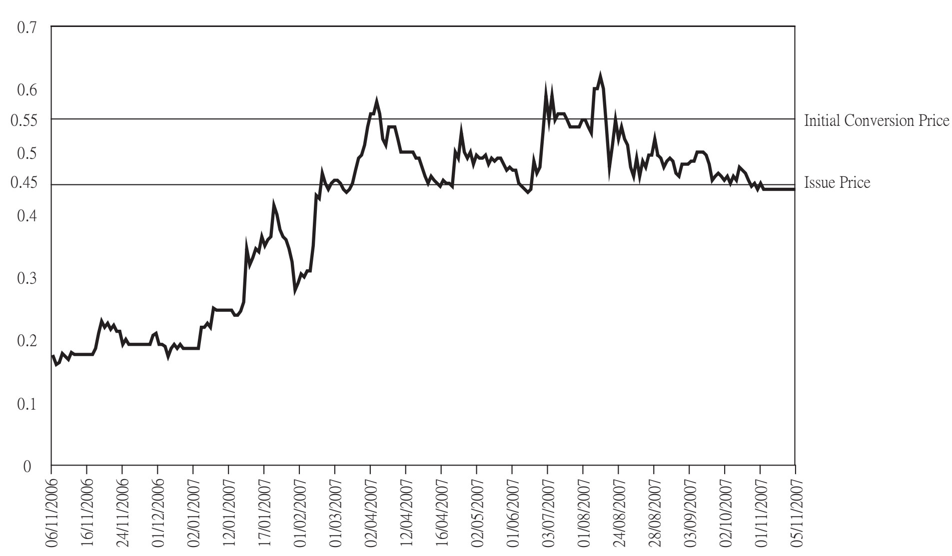
Having reviewed the price earnings ratio of number of listed companies engaging similar business in the telecommunication sector in the PRC (listed on Shanghai Stock Exchange and Shenzhen Stock Exchange) and Hong Kong ranging from about 3 to 348 times as mentioned in the Board's Letter. As such, we are of the view that the price earnings multiple used by the Company and the Vendors to determine the Basic Consideration and the Balance is fair and reasonable.

Taking into account (a) the future prospect and market potential of the mobile telecommunication business in the PRC; (b) the potential growth under the secured cooperation arrangements with China Unicom (中國聯通); (c) the strong financial performance of Media Magic Group as detailed in the section headed "INFORMATION ON THE MEDIA MAGIC GROUP" above; (d) the Profit Guarantee; and (e) the price earnings multiple being used, we consider that the consideration of the Media Magic Group is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

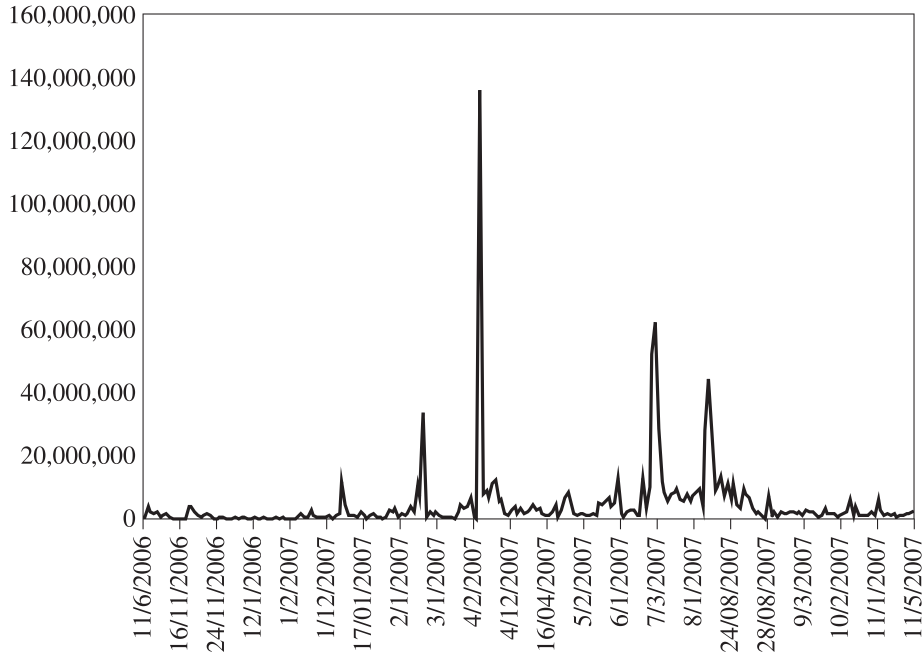
CONSIDERATION SHARES AND CONVERTIBLE BONDS

In determining the fairness and reasonableness of the Issue Price and Initial Conversion Price, we set out below chart (the "Charts") illustrating the historical closing prices and trading volume of the Shares during the period from 6 November 2006 up to and including the Last Trading Day (the "Review Period").

Closing price per Share on the Stock Exchange



Daily turnover of the Share on the Stock Exchange



Trading of Shares was suspended on 17-23 November 2006, 15-16 January 2007, 13 April 2007 and 28 August 2007.

Consideration Shares

As part of the consideration payable by the Group under the Sale and Purchase Agreements, 163,377,778 new Shares will be issued at an issue price of HK$0.45 per share for the amount of approximately HK$73,520,000.

The Issue Price of HK$0.45 per Consideration Share represents;

(i) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange on Last Trading Day;

(ii) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 2.27% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Latest Trading Date;

(iv) a discount of approximately 2.17% to the closing price of HK$0.46 per Share as quoted on the Stock Exchange on Latest Practicable Date; and

(v) a premium of approximately 221.43% over the net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2007.

As illustrated in the Charts, the Share closed on the Stock Exchange within a range from the lowest of HK$0.16 per Share on 7 November 2006 to the highest of HK$0.62 per Share on 5 November 2007. The average closing price per Share during the Review Period was approximately HK$0.40 per Share. We note from the Charts above that the Share have closed at prices that were above the Issue Price of HK$0.45 per Share since mid-March until mid-October. Furthermore, we note that the average daily turnover of the Shares on the Stock Exchange during the Review Period was approximately 4,423,389 Shares, representing approximately 0.40% of the Company's issued share capital as at the Latest Practicable Date.

In light of the above, we note that the Issue Price represents premium to both the prevailing market prices of the Shares and the average closing price per Share during the Review Period, we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Pursuant to the Sale and Purchase Agreements, 50% of the total Consideration Shares is subject to the 21 months lock-up period until Profit Guarantee is achieved, which may secure the medium-term commitment on part of the Vendors in the Consideration Shares and to avoid immediate dilution effect on shareholding of existing Shareholders, we are of the view that such lock-up period arrangement is in the interest of the Company and the Shareholders as a whole.

Convertible Bonds

As part of the consideration payable by the Group under the Sale and Purchase Agreements, the Completion Convertible Bonds, the 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds in the principal amount of HK$80,000,000 will be issued to the Vendors.

The principal terms of the Convertible Bonds is set out below:

Aggregate principal amount:	HK$80,000,000
Completion Convertible Bonds	
Principal amount:	HK$3,200,000, of which HK$1,200,000 to Vendor A and HK$2,000,000 to Vendor B
Maturity:	31 December 2010

2009 Earn Out Convertible Bonds

Principal amount:	(i) HK$76,800,000, of which HK$28,800,000 to Vendor A and HK$48,000,000 to Vendor B; or as the case may be (ii) HK$38,400,000, of which HK$14,400,000 to Vendor A and HK$24,000,000 to Vendor B
Maturity:	31 December 2010

2010 Earn Out Convertible Bonds

Principal amount:	HK$38,400,000, of which HK$14,400,000 to Vendor A and HK$24,000,000 to Vendor B
Maturity:	30 September 2011

Interest rate:	the Convertible Bonds do not bear any interest
Initial Conversion Price:	HK$0.55 per Share (subject to adjustment) represents: (i) a premium of approximately 25% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of approximately 25% over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; (iii) a premium of approximately 25% to/over the closing price of HK$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; (iv) a premium of approximately 19.6% over the closing price of HK$ 0.46 per Share as quoted on the Stock Exchange on Latest Practicable Date; and (v) a premium of approximately 292.9% over the net asset value per Share of approximately HK$0.14 based on the unaudited consolidated financial statements of the Group as at 30 September 2007

The Initial Conversion Price was determined after arm's length negotiations among the Upper Power, the Vendors and the Company with reference to average recent market price of the Shares and the Issue Price and reference to the Warrant Price.

As illustrated in the Charts, the Share closed on the Stock Exchange within a range from the lowest of HK$0.16 per Share on 1 November 2006 to the highest of HK$0.62 per Share. The average closing price per Share during the Review Period was approximately HK$0.40 per Share on 5 November 2007. We note from the chart above that the Share have closed at prices that were below the Initial Conversion Price of HK$0.55 per Share since mid-August. Furthermore, we note that the average daily turnover of the Shares on the Stock Exchange during the Review Period was approximately 4,423,389 Shares, representing approximately 0.40% of the Company's issued share capital as at the Latest Practicable Date.

For the purpose of comparison, we have identified, on the best effort basis, 14 transactions (the "Initial Conversion Price Comparables") announced between 5 October 2007 and 9 November 2007 by companies which listed on the Stock Exchange in relation to the acquisition of assets by issue of the convertible bonds of those companies as considerations.

Name of listed company (stock code)	Date of announcement	Approximate principal amount of the convertible bonds/notes	Interest	Maturity	Conversion price per share	Approximately premium/ (discount) of conversion price per share to closing price per share prior to release of the announcement
	2007	*HK$*	*%*	*years*	*HK$*	*%*
Sino Union Petroleum & Chemical International Limited (346)	9 November	480,000,000	0	3	1.44	7.64
Bestway International Holdings Limited (718)	7 November	1,000,000,000	0	6	0.45	(19.60)
Kanhan Technologies Group Limited (8175)	2 November	10,000,000	1	3	0.25	6.38
Kenfair International (Holdings) Limited (223)	26 October	345,000,000	0	5	0.50	(69.70)
Zhong Hua International Holdings Limited (1064)	26 October	789,320,000	0	2	0.28	0
Prosticks International Holdings Limited (8055)	24 October	720,000,000	0	3	0.2	(66.10)
China Power New Energy Development Company Limited (735)	23 October	1,630,000,000	0	5	1.27	0
CCT Telecom Holdings Limited (138)	23 October	1,216,800,000	0	3	0.1	(16.67)
Shenzhen International Holdings Limited (152)	16 October	1,727,500,000	0	3	1.2	1.69%

Name of listed company (stock code)	Date of announcement	Approximate principal amount of the convertible bonds/notes	Interest	Maturity	Conversion price per share	Approximately premium/ (discount) of conversion price per share to closing price per share prior to release of the announcement
	2007	*HK$*	*%*	*years*	*HK$*	*%*
Termbray Industries International (Holdings) Limited (93)	15 October	133,692,000	0	3	1.2	(57.60)
Peking Apparel International Group Limited (761)	11 October	2,221,300,000	0	5	0.6	(63.19)
China Star Entertainment Limited (326)	10 October	188,000,000	5	10	0.3	38.25
Karce International Holdings Company Limited (1159)	10 October	980,140,980	0	5	0.33	(38.90)
China Golden Development Holdings Limited (162)	5 October	1,231,612,200	2.75	5	0.68	(31.10)
Highest				10		7.64
Lowest				2		(69.70)
Average				4.36		(22.18)
The Company		80,000,000	0	3	0.55	(25)

Based on the above illustration, the premium/ (discount) represented by the conversion price per share of the convertible bonds/ notes issued by respective listed companies under the Initial Convertible Price Comparables over/ (to) their respective closing prices on the last trading day before the suspension of trading in the shares pending for the release of the relevant announcement range from a discount of approximately 69.70% to a premium of the approximately 7.64%. Upon comparison, we note that the relevant premium represented by the Initial Conversion price over the prevailing market price of the Shares as detailed above falls within the relevant range of the Initial Convertible Price Comparables, and is slightly higher than the average of such relevant range.

In light of the foregoing the earn out arrangements, the Initial Convertible Price Comparables and the Profit Guarantee, we are of the view that the Initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and the issue of the Convertible Bonds is in the interest of the Company and the Shareholders as a whole.

We set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Consideration Shares; and (iii) immediately after the allotment and issue of the Consideration Shares and the Conversion Shares:

Shareholders	As at the Latest Practicable Date before the allotment and issue of the Consideration Shares and Conversion Shares		Immediately after the allotment and issue of the Consideration Shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Starryland Profits Limited *(Note 1)*	322,795,000	28.85	322,795,000	25.17	322,795,000	22.61
Mr. Lau Kim Hung, Jack *(Note 1)*	5,160,000	0.46	5,160,000	0.40	5,160,000	0.36
Subtotal	327,955,000	29.31	327,955,000	25.57	327,955,000	22.97
Mr. Hsu Tung Sheng *(Note 2)*	2,000,000	0.18	2,000,000	0.16	2,000,000	0.14
Dr. Ho Hoi Lap *(Note 2)*	2,120,000	0.19	2,120,000	0.17	2,120,000	0.15
Vendor A *(Note 3)*	18,220,000	1.63	79,486,667	6.20	134,032,121	9.39
Vendor B *(Note 4)*	3,720,000	0.33	105,831,111	8.25	196,740,202	13.78
Public	764,952,500	68.36	764,952,500	59.65	764,952,500	53.57
Total	1,118,967,500	100.00	1,282,345,278	100.00	1,427,799,823	100.00

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack who does not hold any position in the Group.

2. Mr. Hsu Tung Sheng is executive Director and chief executive officer of the Company and Dr. Ho Hoi Lap is non-executive Director and chairman of the Company.

3. Vendor A is the younger brother of Mr. Hsu Tung Sheng. Vendor A and his parties acting in concert will hold less than 30% total issued Shares after Completion.

4. Vendor B and his parties acting in concert will hold less than 30% total issued Shares after Completion.

As shown in the above shareholding table, the shareholding of the public shareholders will decrease from approximately 68.36% to approximately 59.65% following the allotment and issue of the Consideration Shares and will down further to approximately 53.57% following the allotment and issue of the Consideration Shares and Conversion Shares.

Pursuant to the Sale and Purchase Agreements, (i) 50% of the Consideration Shares and the Completion Convertible Bonds are subject to the 21 months lock-up period until the Profit Guarantee is achieved; and (ii) 2009 Earn Out Convertible Bonds and 2010 Earn Out Convertible Bonds are subject to earn out arrangements as described above is achieved, which may secure the medium-term commitment on part of the Vendors in the Consideration Shares and Convertible Bonds and can avoid immediate dilution effect on shareholding of the existing Shareholders.

While the dilution effect on earnings per Share and shareholding is inevitable for issuance of the new Shares to satisfy part of the consideration under the Acquisition, we consider that the Acquisition can enhance the Group's financial performance as well as optimize Shareholders' interests in the Company and to attract potential investors invest into the Company. As such, we are of the view that the dilution effect to the public Shareholders is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons above, we consider that entering into the Acquisition by the Group is in the usual and ordinary course of business of the Group, the Acquisition are in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition are on a normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned, we, therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Acquisition.

(2) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

Pursuant to Rules 17.42(A) of the GEM Listing Rules, the grant of the New General Mandate is subject to the approval of the Independent Shareholders by way of poll at the SGM with the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates abstain from voting in favour. As at the Latest Practicable Date, there is no controlling Shareholder. Accordingly, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. As at the Latest Practicable Date, Mr. Hsu Tung Sheng, Dr. Ho Hoi Lap and Mr. Hsu Tung Chi, the Vendor A, who is the younger brother of Mr. Hsu Tung Sheng together own approximately 2.0% of the existing issued share capital of the Company. As such, Dr. Ho Hoi Lap, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and their respective associates shall abstain from voting in favour of the relevant resolutions at the SGM. Save as disclosed, to the best of the Directors' knowledge, information and belief and having made all reasonable inquiry, no other Directors beneficially hold any Shares as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the proposed grant of the New General Mandate, we have taken the following principal factors and reasons into consideration:

Background

At the annual general meeting of the Company dated 23 August 2007, the Directors were granted the general mandate (the "Current General Mandate") to allot and issue up to 223,793,500 Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company then in issue.

As at the Latest Practicable Date, the Existing General Mandate had been substantially utilized as to 223,000,000 Shares in association with the placing of warrants of the Company which was announced on 27 August 2007 (the "Warrants Placing"). To maintain the financial flexibility necessary for the Group's future business development, the Directors therefore propose to seek the approval of the Independent Shareholders at the SGM for the grant of the New General Mandate.

The Company had an aggregate of 1,118,967,500 Shares in issue as at the Latest Practicable Date. Subject to the passing of the ordinary resolution(s) for the approval of the New General Mandate and assuming that no Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue up to 223,793,500 Shares.

Reasons for the Grant of the New General Mandate

As advised by the Company, the Directors consider that equity financing to be an important avenue of resources to the Group and the grant of the New General Mandate would provide financial flexibility necessary for Group's future business development and to strengthen the capital base of the Company. While the Board considers that there is no immediate funding need for the Group's current operations and that there is currently no concrete proposal presented by potential investors for investment in Shares, the Board proposes to seek approval of the Independent Shareholders at the SGM for the grant of the New General Mandate such that should future funding needs arise or attractive terms for investment in Shares become available from potential investors, the Board will be able to respond to the market and such investment opportunities promptly.

Business development of the Group and flexibility in financing alternatives

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

After a series acquisition of the mobile payment gateway services business, the Group has successfully diversified into a telecommunication business in the PRC. To facilities the acquisition of the business, the Group had conducted series of fund raising activities. The summary of the fund raising activities is set out under the "EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS" in this letter.

On 27 August 2007, the Company had entered into a conditional warrant placing agreement with the subscriber in relation to a private placing of 223,000,000 warrants to the subscriber. The maximum number of new Shares to be issued will be 223,000,000 Shares under the conditional warrant placing agreement. Such Shares are to be issued by the Company under the Current General Mandate.

As advised by the Company, the Directors consider that it would be prudent for the Group to have sufficient working capital for its newly acquired business. Furthermore, the Directors have always been proactive in seeking opportunities for diversifying the scope of business of the Group and therefore may require funding when such opportunities arise. Nevertheless, save for the Acquisition, the Board has not identified any other specific investment opportunities as at the Latest Practicable Date.

Given that the Current General Mandate has been almost utilized as to 99.65% of the Shares granted by the Shareholders at the annual general meeting, should the Company wish to finance any business expansion and development plans or any investment opportunities arise that would require the issuance of new Shares and a specific mandate has to be sought, the Directors are uncertain as to whether the requisite approval from Shareholders or Independent Shareholders, as the case may be, could be obtained in a timely manner. In addition, the New General Mandate offers an opportunity for the Directors to capture a favourable equity market condition to raise funds by issuing new Shares. Notwithstanding the fact that 793,500 Shares have not been utilized under the Current General Mandate (representing approximately 0.35% of the entire number of Shares which may be allotted and issued under the Current General Mandate) and the Group had no immediate funding need for its current operations and there is currently no concrete proposal presented by potential investors for investment in Shares, the Directors believe that the Issue General Mandate would offer the Group higher flexibility to capture investment opportunities which may arise at any time and require prompt investment decision by the Group. The Directors also consider that the New General Mandate would provide the Company with the maximum flexibility to raise additional capital for any future investment or as working capital of the Group.

In light of the above, we are of the opinion that the New General Mandate would provide the Company with the necessary flexibility essential for fulfilling any possible funding needs for future business development and/or investment decisions in a timely manner. As such, we are of the view that the grant of the New General Mandate will be in the interest of the Company and the Shareholders as a whole.

We consider that the grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the grant of the New General Mandate will be in the interest of the Company and the Shareholders as a whole.

Other financing alternative

As advised by the Company, the Board considers equity financing to be an important avenue of resources for the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development. While sufficient for its present requirements, there is no certainty that such cash resources will be adequate or other financing alternatives will be available for appropriate investment that may be identified by the Company in the future. In addition, debt financing may incur interest burden on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position, capital structure and the financial market condition at that time, the Directors consider that equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate means to fund such investments and/or acquisitions and provide additional working capital for the future development and expansion of the Group.

We consider that the grant of the New General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development, including equity issuance. As such, we are of the view that the grant of the New General Mandate will be in the interest of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities conducted by the Company in the past twelve months immediately before the Latest Practicable Date:

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
27 August 2007	Placing of 223,000,000 warrants of the Company at a warrant issue price of HK$0.007 each	HK$122,189,000 from the subscription of Shares pursuant to warrants and issue of warrants	HK$3.2 million will be applied as general working capital of the Group and the remaining balance will be applied for investments that will enhance the Group's future development, including but not limited to further investment in the mobile value added service business in the PRC	Not yet utilized
13 April 2007	Top-up placement of 110,000,000 new Shares at a subscription price of HK$0.47 per Share	HK$49,700,000	HK$12.33 million intended to be applied as general working capital of the Group and the remaining balance of approximately HK$37.37 million for investments in the mobile value added service business of the telecommunication sector in the PRC and existing or future investment or business development of the Group	HK$1.93 million utilized as general working capital of the Group. HK$6.5 million has been applied for investment in the mobile payment gateway services business, HK$30.87 will be utilized as partial payment of the Acquisition and the remaining of HK$10.4 million has not been utilized

Date of initial announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
28 February 2007	Open Offer in relation to 318,472,500 offer Shares at HK$0.06 per offer Share on the basis of one offer Share for every two Shares held on the record date	HK$17,500,000	HK$12 million intended to be applied towards the expansion of the existing businesses of the Group and repayment of long-term liabilities of the Group, approximately HK$2 million towards general working capital of the Group and the remaining balance of approximately HK$3.5 million towards future investments in the mobile value-added service business of the telecommunication sector in the PRC, if appropriate opportunity arises	HK$11.82 million has been applied towards to the expansion of the existing business and HK$5.68 remains unutilized

Save for disclosed herein, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

As stated in the above table, we note that the net proceeds from the Warrants Placing have not been utilized as the Latest Practicable Date. However, having taken into account the Company has been proactive in seeking investment opportunities for enhancing the scope of business of the Group, we consider it is prudent and reasonable for the Group to maintain a strong capital base while additional funding may be needed for acquisition of potential business and/ or investment opportunities as they may arise from time to time. We are of the view that the New General Mandate could provide the Company with flexible financing option to raise additional capital for any future investment or as working capital of the Group and therefore is fair and reasonable.

POTENTIAL DILUTION TO SHAREHOLDINGS OF THE PUBLIC SHAREHOLDERS

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date, and, for illustrative purpose, the potential dilution effect upon full utilization of the New General Mandate, assuming completion of the Acquisition and no other Shares are issued and/or repurchased by the Company.

Shareholders	**As at the Latest Practicable Date**		**Upon full utilization of the New General Mandate**		**Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares and upon full utilization of the New General Mandate**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Starryland Profits Limited *(Note 1)*	322,795,000	28.85	322,795,000	24.04	322,795,000	19.54
Mr. Lau Kim Hung, Jack *(Note 1)*	5,160,000	0.46	5,160,000	0.38	5,160,000	0.31
Subtotal	327,955,000	29.31	327,955,000	24.42	327,955,000	19.85
Mr. Hsu Tung Sheng *(Note 2)*	2,000,000	0.18	2,000,000	0.15	2,000,000	0.12
Dr. Ho Hoi Lap *(Note 2)*	2,120,000	0.19	2,120,000	0.16	2,120,000	0.13
Vendor A *(Note 3)*	18,220,000	1.63	18,220,000	1.36	134,032,121	8.12
Vendor B *(Note 4)*	3,720,000	0.33	3,720,000	0.28	196,740,202	11.91
Public						
Other public Shareholders	764,952,500	68.36	764,952,500	56.96	764,952,500	46.32
Shares to be issue under the New General Mandate	–	–	223,793,500	16.67	223,793,500	13.55
Total	1,118,967,500	100.00	1,342,761,000	100.00	1,651,593,323	100.00%

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack who does not hold any position in the Group.

2. Mr. Hsu Tung Sheng is executive Director and chief executive officer of the Company, Dr. Ho Hoi Lap is non-executive Director and chairman of the Company.

3. Vendor A is the younger brother of Mr. Hsu Tung Sheng. Vendor A and his parties acting in concert will hold less than 30% total issued Shares after Completion.

4. Vendor B and his parties acting in concert will hold less than 30% total issued Shares after Completion.

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 68.36% as at the Latest Practicable Date to approximately 56.97% upon full utilization of the New General Mandate, and to approximately 46.32% after the allotment and issue of the Consideration Shares and the Conversion Shares and upon full utilization of the New General Mandate, assuming no other Shares are issued and/or repurchased by the Company prior to the SGM.

Taking into account the benefits of the New General Mandate as discussed above and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution of shareholding to be acceptable.

TERMS OF THE NEW GENERAL MANDATE

Shareholders should note that in view of the provisions and requirements under Rule 17.42 of the GEM Listing Rules, the Current General Mandate will be revoked upon approval at the SGM of the New General Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the Company's next annual general meeting; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed at the SGM by ordinary resolution of the Shareholders in general meeting. We are of the view that the terms of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the grant of the New General Mandate is fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the New General Mandate is utilized.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

I. SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon Completion are and will be as follows:

As at Latest Practicable Date

Authorised:		*HK$*
2,000,000,000	Shares	100,000,000
Issued and fully paid:		
1,118,967,500	Share	55,948,375

Upon Completion

Authorised:		*HK$*
2,000,000,000	Shares	100,000,000
Issued and fully paid:		
1,118,967,500	Share	55,948,375
163,377,778	Consideration Shares	8,168,889
1,282,345,278		64,117,264

All the Shares and Consideration Shares in their fully paid form to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Shares are listed on GEM. No part of the share or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the share or loan capital of the Company being or proposed to be sought, on any other stock exchange.

(b) Share Option Scheme

As at the Latest Practicable Date, there are 22,000,000 outstanding share options, which were granted pursuant to the Share Option Scheme:

On 14 August 2007, the Company passed board resolutions pursuant to the Share Options Scheme adopted on 1 November 2001 to grant a total of 22,000,000 share options be offered to the Directors at the subscription price of HK$0.52 per Share with a 10 years exercise period commencing from 14 August 2007.

Grantee	Number of Shares to be allotted and issued upon exercise of outstanding share options
Directors	22,000,000

(c) Non-listed warrants

The Company has issued an aggregate of 223,000,000 warrants at an issue price of HK$0.007 per warrant on 11 September 2007. The warrants entitle the subscriber to subscribe for news Shares at an initial subscription price of HK$0.543 per new Share for a period of 30 months commencing from the date of issue of the warrants.

Except for the foregoing, the Company has no other options, warrants and conversion rights convertible into Shares. No share or loan capital of the Company has been issued or is proposed to be issued for cash (save for the Consideration Shares and the Conversion Shares) or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

No share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

There are no arrangements under which future dividends will be waived or agreed to be waived.

II. SUMMARY OF FINANCIAL INFORMATION

The following table summaries the results, assets and liabilities of the Group for the last three financial years ended 31 March 2007 as extracted from the relevant published financial statements of the Group.

Results

	For the year ended 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	110,074	42,474	38,864
(Loss) before taxation	(5,966)	(8,013)	(25,110)
Taxation	(2,652)	353	1,841
(Loss) for the year	(8,618)	(7,660)	(23,269)
Attributable to:			
Equity holders of the Company	(9,117)	(7,649)	(23,143)
Minority interests	499	(11)	(126)
	(8,618)	(7,660)	(23,269)

Asset and liabilities

	As at 31 March		
	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	216,949	127,170	29,935
Total liabilities	124,021	106,140	11,118
Total equity	92,928	21,030	18,817

III. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited financial statements of the Group for the three years ended 31 March 2007 together with accompanying notes extracted from the 2006/07 Annual Report of the Company. References to page numbers in this appendix are to the pages numbers of the 2006/07 Annual Report of the Company.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000
TURNOVER	6	110,074	42,474	38,864
Cost of sales		(85,818)	(38,096)	(42,035)
Gross profit		24,256	4,378	(3,171)
Other revenue	7	1,329	318	250
Distribution costs		(1,217)	(126)	(626)
Administrative expenses		(21,216)	(5,517)	(4,033)
Other operating expenses		–	(415)	(2,085)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	8	3,152	(1,362)	(12,758)
Loss on disposals of fixed assets		–	–	(3,910)
Provision for impairment loss of fixed assets	15	–	(5,000)	–
Provision for impairment loss of other fixed assets		–	–	(8,223)
Provision for impairment loss of available-for-sale financial assets		(570)	(657)	–
Finance costs	9	(8,361)	(994)	(219)
Share of loss from an associate	34	(187)	–	–
LOSS BEFORE INCOME TAX		(5,966)	(8,013)	(25,110)
Income tax	11	(2,652)	353	1,841
LOSS FOR THE YEAR		(8,618)	(7,660)	(23,269)
ATTRIBUTABLE TO:	12			
Equity holders of the Company		(9,117)	(7,649)	(23,143)
Minority interests		499	(11)	(126)
LOSS FOR THE YEAR		(8,618)	(7,660)	(23,269)
DIVIDENDS	13	–	–	–
LOSS PER SHARE	14			
– Basic		HK cent (1.78)	HK cent (2.53)	HK cent (7.71)
– Diluted		N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000 (restated)
NON-CURRENT ASSETS				
Fixed assets	15	39,822	20,986	8,022
Other investments		–	–	1,377
Available-for-sale financial assets	16	150	720	–
Intangible assets	18	60,730	25,537	–
Deferred tax assets	32	430	658	1,646
		101,132	47,901	11,045
CURRENT ASSETS				
Inventories	19	38,484	20,856	–
Accounts receivable	20	21,756	33,663	12,175
Prepayments, deposits and other receivables		7,469	6,756	5,626
Financial assets at fair value through profit or loss	21	–	2,325	–
Tax prepaid		64	6	927
Pledged time deposits	22	14,260	11,239	–
Cash and cash equivalents	22	33,784	4,424	162
		115,817	79,269	18,890
CURRENT LIABILITIES				
Accounts payable	23	20,087	10,330	541
Bank borrowings	24	64,517	62,413	8,168
Current portion of finance lease payables	25	2,778	2,368	–
Other loans	26	1,044	1,134	–
Accrued expenses and other payables		7,886	3,064	1,331
Amount due to a shareholder		215	999	–
Amount due to a shareholder of a subsidiary		13,741	–	–
Promissory notes	28	6,158	–	–
Tax payable		854	973	1,078
		117,280	81,281	11,118
NET CURRENT LIABILITIES		(1,463)	(2,012)	7,772
TOTAL ASSETS LESS CURRENT LIABILITIES		99,669	45,889	18,817

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000 (restated)
NON-CURRENT LIABILITIES				
Bank borrowings	*24*	1,153	1,045	–
Finance lease payables	*25*	4,005	2,592	–
Convertible notes	*27*	–	8,415	–
Promissory notes	*28*	–	12,636	–
Provision for long service payment		171	171	–
Deferred tax liabilities	*32*	1,412	–	–
		6,741	24,859	–
NET ASSETS		92,928	21,030	18,817
CAPITAL AND RESERVES				
Share capital	*29*	48,471	18,750	15,000
Reserves	*31*	39,890	292	1,818
		88,361	19,042	16,818
MINORITY INTERESTS		4,567	1,988	1,999
TOTAL EQUITY		92,928	21,030	18,817

BALANCE SHEET

As at 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS				
Investments in subsidiaries	17	13,172	13,172	13,172
Amounts due from subsidiaries	17	13,158	12,636	–
		26,330	25,808	13,172
CURRENT ASSETS				
Amounts due from subsidiaries	17	59,767	37,365	20,381
Tax prepaid		–	4	–
Cash and cash equivalents	22	31,948	1,138	5
		91,715	38,507	20,386
CURRENT LIABILITIES				
Bank overdraft, unsecured		–	132	–
Accrued expenses and other payables		347	1,065	95
Amount due to a shareholder		–	999	–
Promissory notes	28	6,158	–	–
		6,505	2,196	95
NET CURRENT ASSETS		85,210	36,311	20,291
TOTAL ASSETS LESS CURRENT LIABILITIES		111,540	62,119	33,463
NON-CURRENT LIABILITIES				
Convertible notes	27	–	8,415	–
Promissory notes	28	–	12,636	–
		–	21,051	–
NET ASSETS		111,540	41,068	33,463
CAPITAL AND RESERVES				
Share capital	29	48,471	18,750	15,000
Reserves	31	63,069	22,318	18,463
		111,540	41,068	33,463

STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

For the year ended 31st March 2007

Group

	Share capital	Share premium	Contri-buted surplus	Ex-change reserve	Conver-tible notes reserve	Share option reserve	Accumu-lated losses	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005	15,000	5,902	6,015	108	–	–	(10,207)	16,818	1,999	18,817
Arising on consolidation of subsidiaries	–	–	–	(12)	–	–	–	(12)	–	(12)
Issue of share capital *(note 29 (i))*	3,750	5,250	–	–	–	–	–	9,000	–	9,000
Issue of convertible notes *(note 27)*	–	–	–	–	885	–	–	885	–	885
Net loss for the year	–	–	–	–	–	–	(7,649)	(7,649)	(11)	(7,660)
At 31st March 2006	18,750	11,152	6,015	96	885	–	(17,856)	19,042	1,988	21,030
Acquired on acquisition of subsidiaries	–	–	–	10	–	–	–	10	2,080	2,090
Arising on consolidation of subsidiaries	–	–	–	1,099	–	–	–	1,099	–	1,099
Issue of share capital *(note 29 (iii), (vii))*	18,924	18,185	–	–	–	–	–	37,109	–	37,109
Recognition of equity-settled share-based payment *(note 30)*	–	–	–	–	–	3,719	–	3,719	–	3,719
Issue of consideration shares *(note 29 (v))*	1,500	4,500	–	–	–	–	–	6,000	–	6,000
Share option exercised *(note 29 (ii), (viii))*	2,200	7,519	–	–	–	(1,239)	–	8,480	–	8,480
Exercise of warrants *(note 29 (iv))*	4,650	10,695	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes *(note 29 (vi))*	2,447	7,737	–	–	(885)	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 31st March 2007	48,471	57,163	6,015	1,205	–	2,480	(26,973)	88,361	4,567	92,928

Company

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Convertible notes reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st April 2005	15,000	5,902	12,947	–	–	(386)	33,463
Issue of share capital *(note 29 (i))*	3,750	5,250	–	–	–	–	9,000
Issue of convertible notes *(note 27)*	–	–	–	885	–	–	885
Net loss for the year	–	–	–	–	–	(2,280)	(2,280)
At 31st March 2006	18,750	11,152	12,947	885	–	(2,666)	41,068
Issue of share capital *(note 29 (iii), (vii))*	18,924	18,185	–	–	–	–	37,109
Recognition of equity-settled share-based payment *(note 30)*	–	–	–	–	3,719	–	3,719
Issue of consideration shares *(note 29 (v))*	1,500	4,500	–	–	–	–	6,000
Share option exercised *(note 29 (ii), (viii))*	2,200	7,519	–	–	(1,239)	–	8,480
Exercise of warrants *(note 29 (iv))*	4,650	10,695	–	–	–	–	15,345
Conversion of convertible notes *(note 29 (vi))*	2,447	7,737	–	(885)	–	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	(2,625)
Net loss for the year	–	–	–	–	–	(6,855)	(6,855)
At 31st March 2007	48,471	57,163	12,947	–	2,480	(9,521)	111,540

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES				
Loss before income tax		(5,966)	(8,013)	(25,110)
Adjustments for:				
Depreciation		4,879	1,372	1,180
Amortisation of product development costs		2,143	161	–
Gain on disposals of fixed assets		(71)	–	3,910
Provision for impairment loss on available-for-sale financial assets		570	657	8,223
Provision for impairment loss on fixed assets		–	5,000	–
Provision for bad and doubtful debts		–	–	3,093
Share-based payments		3,719	–	–
Share of loss from an associate		187	–	–
Interest expenses		8,361	994	219
Interest income		(711)	(108)	(5)
Operating cash flows before movements in working capital		13,111	63	(8,490)
(Increase)/decrease in inventories		(17,628)	8,176	–
Decrease/(increase) in accounts receivable		12,597	(1,739)	8,000
Decrease in prepayments, deposits and other receivables		285	3,627	(3,717)
Increase/(decrease) in accounts payable		9,757	(7,788)	3,656
Increase/(decrease) in accrued expenses and other payables		3,759	(86)	(2,720)
Cash generated from operating activities		21,881	2,253	(3,271)
Interest paid		(6,191)	(994)	(219)
Hong Kong profits tax refunded		4	934	–
Hong Kong profits tax paid		(264)	(4)	(1,699)
NET CASH GENERATED FROM OPERATING ACTIVITIES		15,430	2,189	(5,189)
INVESTING ACTIVITIES				
Interest received		711	108	5
Sales proceeds from disposals of fixed assets		1,000	795	3,909
Decrease in financial assets at fair value through profit or loss		2,325	–	–
Acquisition of subsidiaries		(9,468)	–	–
(Increase)/decrease in pledged time deposits		(3,021)	2,315	–
Payment for purchases of fixed assets		(14,189)	(1,626)	(7,828)
Product development costs paid		(4,364)	(833)	–

	Notes	2007 HK$'000	2006 HK$'000	2005 HK$'000
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(27,006)	759	–
FINANCING ACTIVITIES				
Payment of obligations under finance leases		(2,905)	(202)	–
Proceeds from new bank loans		1,333	28	–
Net proceeds from issue of shares		58,308	–	–
Repayment of bank loans		–	(254)	–
Repayment of bank export and import loan		(1,680)	–	–
Advances from a shareholder		–	880	–
Repayment of promissory notes		(17,120)	–	–
(Repayment of)/proceeds from other loans		(90)	10	–
Repayment of bank overdraft by a newly acquired subsidiary		–	(25,600)	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		37,846	(25,138)	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,270	(22,190)	(9,103)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(22,124)	78	9,256
CHANGES IN FOREIGN EXCHANGE RATES		531	(12)	(75)
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	4,677	(22,124)	78

Non-cash transactions:

1. During the year, the Group acquired 51% interest in Media Magic Technology Limited and its subsidiaries for a total consideration of HK$26.1 million, comprised of the allotment and issue of ordinary shares of the Company totalling HK$6.0 million at an issue price of HK$0.2 per share, the issue of promissory notes of the Company amounting to HK$10.1 million.

2. During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$6,105,000 (2006: HK$4,123,000).

NOTES TO THE FINANCIAL STATEMENTS

31st March 2007

1. CORPORATION INFORMATION

The Company was incorporated in Bermuda on 7th June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1st November 2001. Details of the group reorganisation are set out in the Company's prospectus dated 24th October 2001.

The principal activity of the Company is investment holding. The Company and its subsidiaries ("the Group") are principally engaged in the research, development and 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 industry. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Room 1805-06, 18/F, Riley House, 88 Lei Muk Road, Kwai Chung, Hong Kong.

By a special resolution passed on 10th August 2006, the name of the Company was changed from "IA International Holdings Limited 毅興科技國際控股有限公司" to "Union Bridge Holdings Limited 聯僑集團控股有限公司".

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Unless otherwise stated, the Group's consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are summarised below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Going concern assumptions

The Group incurred a loss of approximately HK$8,618,000 for the year ended 31st March 2007 and had net current liabilities of approximately HK$1,463,000 at 31st March 2007. Nevertheless, the directors have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

– The directors are taking steps in order to improve the Group's financial position, immediate cash flows and profitability. These steps include a private placement of its equity shares in April 2007 which raised HK$51,700,000 and various other measures to reduce costs and improve the operating cash flows. Details are set out in note 38(a).

– During the year, in order to diversify its revenue, the Group explored the business opportunities in the diversified mobile payment gateway services which are of great potential and prospect in The People's Republic of China ("PRC"). The Group entered into a Sales and Purchase Agreement ("the Agreement") with Mr. Hsu Tung Sheng ("Mr. Hsu") to acquire 51% equity interest in Media Magic Technology Limited ("MM"). Pursuant to the Agreement, Mr. Hsu has guaranteed and warranted that the audited consolidated net profit after taxation and exceptional items (the "audited profit") of MM for the year ended 31st March 2008 will not be less than RMB8 million. If the 2008 guaranteed profit (the "2008 guaranteed profit") is not achieved, Mr. Hsu will indemnify the Group for any shortfall between the audited profit and the 2008 guaranteed profit on a dollar to dollar basis.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operation and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value and promissory notes which have been measured at amortised cost.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving high degree of judgement or where assumptions and estimates are significant to the consolidated financial statements are summarised in Note 4.

Adoption of HKFRS

In 2006, the HKICPA has issued new and revised HKFRS that are effective or available for early adoption for the current accounting period of the Group. The Group adopts the standard, amendments and interpretation, which are relevant to its operation.

The adoption of these new and revised HKFRS have no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

At the date of this report, the Group has not early adopted the following new and revised HKFRS that have been issued but not yet effective for the current accounting period.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

1 Effective for annual period beginning on or after 1st January 2007
2 Effective for annual period beginning on or after 1st January 2009
3 Effective for annual period beginning on or after 1st May 2006
4 Effective for annual period beginning on or after 1st June 2006
5 Effective for annual period beginning on or after 1st November 2006
6 Effective for annual period beginning on or after 1st March 2007
7 Effective for annual period beginning on or after 1st January 2008

The directors of the Company anticipate that the application of these new and revised standards will have no significant impact on the results and financial position of the Group.

2.3 Consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st March 2007.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement after reassessment.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.4 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Cost represents the purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Land and buildings	2%
Tooling	20%
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	10%-20%
Plant and machinery	10%-20%

Where parts of an item of fixed assets have different useful lives, the cost of that item is allocated on a reasonable basis amongst the parts and each part is depreciated separately.

The gain or loss arising from the retirement or disposals of fixed assets, representing the difference between the estimated net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

2.5 Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment loss and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

2.6 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

An excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement after reassessment.

2.7 Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

2.8 Technical know-how

Technical know-how with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.9 Income tax

Income tax for the year composes current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

2.11 Accounts receivable

Accounts receivable, which generally have credit terms of not more than 90 days, except for certain well established customers, where the terms are extended to not more than 180 days, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts. A provision of impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement and bad debts are written off as incurred.

2.12 Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months of maturity when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.14 Leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the remaining lease liability. The corresponding lease obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to the income statements over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

Leases in which a significant portion of the risks and rewards of ownership of assets are retained by the lessor are accounted for as operating leases. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the property on the leasehold land is under construction.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.15 Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments which contain both a liability component and an equity component. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in the income statement is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to retained profits.

2.16 Promissory notes

Promissory notes are initially recognised at fair value and thereafter stated at amortised cost.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represent amounts receivable for services provided in the normal course of business, net of discount and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Revenue from the sales of e-commerce platform systems is recognised when the customer accepts the installation and that the system is operating satisfactorily.

(c) Revenue from provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily.

(d) Revenue from provision of design and engineering services is recognised, when services are rendered.

(e) Revenue from provision of mobile payment gateway services is recognised, when services are rendered.

(f) Interest income is recognised as it accrues using the effective interest method.

(g) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2.18 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the exchange reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Employee retirement benefits

The Group, other than the subsidiaries in the PRC operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme except for the Group's employer voluntary contributions, which will be refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

The PRC subsidiaries contributions to a local municipal government retirement scheme in the PRC are expensed as incurred while the local municipal government in the PRC undertakes to assume the retirement benefit obligations of all existing and future retirees of the qualified staff in the PRC.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employees services received in exchange for the grant of the options is recognised as an expense. The total amount to be expended over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions (for example, profitability and sales growth potential).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.20 Provision

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be minimal.

2.21 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.22 Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.23 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

2.25 Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

Segment assets consist primarily of fixed assets, available-for-sale financial assets, inventories, trade and other receivables, tax refundable and operating bank balances and cash exclude corporate cash funds. Segment liabilities consist primarily of trade payables, tax payable and accrued charges and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the region where the customer is located. Total assets and capital expenditure are based on where the assets are located.

3. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank borrowings, convertible notes, promissory notes and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operation. The Group has various other financial assets and liabilities such as accounts receivables and accounts payable, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, liquidity risk and fair value. The Group's policies for managing each of these risks are as follows:

(a) Cash flow interest rate risk

The Group is exposed to interest rate risks due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short term in nature whereas interest-bearing financing liabilities with primarily floating interest rates. The Group is therefore exposed to both fair value and cash flow interest rate risks. Currently, the Group does not have a hedging policy.

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the functional currency. The Group's main operating subsidiaries are located in Hong Kong and PRC and the Group's sales and purchases were mainly in HKD, Renminbi ("RMB"), United States Dollars ("USD") and Euro. The Group does not expect significant movements in the exchange rates.

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may require. In addition, receivable balances are monitored on an ongoing basis by the management and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

(d) Liquidity risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. Short term funding is obtained from overdraft facilities and trade financing facilities obtained from banks.

(e) Fair values

The carrying amounts of the financial assets and liabilities in the financial statements approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(b) Useful lives of fixed assets

Management determines the estimated useful lives and residual values for its fixed assets. Management will revise the depreciation charge where useful lives are different from previously estimated ones, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that is probable that some portion or all of the deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

(d) Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

5. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the internet appliances segment provides internet appliances and related products;

(b) the e-commerce platform segment provides an e-marketplace for content providers and their users with features such as security enhancements and related services;

(c) the electronic devices and components segment provides power devices, magnetic and printed circuit board assembly;

(d) the design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly; and

(e) the mobile payment gateway services segment provides e-payment services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of assets.

(a) Business segments

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

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	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	2,147	23,982	–	925	99,972	16,480	4,777	1,087	3,178	–	110,074	42,474
RESULTS												
Segment results	192	(4,957)	–	351	18,821	1,867	2,065	879	3,178	–	24,256	(1,860)
Other revenue											1,329	302
Distribution costs											(1,217)	(54)
Administrative and other operating expenses											(21,216)	(4,750)
Profit/(loss) from operating activities											3,152	(6,362)
Provision for impairment loss on available-for-sale financial assets											(570)	(657)
Finance costs											(8,361)	(994)
Share of loss from an associate											(187)	–
Loss before income tax											(5,966)	(8,013)
Income tax											(2,652)	353
Loss for the year											(8,618)	(7,660)

	Internet appliances and related products		E-commerce platform and related services		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET												
ASSETS												
Segment assets	241	6,708	–	–	38,506	46,376	14,776	14,050	9,319	–	62,842	67,134
Unallocated assets											154,107	60,036
Total assets											216,949	127,170
LIABILITIES												
Segment liabilities	36	71	–	–	20,051	10,259	–	–	–	–	20,087	10,330
Unallocated liabilities											103,934	95,810
Total liabilities											124,021	106,140
Other segment information:												
Depreciation	248	781	–	–	–	–	–	–	266	–	514	781
Depreciation – unallocated											4,365	591
Capital expenditure – unallocated											18,917	1,626

(b) Geographical segments

A summary of the geographical segments as at 31st March 2007 is set out as follows:

	Turnover		Capital expenditure		Total assets	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Asia & Middle East	32,462	27,348	18,917	1,626	198,971	99,962
United States of America ("USA")	19,580	9,105	–	–	5,944	12,776
United Kingdom ("UK")	31,147	2,795	–	–	4,948	2,456
Europe	26,877	2,428	–	–	5,674	6,627
Others	8	798	–	–	1,412	5,349
	110,074	42,474	18,917	1,626	216,949	127,170

6. 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.

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trading of internet appliances and related products	2,147	24,926
E-commerce, platform and related services	–	925
Trading and manufacturing of electronic devices and components	99,972	16,480
Design and engineering services	4,777	1,087
Mobile payment gateway services	3,178	–
Less: Sales discounts	–	(944)
	110,074	42,474

7. OTHER REVENUE

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Interest income	711	108
Exchange gain, net	321	7
Gain on disposal of fixed assets	71	–
Setup fee for computer networks and others	–	203
Sundry income	226	–
	1,329	318

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after crediting and charging the following:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Crediting:		
Interest income	711	108
Exchange gain, net	321	7
Gain on disposal of fixed assets	71	–
Charging:		
Auditors' remuneration	648	359
Amortisation of product development costs	2,143	161
Cost of inventories sold	85,818	38,096
Depreciation of fixed assets	4,879	1,372
Impairment loss on fixed assets	–	5,000
Impairment loss on available-for-sale financial assets	570	657
Operating leases in respect of land and buildings	2,106	456
Research and development costs	–	307
Pension scheme contributions	686	37
Staff costs (excluding directors' remuneration)		
Salaries and allowances	14,709	893
Share-based payments	2,618	–

Staff costs and directors' remuneration amounting to HK$3,943,000 (2006: HK$177,000) in relation to research and development are capitalised in "product development costs" (note 18).

9. FINANCE COSTS

		Group	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Interest on:			
Bank overdrafts, bills and loans wholly repayable within five years		5,570	952
Finance leases		486	32
Convertible notes	*27*	885	–
Promissory notes repayable within five years		1,285	–
Other loans		135	10
		8,361	994

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

(a) Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Independent non-executive directors:		
Fees	180	148
Basic salaries, allowances and benefits in kind	–	152
	180	300
Executive directors:		
Basic salaries, allowances and benefits in kind	1,430	–
Contributions to mandatory provident fund	23	–
Share-based payments	1,102	–
	2,555	–
	2,735	300

The remuneration of the directors of the Company fell within the following bands:

	Number of directors	
	2007	**2006**
Emolument band		
Nil to HK$1,000,000	7	12
HK$1,000,001 to HK$2,000,000	1	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office (2006: Nil).

(b) The emolument of each director of the Company for the year is set out below:

	2007					2006
	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Wan Kin Chung	–	–	–	4	4	–
Lo Ka Tong (appointed on 14th August 2006)	–	1,260	12	45	1,317	–
Wong Tak Shing (appointed on 1st April 2006 and resigned on 22nd May 2007)	–	120	6	409	535	–
Chan Hin Wing James (appointed on 1st November 2006)	–	50	5	599	654	–
Cheng Kwong Chung (appointed on 1st April 2006)	–	–	–	45	45	–
Zhang Fulin (resigned on 1st April 2006)	–	–	–	–	–	–
	–	1,430	23	1,102	2,555	–
Non-executive Directors						
Kwok Chi Sun Vincent	60	–	–	–	60	37
Yeung Kam Yan	60	–	–	–	60	37
Chan Wing Chiu	60	–	–	–	60	189
Wong Hou Yan Norman (resigned on 1st April 2006)	–	–	–	–	–	37
Total	180	–	–	–	180	300

(c) The five highest paid employees during the year included no (2006: Nil) directors. Details of the remuneration of the five (2006: five) highest paid employees are set out as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,201	374
Pension scheme contributions	60	8
	3,261	382

The remuneration of each of the above five highest paid employees fell within the following bands:

	Number of employee	
	2007	**2006**
Emolument band		
Nil to HK$1,000,000	4	5
HK$1,000,001 to HK$2,000,000	1	–

During the year, no remuneration were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2006: Nil).

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The amount of income tax in the consolidated income statement represents:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current tax-provision for Hong Kong profits tax		
Current year	292	148
Over provision in prior years	(208)	(278)
Under provision in prior years	–	10
	84	(120)
Deferred tax *(note 32)*	2,568	(233)
Tax charge/(credit) for the year	2,652	(353)

The provision for the year can be reconciled from income tax based on the loss on the consolidated income statement as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Loss before income tax	(5,966)	(8,013)
Tax at the domestic tax rate of 17.5% (2006: 17.5%)	(1,044)	(1,402)
Effect of different tax rates of a subsidiary company operating in the PRC	219	482
Tax effect on non-deductible expenses	2,716	750
Tax effect of non-taxable revenue	(1,506)	(568)
Tax effect on accelerated depreciation allowance	(35)	9
Tax effect on unused tax losses not recognised	2,510	644
Over provision in the prior years	(208)	(278)
Under provision in the prior years	–	10
Tax charge/(credit) for the year	2,652	(353)

Details of movement of the Group's deferred tax assets are set out in note 32 to the financial statements.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31st March 2007 dealt with in the financial statements of the Company was HK$6,855,000 (2006: HK$2,280,000).

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2006: Nil).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$9,117,000 (2006: HK$7,649,000) and on the weighted average number of 513,322,041 (2006: 302,465,753) ordinary shares of the Company in issue during the year.

Diluted loss per share is not presented as share options outstanding during the year had an anti-dilutive effects on the basic loss per share.

15. FIXED ASSETS

	Group							
	Land and buildings	Tooling	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost/Carrying value								
At 1st April 2005	–	–	927	182	1,438	524	7,819	10,890
Arising on acquisition of subsidiaries	5,083	762	1,319	101	1,404	9	9,827	18,505
Additions	–	27	–	–	1,431	–	168	1,626
Impairment loss	–	–	–	–	–	–	(5,000)	(5,000)
Disposals	–	–	(272)	(90)	(935)	(524)	–	(1,821)
At 1st April 2006	5,083	789	1,974	193	3,338	9	12,814	24,200
Exchange translation differences	–	19	220	49	139	–	728	1,155
Arising on acquisition of subsidiaries	–	–	336	13	4,811	–	–	5,160
Additions	–	636	4,754	334	1,413	–	11,780	18,917
Disposals	–	–	–	–	–	–	(2,819)	(2,819)
At 31st March 2007	5,083	1,444	7,284	589	9,701	9	22,503	46,613
Accumulated depreciation								
At 1st April 2005	–	–	768	136	899	153	912	2,868
Charge for the year	29	18	67	23	235	33	967	1,372
Written back on disposals	–	–	(138)	(65)	(646)	(177)	–	(1,026)
At 1st April 2006	29	18	697	94	488	9	1,879	3,214
Exchange translation differences	–	6	127	48	(31)	–	437	587
Charge for the year	215	256	668	55	1,274	–	2,411	4,879
Written back on disposals	–	–	–	–	–	–	(1,889)	(1,889)
At 31st March 2007	244	280	1,492	197	1,731	9	2,838	6,791
Net book values								
At 31st March 2007	4,839	1,164	5,792	392	7,970	–	19,665	39,822
At 31st March 2006	5,054	771	1,277	99	2,850	–	10,935	20,986

Notes:

(i) The Group's land and buildings are held under medium-term leases and are situated in Hong Kong.

(ii) Net book value of the Group's fixed assets held under finance leases (included in plant and machinery) as at 31st March 2007 amounted to HK$11,177,000 (2006: HK$6,925,000).

(iii) As at 31st March 2007, the Group's land and buildings with net book value of HK$4,839,000 (2006: HK$5,054,000) were all pledged to secure general banking facilities granted to the Group's subsidiaries.

(iv) As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of land and buildings as a finance lease in fixed assets in accordance with HKAS 17.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent an investment in a company listed in Hong Kong.

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Listed equity securities, at cost	10,800	10,800
Transfer from capital reserve account	(1,200)	(1,200)
Provision for impairment loss	(9,450)	(8,880)
	150	720

In April 2007, the Group disposed of its entire shareholdings in MP Logisitics International Holdings Limited, a company listed in GEM, through disposal of its entire interest in one of the subsidiary, Sunny Sky Investments Management Limited, to an independent third party at a consideration of HK$150,000. The market value of the shares at the date of disposal is approximately HK$3,420,000.

Provision for impairment loss as at 31st March 2007 amounting to HK$9,450,000 is determined based on the consideration received after the year end as mentioned above. In 2005, the provision was based on the market value of the shares listed in GEM as at 31st March 2006.

Details of available-for-sale financial assets held by the Group as at 31st March 2007 are as follows:

Name	**Place of incorporation**	**Class of shares**	**Percentage holding**	**Nature of business**
MP Logistics International Holdings Limited	Cayman Islands	Ordinary	3%	Provision of logistics services

17. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost	13,172	13,172
Amounts due from subsidiaries	72,925	50,001
	86,097	63,173

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of ordinary share/registered capital**	**Percentage of attributable equity interest Direct**	**Indirect**	**Principal activities**
Smart Time Development Limited *(note i)*	British Virgin Islands	US$800,000 Ordinary	100	–	Investment holding
Great Plan Group Limited *(note ii)*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Internet Appliances (Hong Kong) Limited *(note i)*	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet appliances
Shencai (Hong Kong) Holding Limited *(note i)*	British Virgin Islands	US$10,000 Ordinary	–	100	Dormant
Innotech Development Limited *(note i)*	British Virgin Islands	US$1,000 Ordinary	–	100	Holding of fixed assets
Global Form Limited *(note i)*	British Virgin Islands	US$50,000 Ordinary	–	100	Investment holding
深圳毅興科技企業有限公司	PRC	HK$20,000,000	–	90	Dormant
IA Enterprise Limited *(note i)*	Hong Kong	HK$1,000,000 Ordinary	–	100	Trading of internet appliances
Sunny Sky Investments Management Limited *(note i)*	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Union Bridge Group Limited *(note ii)*	British Virgin Islands	US$3,750 Ordinary	–	100	Investment holding
Union Bridge International Limited *(note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Trading of electronic devices

Name	Place of incorporation/ registration and operations	Nominal value of ordinary share/registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
Union Bridge Investment Limited *(note ii)*	Hong Kong	HK$80,767 Ordinary	–	100	Investment holding and trading of electronic devices
Popbridge Industrial Limited *(note ii)*	Hong Kong	HK$8,230,603 Ordinary	–	100	Investment holding and trading of electronic devices and provision of design and engineering services
Popbridge Manufacturing Limited *(note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding and subcontracting services of electronic devices
Dongguan Popbridge Electronic Co., Limited *(note ii)*	PRC	HK$18,650,000	–	100	Manufacturing of electronic devices
Sun Bridge Group Limited *(note ii)*	British Virgin Islands	US$1 Ordinary	–	100	Investment holding
Sun Bridge Industrial Company Limited *(note ii)*	Hong Kong	HK$10,000 Ordinary	–	100	Dormant
Popbridge Group Limited *(note ii)*	British Virgin Islands	US$1 Ordinary	–	100	Dormant
Upper Power Limited *(note iii)*	British Virgin Islands	US$1 Ordinary	100	–	Investment holding
Media Magic Technology Limited *(note iii)*	British Virgin Islands	US$55,556 Ordinary	–	51	Investment holding
Multi Channel Technology Limited *(note iii)*	Hong Kong	HK$100 Ordinary	–	51	Investment holding
北京東方匯眾企業管理有限公司 *(note iii)*	PRC	RMB990,900 Ordinary	–	51	Consultancy services
PalmPay Technology Co Limited *(note iii)*	PRC	RMB10,000,000 Ordinary	–	49 **	Provision of mobile gateway payment services

** *During the year, the Group acquired Media Magic Technology Limited which has the power to govern the financial and operating policies of PalmPay Technology Company Limited*

Note i: The financial statements of the above companies for the year ended 31st March 2007 have been audited by World Link CPA Limited.

Note ii: The financial statements of this company for the period ended 31st March 2007 have been audited by other auditors.

Note iii: These companies were acquired during the year. The financial statements of these companies for the year ended 31st March 2007 have been audited by other auditors.

18. INTANGIBLE ASSETS

Group

	Goodwill	**Product development costs**	**Technical know-how**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1st April 2005	–	–	–	–
Arising on acquisition of subsidiaries	14,483	10,382	–	24,865
Additions	–	833	–	833
At 1st April 2006	14,483	11,215	–	25,698
Arising on acquisition of subsidiaries	23,358	–	9,614	32,972
Additions	–	4,364	–	4,364
At 31st March 2007	37,841	15,579	9,614	63,034
Accumulated amortisation				
At 1st April 2005	–	–	–	–
Charge for the year	–	161	–	161
At 1st April 2006	–	161	–	161
Charge for the year	–	2,143	–	2,143
At 31st March 2007	–	2,304	–	2,304
Net book values				
At 31st March 2007	37,841	13,275	9,614	60,730
At 31st March 2006	14,483	11,054	–	25,537

Notes:

(i) Goodwill is allocated to the group's cash-generating units ("CGU") identified according to the country of operation and business segment as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Manufacturing and trading of electronic products	14,483	14,483
Mobile payment gateway services	23,358	–
	37,841	14,483

As at 31st March 2007, these CGU are manufacturing and trading of electronic products and provision of mobile payment gateway services in Asia & Middle East, USA, UK and Europe. The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on the financial budgets covering a five-year period for CGU as approved by the directors.

Key assumptions used for value-in-use calculations:

	Manufacturing and trading of electronic products		**Mobile payment gateway services**	
	2007	**2006**	**2007**	**2006**
	%	%	%	%
Growth rate	10	10	10-50*	–
Discount rate	7.75	8.25	7.75	–

* *The turnover will increase by 50%, 40%, 30%, 20% and 10% in the coming five years.*

The directors believe that the possible changes in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the recoverable amount.

At 31st March 2007, the directors of the Group are of the opinion that there is no impairment of goodwill.

(ii) Product development costs are amortised on a straight-line basis over its estimated useful life of five years.

(iii) The technical know-how, named 通用消息服務系統技術, is a newly developed technology from Short Message Sub-Gateway Services. The technical know-how is treated as having an indefinite useful life because, in the opinion of the directors, there is no foreseeable limit to the period over which the technical knowhow may be used to generate cash flows to the Group. Technical know-how with indefinite useful lives are tested for impairment annually and are not amortised.

19. INVENTORIES

	Group 2007 HK$'000	Group 2006 HK$'000
Raw materials	27,244	15,113
Work in progress	10,363	5,240
Finished goods	877	503
	38,484	20,856

No inventories were carried at net realisable value as at 31st March 2007 (2006: Nil).

20. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable (net of impairment losses for bad and doubtful debts) at the balance sheet date, based on the date of goods delivered, is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Within 30 days	8,327	16,556
31-60 days	3,774	4,027
61-90 days	4,164	3,384
91-120 days	1,473	5,911
Over 120 days	4,018	3,785
	21,756	33,663

Included in accounts receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group 2007 HK$'000	Group 2006 HK$'000
United States Dollars	18,714	13,025
Renminbi	2,992	–
	21,706	13,025

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted investment, at fair value	–	2,325

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	6,784	4,424	4,948	1,138
Pledged time deposits	14,260	11,239	–	–
Short-term time deposits	27,000	–	27,000	–
	48,044	15,663	31,948	1,138
Less: Pledged time deposits	(14,260)	(11,239)	–	–
Cash and cash equivalents in the balance sheet	33,784	4,424	31,948	1,138
Bank overdrafts *(note 24)*	(29,107)	(26,548)		
Cash and cash equivalents in the consolidated cash flow statements	4,677	(22,124)		

The time deposits have been pledged to secure general banking facilities to the Group's subsidiaries.

23. ACCOUNTS PAYABLE

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 30 days	5,170	6,131
31-60 days	3,149	1,605
61-90 days	3,032	1,540
91-120 days	1,270	372
Over 120 days	7,466	682
	20,087	10,330

Included in accounts payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	**2006**
United States Dollars	2,065	1,807
Euro	194	12
Renminbi	5,854	56
	8,113	1,875

24. BANK BORROWINGS

	Effective interest rate	**Maturity**	**Group 2007**	**2006**
	(%)		*HK$'000*	*HK$'000*
Bank export and import loans, secured	6.75 – 9.75	2007	32,007	33,687
Bank overdrafts, secured	8.05 – 9.75	on demand	29,107	26,416
Bank loans, secured	7.00 – 9.25	2007-9	4,556	3,223
Bank overdrafts, unsecured			–	132
			65,670	63,458

At 31st March 2007, the bank borrowings were repayable as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within 1 year or on demand	64,517	62,413
In the second to fifth years, inclusive	1,153	1,045
	65,670	63,458

The directors are of the opinion that the carrying amount of the Group's borrowings approximates their fair value.

At 31st March 2007, the Group's banking facilities with an aggregate amount of HK$76,993,000 (2006: HK$76,724,000), of which a total of HK$64,008,000 (2006: HK$63,326,000) were utilized, are secured and/or guaranteed by:

(i) legal charges on two (2006: two) residential properties situated in Hong Kong owned by a director of a subsidiary and an independent third party;

(ii) legal charges on the Group's land and buildings situated in Hong Kong with aggregate net book value of HK$4,839,000 (2006: HK$5,054,000);

(iii) legal charges on all of the Group's pledged deposits;

(iv) personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

25. FINANCE LEASE PAYABLES

At 31st March 2007, the Group had obligations under finance leases payables as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within 1 year or on demand	3,150	2,651	2,778	2,368
In the second to fifth years, inclusive	4,418	2,727	4,005	2,592
Total minimum finance lease payments	7,568	5,378	6,783	4,960
Less: total future finance charges	(785)	(418)		
Present value of lease obligations	6,783	4,960		
Portion classified as current liabilities	(2,778)	(2,368)		
Portion classified as non-current liabilities	4,005	2,592		

26. OTHER LOANS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest bearing of 12% per annum	215	215
Non-interest bearing	829	919
Carrying amount of liabilities	1,044	1,134

The amounts are unsecured and have no fixed terms of repayment.

27. CONVERTIBLE NOTES

On 20th March 2006, the Company issued the interest free convertible notes with a nominal value of HK$9,300,000 to an independent noteholder. The Company shall repay such principal outstanding under the convertible notes to the noteholder up to and including the date falling on the second anniversary of the date of issue of the convertible notes. The noteholder has the right to convert the whole or any part of the principal amount of the convertible note into shares at any time and from time to time after six months from the date of issue of the convertible notes up to the date immediately prior to the maturity date.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

On 25th January 2007, convertible notes with a face value of HK$9,300,000 were converted into 48,945,000 ordinary shares of the Company of HK$0.05 each at a conversion price of HK$0.19 per share. (note 29(vi)).

The convertible notes recognised in the balance sheet are calculated as follows:

	Group and Company	
	2007	**2006**
	HK$'000	*HK$'000*
Liability component at 1st April	8,415	–
Face value of convertible notes issued during the year	–	9,300
Equity component	–	(885)
Liability component at the issuance date	–	8,415
Interest expense	885	–
Conversion during the year	9,300	–
Liability component at 31st March	–	8,415
Portion classified as non-current	–	8,415
Current portion	–	–

28. PROMISSORY NOTES

On 20th March 2006, the Company issued the interest free promissory note with a nominal value of HK$13,700,000 to an independent noteholder. The promissory note is unsecured and matures on 19th March 2008. The Company recorded a discount of HK$1,064,000 for the imputed interest on the note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. During the year, HK$7,000,000 of the promissory note was repaid.

On 5th January 2007, the Company issued another tranch of interest free promissory note with a nominal value of HK$10,120,000 to an independent noteholder. The promissory note is unsecured and matures on 2nd July 2007. The Company recorded a discount of HK$763,000 for the imputed interest on the note, which was calculated using an effective interest rate and this discount has been deducted from the nominal amount of the promissory note. The promissory note was fully repaid during the year ended 31st March 2007.

29. SHARE CAPITAL

(a) Shares

	Company 2007	Company 2006
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	100,000	100,000
Issued and fully paid:		
969,417,500 (2006: 375,000,000) ordinary shares of HK$0.05 each	48,471	18,750

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital	Share premium account	Total
			HK$'000	*HK$'000*	*HK$'000*
At 1st April 2005		300,000,000	15,000	5,902	20,902
Issue of consideration shares	*(i)*	75,000,000	3,750	5,250	9,000
At 1st April 2006		375,000,000	18,750	11,152	29,902
Share options exercised	*(ii)*	30,000,000	1,500	3,001	4,501
Placement of new shares	*(iii)*	60,000,000	3,000	15,000	18,000
Warrants exercised	*(iv)*	93,000,000	4,650	10,695	15,345
Issue of consideration shares	*(v)*	30,000,000	1,500	4,500	6,000
Conversion of convertible notes	*(vi)*	48,945,000	2,447	7,737	10,184
Open offer new shares	*(vii)*	318,472,500	15,924	3,185	19,109
Share options exercised	*(viii)*	14,000,000	700	4,518	5,218
Share issue expenses		–	–	(2,625)	(2,625)
At 31st March 2007		969,417,500	48,471	57,163	105,634

Note:

i. On 20th March 2006, the Company issued 75,000,000 shares of HK$0.05 each and credited as fully paid in consideration for acquisition of the entire equity interest in Union Bridge Group Limited. The premium of HK$5,250,000 over the par value of the shares has been credited to the share premium account.

ii. On 8th May 2006, the subscription rights attaching to 30,000,000 share options were exercised at subscription prices at HK$0.138 per share, resulting in the issue of 30,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,140,000.

iii. On 16th June 2006, the Company allotted and issued a total of 60,000,000 ordinary shares of HK$0.05 each for cash to independent third parties at a price of HK$0.30.

iv. On 22nd December 2006, 8th January 2007 and 11th January 2007, 10,000,000, 45,000,000 and 38,000,000 warrants were exercised respectively and 93,000,000 new ordinary shares of HK$0.05 each were allotted and issued at a subscription price of HK$0.15 per share for a total cash consideration, before expenses, of HK$15,345,000.

v. On 5th January 2007, the Company entered into a sale and purchase agreement with an independent third party to acquire 5,556 shares of Media Magic Technology Limited at a consideration of HK$16,120,000, which was satisfied by the issue of 30,000,000 ordinary shares of the Company of HK$0.20 each and by the issue of promissory note at HK$10,120,000. Further details of the sale and purchase agreement were also set out in a circular of the Company dated 14th December 2006.

vi. On 25th January 2007, 48,945,000 new ordinary shares of HK$0.19 each of the Company were issued upon the conversion of the convertible notes with face values aggregating HK$9,300,000 issued by the Company as further details in note 27.

vii. On 2nd March 2007, an open offer of one offer share for every two existing shares held by members on the register of members on 1st February 2007 was made, at an issue price of HK$0.06 per offer share, resulting in the issue of 318,472,500 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$19,109,000.

viii. On 20th March 2007, the subscription rights attaching to 14,000,000 share options were exercised at subscription prices at HK$0.31 per share, resulting in the issue of 14,000,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$4,340,000.

(b) Share options

Details of the Company share option scheme and share option issued under the scheme are set out in note 30 to the financial statements.

(c) Warrants

Pursuant to an ordinary resolution passed on 26th October 2006, the Company entered into a warrant placing agreement with Rich Regent Inc. in relation to a private placing of 93,000,000 warrants at issue price of HK$0.015 per warrant. Each warrant entitles Rich Regent Inc. to subscribe for one ordinary share of the Company of HK$0.05 at a subscription price of HK$0.15 per share, payable in cash, from 12th October 2006 to 11th April 2008. During the year, 93,000,000 warrants were exercised for 93,000,000 ordinary shares of HK$0.05 each at a price of HK$0.15 per share. Details are set out in note 29(a)(vi).

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising significant contributions of the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The Scheme became effective on 1st November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

Detail of share options, outstanding at the balance sheet date, which are all of a call option type, are as follows:

Date of grant	**Exercise period**	**Exercise price**	**Fair value at grant date**
4th May 2006	From date of grant to 3rd May 2016	HK$0.138	HK$0.0120
12th March 2007	From date of grant to 11th March 2017	HK$0.310	HK$0.0627

In accordance with the terms of the share-based arrangement, options issued vest at the date of grant.

Options were priced using the Black-Scholes-Merton Option Pricing Model. Expected volatility is based on extracts from the Bloomberg's information based on 260 trading days (around 1 year).

Inputs into the model

	Share option grant date	
	4th May 2006	**12th March 2007**
Weighted average share price	0.125	0.310
Exercise price	0.138	0.310
Expected volatility	30.60%	47.00%
Expected option period	1 year	1 year
Dividend yield	–	–
Risk-free interest rate	3.78%	3.92%
Option type	Call	Call

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expenses of HK$3,719,000 for the year ended 31st March 2007 (2006: Nil) in relation to share options granted by the Company.

Movements of the Company's share options held by employees, directors and business associates during the year are:

Grantee	At 1st April 2006	Granted during the year	Exercised during the year	At 31st March 2007	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors								
Wan Kin Chung	–	300,000	(300,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Wong Tak Shing	–	5,800,000	–	5,800,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Cheng Kwong Chung	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Lo Ka Tong	–	3,750,000	(3,750,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
Chan Hin Wing	–	9,550,000	–	9,550,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
Other employees								
In aggregate	–	10,950,000	(10,950,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
	–	38,200,000	(14,000,000)	24,200,000	12th March 2007	HK$0.310	HK$0.310	12th March 2007 to 11th March 2017
Business associates								
In aggregate	–	7,500,000	(7,500,000)	–	4th May 2006	HK$0.120	HK$0.138	4th May 2006 to 3rd May 2016
	–	83,550,000	(44,000,000)	39,550,000				

31. RESERVES

The movements of reserves of the Group and Company are set out under the statement of changes in equity.

The contributed surplus of the Group arose as a result of the group reorganisation for the listing of the Company's shares on the GEM and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the group reorganisation, over the nominal value of Company's shares in exchange therefor.

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances.

32. DEFERRED TAX

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

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

			Group		
	Accelerated tax depreciation	**Tax losses**	**Product development costs**	**Allowance for inventories**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005	(37)	1,683	–	–	1,646
Arising on acquisition of subsidiaries	(492)	1,192	(2,101)	180	(1,221)
Credit/(charge) to income statement *(note 11)*	(82)	120	167	28	233
At 1st April 2006	(611)	2,995	(1,934)	208	658
Acquisition of subsidiaries	–	928	–	–	928
Credit/(charge) to income statement *(note 11)*	(590)	(1,737)	(388)	147	(2,568)
At 31st March 2007	(1,201)	2,186	(2,322)	355	(982)

Deferred tax assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred tax relates to the same authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax assets	430	658
Deferred tax liabilities	(1,412)	–
	(982)	658

33. OPERATING LEASE COMMITMENTS

During the year, the Group leased certain of its office properties under operating lease commitments which are negotiated for terms from one to four years.

At 31st March 2007 the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
	Properties	*Properties*
Within one year	671	621
After one year but within five year	1,461	–
	2,132	621

34. BUSINESS COMBINATIONS

On 22nd August 2006 and 5th January 2007, the Company acquired 20% and 31% equity interest in Media Magic Technology Limited ("MM") respectively. These transactions have been accounted for by the purchase method. The acquired business contributed revenue of HK$3,177,000 and net loss of HK$594,000 to the Group for the period between 5th January 2007 and the balance sheet date.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration discharged by:	
– Cash paid	10,000
– Shares issued	6,000
– Promissory note issued	9,357
Total purchase consideration of acquisition	25,357
Share of loss from an associate*	(187)
Fair value of net assets acquired – shown as below	(1,812)
Goodwill	23,358

* *This represents the Group's share of the loss of MM and its subsidiaries for the period from 22nd August 2006 to 4th January 2007.*

The assets and liabilities arising from the acquisition are as follows:

	Carrying amount of the acquiree *HK$'000*	**Fair value adjustment** *HK$'000*	**Fair value of the acquiree** *HK$'000*
Net assets acquired comprise:			
Fixed assets	5,160	–	5,160
Intangible assets	9,614	–	9,614
Deferred tax assets	928	–	928
Accounts receivable	690	–	690
Deposits, prepayments and other receivables	622	–	622
Due from shareholders of subsidiaries	375	–	375
Cash and bank balances	532	–	532
Payables and accruals	(835)	–	(835)
Due to shareholders of subsidiaries	(13,185)	–	(13,185)
Exchange reserve	(19)	–	(19)
Minority interests	(329)	–	(329)
	3,553	–	3,553
Minority interests (49%)			(1,741)
Net assets acquired			1,812

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	HK$'000
Purchase consideration settled in cash	10,000
Cash and bank balances in subsidiaries acquired	(532)
Net outflow of cash and cash equivalents on acquisition	9,468

35. CONTINGENT LIABILITIES

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,144,000 as at 31st March 2007 (2006: HK$1,343,000). 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 service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised 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.

36. COMMITMENTS

The Group had the following capital commitment at the balance sheet date.

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted but not provided for in respect of acquisition of fixed assets	700	700

37. RELATED PARTY TRANSACTIONS

(a) During the year, the Company had the following transactions with related parties.

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Management fee received from a subsidiary	302	–

Management fee was charged at rates mutually agreed between both parties.

(b) The Group's banking facilities are secured by personal guarantees executed by a director of the Company and a director of certain subsidiaries of the Group.

38. POST BALANCE SHEET EVENTS

(a) On 12th April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six placees at the placing price of HK$0.47 per share. On 23rd April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date. The total issued shares therefore increased from 969,417,500 to 1,079,417,500.

(b) On 20th April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited to an independent third party at a consideration of HK$150,000 (note 16).

(c) On 15th June 2007, Multi Channel Technology Limited ("MC"), a subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with a director of PalmPay Technology Company Limited ("PalmPay") and a connected person of the Company to purchase their entire interests in PalmPay which is a subsidiary of MM and indirectly held by the Company. Pursuant to the Agreement, the percentage of indirect equity interest held in PalmPay by the Company will be increased from approximately 49% to approximately 51% on completion. By a revolving facility letter signed between the Company and MC, the Company agreed to conditionally grant MC a revolving facility up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31st March 2010.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 22nd June 2007.

The following are the unaudited financial statements of the Group for the six months ended 30th September 2007 together with accompanying notes extracted from the 2007/08 Interim Report of the Company. References to page numbers in this appendix are to the pages numbers of the 2007/08 Interim Report of the Company.

INTERIM REPORT 2007-2008

Unaudited Consolidated Income Statement

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

		Six months ended 30th September		Three months ended 30th September	
		2007	2006	2007	2006
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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

	Notes	As at 30th September 2007 (Unaudited) HK$'000	As at 31st March 2007 (Audited) HK$'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

	Notes	As at 30th September 2007 (Unaudited) HK$'000	As at 31st March 2007 (Audited) HK$'000
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
		5,472	6,741
NET ASSETS		161,682	92,928
CAPITAL AND RESERVES			
Share capital		55,948	48,471
Reserves		99,333	39,890
		155,281	88,361
MINORITY INTERESTS		6,401	4,567
TOTAL EQUITY		161,682	92,928

Unaudited Consolidated Statement of Changes in Equity
For the six months ended 30th September 2007

	Share Capital	Share premium	Contributed surplus	Exchange reserve	Convertible notes reserve	Share option reserve	Warrant reserve	Accumulated losses	Sub-total	Minority interests	Total
	(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*
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									
	Internet appliances and related products		Electronic devices and components		Design and engineering services		Mobile payment gateway services		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(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*
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	59,173	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
Depreciation – unallocated									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	15,618	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	**2006**	**2007**	**2006**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	**2006**	**2007**	**2006**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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
	26,644	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
	33,419	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.

V. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2007 being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$103,624,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables (Unsecured)	12,014
Amount due to a shareholder of subsidiaries (Unsecured)	16,439
Interest-bearing bank borrowings (Secured)	68,891
Finance lease payables (Secured)	2,560
	99,904
Non-current liabilities	
Interest-bearing bank borrowings (Secured)	489
Finance lease payables (Secured)	3,231
	3,720
Total borrowings	103,624

Securities and guarantees

(i) Bank borrowings

As at 31 October 2007, the Enlarged Group had been granted banking facilities of HK$95,900,000 by local bankers of which HK$69,380,000 were utilized.

The bank borrowings were secured by (i) unlimited corporate guarantees provided by certain of the Company's subsidiaries, (ii) the buildings owned by a subsidiary, director of subsidiaries and a third party, (iii) pledged deposits and (vi) personal guarantees executed by the directors of subsidiaries.

(ii) Finance leases

At as 31 October 2007, the Enlarged Group had obligations under finance leases totalling HK$5,791,000 of which HK$2,560,000 will be due within one year. The net book value of the assets held under finance leases amounted to HK$13,953,953.

Contingent liabilities

As at 31 October 2007, the Enlarged Group had no material contingent liabilities.

Commitments

As at 31 October 2007, the Enlarged Group had operating lease commitments of approximately HK$1,808,000 in respect of rental premises.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2007, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2007 and up to the Latest Practicable Date.

VI. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

VII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 Mach 2007, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Vision A. S. Limited.

Vision A. S. Limited **Certified Public Accountants**
泓信會計師行有限公司

3 December 2007

The Board of Directors
Palmpay China (Holdings) Limited
Unit 1601, 16/F.,
Ruttonjee House,
Ruttonjee Centre,
11 Duddell Street,
Central,
Hong Kong

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") regarding Media Magic Technology Limited ("Media Magic") and its subsidiaries (hereafter collectively referred to as the "Media Magic Group") for the period from 5 January 2004 (being date of incorporation of Media Magic) to 31 March 2005, for the two years ended 31 March 2007 and for the six months ended 30 September 2007 (the "Relevant Periods") for inclusion in the circular of Palmpay China (Holdings) Limited (the "Company") dated 3 December 2007 (the "Circular") in connection with the proposed acquisition of the 24% issued share capital of Media Magic by Upper Power Limited, a directly wholly-owned subsidiary of the Company (the "Acquisition").

Media Magic was incorporated in the British Virgin Islands ("BVI") on 5 January 2004 with limited liability under the International Business Companies Act (Cap. 291) of the BVI and acted as an investment holding company. The registered office of Media Magic is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI.

As at the date of this report, Media Magic has interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/registered capital	Attributable equity interest held by Media Magic		Principal activities
			Directly	*Indirectly*	
Multi Channel Technology Limited	Hong Kong 4 March 2004	HK$100	100%	–	Investment holding
PalmPay Technology Co. Ltd.* (北京互聯視通科技有限公司)	The People's Republic of China 20 March 2005	RMB10,000,000	–	100%	Provision of mobile payment gateway services
Beijing Dong Fang Hui Zhong Enterprise Management Limited* (北京東方匯眾企業管理有限公司)	The People's Republic of China 17 November 2006	RMB990,900	–	100%	Dormant

* *English translation of companies' names is for identification purpose only*

For the purpose of this report, the directors of Media Magic have prepared the consolidated financial statements of the Media Magic Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). For the purpose of this report, we have performed independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in Sections A to B below has been prepared by the directors of Media Magic based on the Underlying Financial Statements. We have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view is the responsibility of the directors of Media Magic. In preparing the Underlying Financial Statements and the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Media Magic are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Media Magic Group and Media Magic as at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007 and of the consolidated results and cash flows of Media Magic Group for each of the Relevant Periods.

The comparative consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of Media Magic for the six months ended 30 September 2006 together with notes thereon (the "2006 Comparative Financial Information") have been extracted from Media Magic's consolidated financial information for the same period which was prepared by the directors of Media Magic solely for the purpose of this report. We have reviewed the financial information for the six months ended 30 September 2006, in accordance with Statements of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 2006 Comparative Financial Information. On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the 2006 Comparative Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Notes	From 5 January 2004 (Date of incorporation) to 31 March 2005	Year ended 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
		HK$'000 (audited)	HK$'000 (audited)	HK$'000 (audited)	HK$'000 (unaudited)	HK$'000 (audited)
TURNOVER	6	–	–	3,177	–	13,662
Other revenue	6	–	–	2	–	41
Distribution costs		–	–	–	–	(2,082)
Administrative expenses		(22)	(16)	(1,751)	(18)	(2,492)
PROFIT/(LOSS) BEFORE TAX	7	(22)	(16)	1,428	(18)	9,129
Tax	9	–	–	(497)	–	(3,055)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(22)	(16)	931	(18)	6,074
Minority interests		–	–	(40)	–	(255)
NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF MEDIA MAGIC		(22)	(16)	891	(18)	5,819

CONSOLIDATED BALANCE SHEET

		As at 31 March			As at 30 September
		2005	2006	2007	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Property, plant and equipment	*10*	–	–	4,941	10,403
Goodwill	*11*	–	–	1,775	1,775
Intangible assets	*12*	–	–	9,614	9,785
Deferred tax assets	*19*	–	–	430	–
Total non-current assets		–	–	16,760	21,963
CURRENT ASSETS					
Accounts receivable	*14*	–	–	2,992	11,381
Prepayment, deposits and other receivables	*15*	10	1	602	4,320
Due from shareholders	*16*	390	390	–	–
Cash and bank balances		–	–	955	5,633
Total current assets		400	391	4,549	21,334
CURRENT LIABILITIES					
Accruals and other payables	*17*	32	39	14,405	27,164
Tax payables		–	–	–	2,617
Due to a director	*18*	–	–	251	626
Total current liabilities		32	39	14,656	30,407
NET CURRENT ASSETS/ (LIABILITIES)		368	352	(10,107)	(9,073)
Net assets		368	352	6,653	12,890
EQUITY					
Issued capital	*20*	390	390	433	433
Reserves		(22)	(38)	5,851	11,833
		368	352	6,284	12,266
Minority interests		–	–	369	624
Total equity		368	352	6,653	12,890

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of Media Magic						
	Note	Issued share capital HK$'000 (audited)	Share premium account HK$'000 (audited)	Exchange fluctuation reserve HK$'000 (audited)	Retained profits/ (Accumulated losses) HK$'000 (audited)	Total HK'000 (audited)	Minority interests HK$'000 (audited)	Total equity HK$'000 (audited)
Issue of shares	20	390	–	–	–	390	–	390
Net loss for the period		–	–	–	(22)	(22)	–	(22)
At 31 March 2005 and at 1 April 2005		390	–	–	(22)	368	–	368
Net loss for the year		–	–	–	(16)	(16)	–	(16)
At 31 March 2006 and at 1 April 2006		390	–	–	(38)	352	–	352
Issue of shares	20	43	4,957	–	–	5,000	–	5,000
Exchange realignment		–	–	41	–	41	–	41
Net profit for the year		–	–	–	891	891	369	1,260
At 31 March 2007 and at 1 April 2007		433	4,957	41	853	6,284	369	6,653
Exchange realignment		–	–	163	–	163	–	163
Net profit for the period		–	–	–	5,819	5,819	255	6,074
At 30 September 2007		433	4,957	204	6,672	12,266	624	12,890

CONSOLIDATED CASH FLOW STATEMENTS

	From 5 January 2004 (Date of incorporation) to 31 March 2005	Year ended 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	(22)	(16)	1,428	(18)	9,129
Adjustments for:					
Depreciation	–	–	266	–	643
Interest income	–	–	(2)	–	(41)
Operating cash flows before movements in working capital	(22)	(16)	1,692	(18)	9,731
Increase in accounts receivable	–	–	(2,302)	–	(8,389)
Decrease/(increase) in prepayment, deposits and other receivables	(10)	9	22	(4,499)	(3,718)
Decrease/(increase) in amounts due from shareholders	(390)	–	390	–	–
Increase in accruals and other payables	32	7	13,578	74	12,759
Increase/(decrease) in amount due to a director	–	–	(8,319)	(485)	375
Cash generated from/(used in) operations	(390)	–	5,061	(4,928)	10,758
Net cash inflow/(outflow) from operating activities	(390)	–	5,061	(4,928)	10,758
CASH FLOW FROM INVESTING ACTIVITIES					
Interest received	–	–	2	–	41
Purchases of property, plant and equipment	–	–	(48)	–	(6,017)
Acquisition of a subsidiary	–	–	(9,081)	439	–
Net cash inflow/(outflow) from investing activities	–	–	(9,127)	439	(5,976)

	From 5 January 2004 (Date of incorporation) to 31 March	Year ended 31 March		Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM FINANCIING ACTIVITIES					
Proceeds from issue of shares	390	–	5,000	5,000	–
Net cash inflow from financing activities	390	–	5,000	5,000	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	–	–	934	511	4,782
Cash and cash equivalents at beginning of year/period	–	–	–	–	955
Effect of foreign exchange rate changes, net	–	–	21	–	(104)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	–	–	955	511	5,633
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	–	–	955	511	5,633

BALANCE SHEET

		As at 31 March			As at 30 September
		2005	**2006**	**2007**	**2007**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Investment in a subsidiary	*13*	–	–	–	–
CURRENT ASSETS					
Other receivables	*15*	10	1	–	318
Due from a subsidiary	*13*	–	–	5,563	5,575
Due from shareholders	*16*	390	390	–	–
Cash and bank balances		–	–	12	12
Total current assets		400	391	5,575	5,905
CURRENT LIABILITIES					
Other payables	*17*	32	39	65	–
Due to a director	*18*	–	–	214	609
Total current liabilities		32	39	279	609
NET CURRENT ASSETS		368	352	5,296	5,296
Net assets		368	352	5,296	5,296
EQUITY					
Issued capital	*20*	390	390	433	433
Reserves	*21*	(22)	(38)	4,863	4,863
Total equity		368	352	5,296	5,296

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Media Magic is a limited liability company incorporated in the BVI. The registered office of Media Magic is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI.

Media Magic acts as an investment holding company and its subsidiaries are principally engaged in investment holding and provision of mobile payment gateway services during the Relevant Periods.

Media Magic is a subsidiary of Upper Power Limited, a company incorporated in the BVI. The directors of Media Magic consider Palmpay China (Holdings) Limited, a company incorporated in Bermuda, to be Media Magic's ultimate holding company.

2. ADOPTION OF NEW OR REVISED STANDARDS

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

New HKFRSs issued but not yet effective are not early adopted. The directors of Media Magic anticipate that the application of these new HKFRSs will have no material impact on the Financial Information.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation

The Financial Information has been prepared on a going concern basis notwithstanding Media Magic Group had net current liabilities as at 30 September 2007 as the ultimate holding company has undertaken to provide continuous financial support to Media Magic Group, and to maintain it as a going concern.

(b) Basis of consolidation

The Underlying Financial Statements incorporate the financial statements of Media Magic and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which Media Magic Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Media Magic Group.

All significant inter-company transactions and balances within the Media Magic Group are eliminated on consolidation.

(c) Subsidiaries

A subsidiary is an entity in which Media Magic controls, directly or indirectly, its financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries are included in Media Magic's income statement to the extent of dividends received and receivable. Media Magic's investment in subsidiaries are stated at cost less any impairment losses.

(d) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Media Magic Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, allocated to each of the Media Magic Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Media Magic Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

– represents the lowest level within the Media Magic Group at which the goodwill is monitored for internal management purposes; and

– is not larger than a segment based on either the Media Magic Group's primary or the Media Magic Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognized for goodwill is not reversed in a subsequent period.

(e) Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(f) Related parties

A party is considered to be related to the Media Magic Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Media Magic Group; (ii) has an interest in the Media Magic Group that gives it significant influence over the Media Magic Group; or (iii) has joint control over the Media Magic Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Media Magic Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Media Magic Group, or of any entity that is a related party of the Media Magic Group.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	25%
Computer equipment	20%
Furniture and fixtures	20%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

(h) Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. The rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(j) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Media Magic Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(k) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(l) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Media Magic Group and when the revenue can be measured reliably, on the following bases:

(i) from the rendering of services, on the percentage of completion basis; and

(ii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(n) Employee benefits

Pension scheme

The employees of Media Magic's subsidiaries which operate in Mainland China are required to participate in central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(o) Foreign currencies

The Financial Information is presented in Hong Kong dollars, which is Media Magic's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the Financial Information of overseas subsidiaries is translated into Hong Kong dollars using the net investment method. The income statements of the overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet dates. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the Relevant Periods are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods.

(p) Segment reporting

A segment is a distinguishable component of the Media Magic Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different form those of other segments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying Media Magic Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

5. SEGMENTAL INFORMATION

No business or geographical segment analysis is presented as all operations, assets and liabilities of the Media Magic Group during the Relevant Periods are related to the provision of mobile payment gateway services and over 90% of the assets and customers are located in the People's Republic of China ("PRC").

6. TURNOVER AND OTHER REVENUE

Turnover represents the value of services rendered for the Relevant Periods.

An analysis of the Media Magic Group's turnover and other revenue for the Relevant Periods is as follows:

	From 5 January 2004 (Date of incorporation) to 31 March	Year ended 31 March		Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover					
Mobile payment gateway services	–	–	3,177	–	13,662
Other revenue					
Interest income	–	–	2	–	41

7. PROFIT/(LOSS) BEFORE TAX

The Media Magic Group's profit/(loss) before tax is arrived at after charging:

	From 5 January 2004 (Date of incorporation) to 31 March	Year ended 31 March		Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Depreciation	–	–	266	–	643
Minimum lease payments under operating leases on land and buildings	–	–	188	–	380
Auditors' remuneration	–	–	–	–	–
Staff cost (excluding directors' remuneration – *note 8*)					
Salaries and allowances	–	–	308	–	951

Auditors' remuneration is borned by Upper Power Limited, an immediate holding company of Media Magic.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	From 5 January 2004 (Date of incorporation) to 31 March	Year ended 31 March		Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Fees	–	–	–	–	–
Other emoluments:					
Salaries and benefits in kind	–	–	–	–	–
Retirement scheme contributions	–	–	–	–	–
	–	–	–	–	–

Of the five individuals with highest emoluments, none (period ended 31 March 2005, years ended 31 March 2006 and 31 March 2007 and period ended 30 September 2006: none) of them are directors. Details of the remuneration of the five highest paid employees are as follows:

	From 5 January 2004 (Date of incorporation) to 31 March	Year ended 31 March		Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries and benefits in kind	–	–	121	–	301
Retirement scheme contributions	–	–	–	–	–
	–	–	121	–	301

During the Relevant Periods, no emoluments were paid by Media Magic to the directors or any of the five highest paid individuals as an inducement to join or upon joining Media Magic or as compensation for loss of office. No directors waived any emoluments during the Relevant Periods.

9. TAX

	From 5 January 2004 (Date of incorporation) to 31 March 2005	Year ended 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current year provision					
Hong Kong	–	–	–	–	–
PRC	–	–	–	–	2,617
Deferred tax	–	–	497	–	438
Tax charge for the year/period	–	–	497	–	3,055

No Provision for Hong Kong profits tax has been made as the Media Magic Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 September 2007 (period ended 31 March 2005, years ended 31 March 2006 and 31 March 2007 and period ended 30 September 2006: Nil).

Taxes on profits of companies operating in PRC have been calculated at the rates of taxes applicable in the respective jurisdictions, based on existing legislation, interpretations and practices in respect thereof, during each of the Relevant Periods.

There are no material unprovided deferred tax assets and liabilities at the respective balance sheet dates.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory rate to the tax charge/(credit) at the effective tax rate is as follows:

	From 5 January 2004 (Date of incorporation) to 31 March 2005	Year ended 31 March 2006	Year ended 31 March 2007	Six months ended 30 September 2006	Six months ended 30 September 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit/(Loss) before tax	(22)	(16)	1,428	(18)	9,129
Tax at the statutory tax rate of 17.5%	(4)	(3)	250	(3)	1,597
Effect of different tax rate in other jurisdictions	–	–	231	–	1,411
Tax effect of non-taxable income	–	–	(1)	–	(7)
Tax effect of non-deductible expenses	4	3	17	3	54
Tax charge at effective rate	–	–	497	–	3,055

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computer equipment	Furniture and fixtures	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Media Magic Group					
Cost:					
Acquired on acquisition of a subsidiary	383	5,047	14	13	5,457
Additions	–	38	10	–	48
At 31 March 2007 and 1 April 2007	383	5,085	24	13	5,505
Additions	31	5,906	58	22	6,017
Exchange realignment	8	90	–	–	98
At 30 September 2007	422	11,081	82	35	11,620
Accumulated depreciation:					
Acquired on acquisition of a subsidiary	48	249	1	–	298
Provided for the year	24	240	1	1	266
At 31 March 2007 and 1 April 2007	72	489	2	1	564
Provided for the period	49	588	3	3	643
Exchange realignment	1	9	–	–	10
At 30 September 2007	122	1,086	5	4	1,217
Net book value:					
At 30 September 2007	300	9,995	77	31	10,403
At 31 March 2007	311	4,596	22	12	4,941

11. GOODWILL

The amounts of the goodwill capitalised by the Media Magic Group as an asset and recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	HK$'000 (audited)
Arising from acquisition of subsidiaries	1,775
At 31 March 2007 and 30 September 2007	1,775

The amount of goodwill is tested for impairment by estimating the recoverable amount of the cash-generating unit ("CGU") based on the value in use calculations. The calculations use cash flow projections based on financial budgets approved by the management covering a period of two years. Based on the results of the impairment testing, the management of the Media Magic Group determines that there is no impairment of the CGU attributed to the goodwill.

12. INTANGIBLE ASSETS

Media Magic Group

	Technical know-how *HK$'000* (audited)
Arising from acquisition of a subsidiary	9,614
At 31 March 2007	9,614
Exchange realignment	171
At 30 September 2007	9,785

13. INVESTMENT IN A SUBSIDIARY

	As at 31 March			**As at 30 September**
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Unlisted shares, at cost	–	–	–	–

The amount due from a subsidiary included in the Media Magic's current assets of HK$5,575,024 (31 March 2005 and 31 March 2006: HK$ Nil; 31 March 2007: HK$5,563,192) is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the Media Magic's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/registered capital	Attributable equity interest held by Media Magic		Principal activities
			Directly	*Indirectly*	
Multi Channel Technology Limited ("MCTL")	Hong Kong 4 March 2004	HK$100	100%	–	Investment holding
PalmPay Technology Co. Ltd.* (北京互聯視通科技有限公司) ("PTCL")	PRC 20 March 2005	RMB10,000,000	–	96%	Provision of mobile payment gateway services
Beijing Dong Fang Hui Zhong Enterprise Management Limited* (北京東方匯眾企業管理有限公司) ("BDFHZ")	PRC 17 November 2006	RMB990,900	–	100%	Dormant

* *English translation of companies' names is for identification purpose only*

14. ACCOUNTS RECEIVABLE

The aged analysis of the Media Magic Group's accounts receivable is as follows.

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
0 – 30 days	–	–	1,421	4,604
31 – 60 days	–	–	1,259	2,811
61 – 90 days	–	–	262	1,799
91 – 120 days	–	–	50	915
Over 120 days	–	–	–	1,252
	–	–	2,992	11,381

15. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

Media Magic Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Prepayment	–	–	8	2,766
Deposits	–	–	314	369
Other receivables	10	1	280	1,185
	10	1	602	4,320

Media Magic

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Other receivables	10	1	–	318

16. DUE FROM SHAREHOLDERS

The amounts due from shareholders are unsecured, interest-free and have been fully settled.

17. ACCRUALS AND OTHER PAYABLES

Media Magic Group

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Accruals	–	–	444	1,153
Other payables	32	39	13,961	26,011
	32	39	14,405	27,164

Media Magic

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Other payables	32	39	65	–

18. DUE TO A DIRECTOR

Media Magic Group and Media Magic

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

19. DEFERRED TAX ASSETS

Media Magic Group

	Losses available for offset against future taxable profit
	HK$'000
	(audited)
Acquired on acquisition of a subsidiary	927
Charge to income statement for the year	(497)
At 31 March 2007 and 1 April 2007	430
Charge to income statement for the period	(438)
Exchange realignment	8
At 30 September 2007	–

Media Magic has no significant unprovided deferred tax for the Relevant Periods and at the balance sheet dates.

20. SHARE CAPITAL

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Authorised:				
100,000 ordinary shares of US$1 each	780	780	780	780
Issued and fully paid:				
55,556 ordinary shares (31 March 2007: 55,556 ordinary shares; 31 March 2006 and 31 March 2005: 50,000 ordinary shares) of US$1 each	390	390	433	433

A summary of the transactions with reference to the above movements in the Media Magic's issued ordinary share capital and share premium account are as follows:

	Notes	Issued share capital	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)
Issue of shares	*(i)/(ii)*	390	–	390
At 31 March 2005, at 31 March 2006 and at 1 April 2006		390	–	390
Issue of shares	*(iii)*	43	4,957	5,000
At 31 March 2007 and at 30 September 2007		433	4,957	5,390

Notes:

(i) Upon incorporation, the authorised share capital of the Media Magic was US$100,000 divided into 100,000 shares of US$1 each. 1 subscriber share was issued for cash at par for the capital of the Media Magic.

(ii) On 1 April 2004, 49,999 new shares of US$1 each were issued for cash at par for additional working capital of Media Magic.

(iii) On 10 August 2006, 5,556 new shares of US$1 each were issued for additional working capital of Media Magic. The premium of HK$4,957,000 over the par value of the shares has been credited to the share premium account.

21. RESERVES

Media Magic

	Share premium account HK$'000 (audited)	Accumulated losses HK$'000 (audited)	Total HK$'000 (audited)
Net loss for the period	–	(22)	(22)
At 31 March 2005 and at 1 April 2005	–	(22)	(22)
Net loss for the year	–	(16)	(16)
At 31 March 2006 and at 1 April 2006	–	(38)	(38)
Issue of shares	4,957	–	4,957
Net loss for the year	–	(56)	(56)
At 31 March 2007 and at 1 April 2007	4,957	(94)	4,863
Net loss for the period	–	–	–
At 30 September 2007	4,957	(94)	4,863

22. ACQUISITION OF SUBSIDIARIES

On 27 June 2006 and 5 January 2007, Media Magic Group acquired 100% and 96% equity interest in MCTL and PTCL respectively. These transactions have been accounted for by the purchase method.

The net assets acquired, being the fair value, in the transactions, and goodwill on acquisition, are as follows:

	Carrying amount of the acquirees HK$'000	Fair value adjustment HK$'000	Fair value of the acquirees HK$'000
Net assets acquired comprised:			
Property, plant and equipment	5,159	–	5,159
Intangible assets	9,614	–	9,614
Deferred tax assets	927	–	927
Accounts receivable	690	–	690
Prepayment, deposits and other receivables	623	–	623
Cash and bank balances	519	–	519
Accruals and other payables	(788)	–	(788)
Due to a director	(8,570)	–	(8,570)
Exchange reserve	(20)	–	(20)
	8,154	–	8,154
Net assets acquired			7,825
Goodwill rising on acquisition			1,775
Cash consideration			9,600

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	HK$'000
Cash consideration	(9,600)
Cash and bank balances acquired	519
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries	(9,081)

23. OPERATING LEASE COMMITMENTS

The Media Magic Group leases certain office properties under operating lease arrangements. Leases for office properties are negotiated for terms of five years.

At the balance sheet date, the Media Magic Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		As at 31 March		**As at 30 September**
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within one year	–	–	671	697
In the second to fifth years, inclusive	–	–	1,461	1,111
	–	–	2,132	1,808

24. CAPITAL COMMITMENTS

At each of the balance sheet dates, neither Media Magic Group nor Media Magic had any significant capital commitments.

25. CONTINGENT LIABILITIES

At each of the balance sheet dates, neither Media Magic Group nor Media Magic had any significant contingent liabilities.

26. FINANCIAL RISKS AND MANAGEMENT

The Media Magic Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Media Magic Group.

(i) Interest rate risk

The Media Magic Group's exposure to market risk for changes in interest rates relates primarily to the Media Magic Group's interest-bearing bank borrowings. Currently, the Media Magic Group does not have a hedging policy. However, the management monitors interest rate exposure and will consider hedging significant bank borrowings should the need arises.

(ii) Foreign currency risk

The Media Magic Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than Hong Kong dollars. The currencies giving rise to this risk are primarily Renminbi.

(iii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Media Magic Group, resulting in a loss. The Media Magic Group deals mainly with customers that are of good reputation and strong financial backing. In addition, monitoring of the payment made by the customers is done regularly and reviewed by the management.

(iv) Liquidity risk

The Media Magic Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Media Magic Group maintains sufficient levels of cash to meet its working capital requirements. Short term funding is obtained from overdraft facilities and trade financing facilities obtained from banks.

(v) Fair values

The carrying amounts of the financial assets and liabilities in the Financial Information approximate their fair values.

C. SUBSEQUENT EVENT

On 18 October 2007, MCTL, a subsidiary of Media Magic, completed the acquisition of 4% equity interests in PTCL. Upon completion of the acquisition, Media Magic indirectly owns 100% equity interests in PTCL.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Media Magic Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,
Vision A. S. Limited
Certified Public Accountants
Hong Kong

Cheung Man Yau, Timothy
Practising Certificate No.: P01417

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Vision A. S. Limited.

Vision A. S. Limited **Certified Public Accountants**
泓信會計師行有限公司

3 December 2007

The Board of Directors
Palmpay China (Holdings) Limited
Unit 1601, 16/F,
Ruttonjee House,
Ruttonjee Centre,
11 Duddell Street,
Central,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Media Magic Technology Limited (the "Target") and its subsidiaries (the "Target Group") (together with the Group hereinafter referred to as the "Enlarged Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 24% interests in the Target might have affected the financial information presented, for inclusion as Appendix III to the circular of the Company dated 3 December 2007 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 159 to 164 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 September 2007 or any future date.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Vision A. S. Limited
Certified Public Accountants
Hong Kong

Cheung Man Yau, Timothy
Practising Certificate No.: P01417

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group has been prepared based on the unaudited consolidated financial statements of the Group for the period ended 30 September 2007, extracted from the Company's 2007/2008 Interim Report as set out in Appendix I to this circular and the audited financial information of the Target Group for the period ended 30 September 2007. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of 24% interests in the Target at a consideration of HK$203,520,000 which shall be satisfied by deposit already paid, cash and allotment and issue of the shares of the Company and issue of convertible bonds by the Company.

The accompanying unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position or results of the Enlarged Group's operations that would have been attained had the Proposed Acquisition actually occurred on 30 September 2007 or any future period. Further, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position or results of operations.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the Accountants' Report on the Target Group as set out in Appendix II and other financial information included elsewhere in this Circular.

	The Group as at 30 September 2007	Notes	*Pro forma adjustments* Acquisition of additional 24% Media Magic Technology Limited	Unaudited Pro forma of the Enlarged Group
	HK$'000		*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Fixed assets	43,373			43,373
Intangible assets	61,522	*(1)*	200,576	262,098
	104,895			305,471
CURRENT ASSETS				
Inventories	53,255			53,255
Accounts receivable	26,644			26,644
Prepayments, deposits and other receivables	11,797			11,797
Tax prepaid	234			234
Pledged time deposits	14,351			14,351
Cash and cash equivalents	93,689	*(2a)*	(50,000)	43,689
	199,970			149,970
CURRENT LIABILITIES				
Accounts payable	33,419			33,419
Bank borrowings	59,419			59,419
Current portion of finance lease payables	2,773			2,773
Other loans	1,024			1,024
Accrued expenses and other payables	23,495			23,495
Amount due to shareholders of subsidiaries	16,440			16,440
Tax payable	1,141			1,141
	137,711			137,711
NET CURRENT ASSETS	62,259			12,259
TOTAL ASSETS LESS CURRENT LIABILITIES	167,154			317,730

	The Group as at 30 September 2007		Pro forma adjustments Acquisition of additional 24% Media Magic Technology Limited	Unaudited Pro forma of the Enlarged Group
	HK$'000	*Notes*	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES				
Bank borrowings	550			550
Finance leases payables	3,339			3,339
Convertible bonds	–	*(2c)*	2,723	2,723
Other payables	–	*(2d)*	76,800	76,800
Provision for long services payments	171			171
Deferred tax liabilities	1,412			1,412
	5,472			84,995
NET ASSETS	161,682			232,735
CAPITAL AND RESERVE				
Issued capital	55,948	*(2b)*	8,169	64,117
Reserves	99,333	*(2b)*	65,351	165,161
		(2c)	477	
	155,281			229,278
MINORITY INTERESTS	6,401		(2,944)	3,457
TOTAL EQUITY	161,682			232,735

Notes:

(1) For acquisition of additional 24% interests in Media Magic Technology Limited, the adjustment reflects the excess of the Group's interest in the net fair value of the Media Magic Group's identifiable assets, liabilities and contingent liabilities over cost arising from the acquisition of 24% interests in the Media Magic Group for the consideration HK$203,520,000 with the assumption that the fair value of the Media Magic Group is the same as the carrying amount of net assets of approximately HK$12,266,000 as at 30 September 2007 (being the net assets value of the Media Magic Group as at 30 September 2007 before minority interests). Based on the information provided to us, we are not aware of any significant provision for impairment loss on goodwill is required.

(2) The adjustment reflects the acquisition at the purchase price of HK$203,520,000, which will be satisfied by cash of HK$50,000,000, the allotment and issue of 163,377,778 Consideration Shares in the amount of HK$73,520,000 credited as fully paid and issue of Convertible Bonds in the principal amount of HK$80,000,000.

(a) Cash of HK$50,000,000 has to be paid to the Vendors under the Sale and Purchase Agreements.

(b) The Consideration Shares are recorded at the issue price of HK$0.45 per share. 163,377,778 Consideration Shares of par value HK$0.05 each, totally HK$8,168,889 is accounted for as an issued capital and the premium of HK$65,351,111 over the par value of the shares is credited to the reserves account.

(c) The Company will issue the Completion Convertible Bonds in the principal amount of HK$3,200,000. These bonds are interest fee. The Company shall repay such principal amount outstanding under the Completion Convertible Bonds in the principal amount to the Bondholder(s) on the respective maturity dates of the Completion Convertible Bonds. The Bondholder(s) will have the right to convert the whole or any part of the principal amount of the Convertible Bonds into Shares at any time and from time to time at conversion price of HK$0.55 except for the Completion Convertible Bond which is subject to achievement of the Profit Guarantee. The fair value of the liability component and the equity conversion component were determined at the date of issuance of the Convertible Bonds based on the discounted rate 5% per annum.

Under Hong Kong Accounting Standard 32 and 39, convertible bonds that are convertible to shares are accounted for as compound instruments with both liability and equity element. The liability component is calculated at the discounted present value of the cash flows of future principal payments (as there is no interest element) at the market rate of interest applicable to similar liabilities that do not have a conversion option. The equity component is calculated at the excess of the issued proceeds over the liability component.

By taking the discount rate at 5% per annum, the present value of the liability component is HK$2,722,793 and the difference between the liability component and the face value of the Convertible Bonds, being HK$477,207 is accounted for as a component of equity.

(d) The Company will issue the 2009 Earn Out Convertible Bonds and the 2010 Earn Out Convertible Bonds in the principal amount of HK$76,800,000, if the Vendor can fulfill the earn out amount of HK$43,000,000 and HK$53,000,000. As such Convertible Bonds are not issued currently; so treat as other payables, after issue of such Convertible Bonds, will treat as Convertible Bonds.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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) Interest in Shares:

Name of Director	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital of the Company
Hsu Tung Sheng	Beneficial	2,000,000 (L)	0.18%
Ho Hoi Lap	Beneficial	2,120,000 (L)	0.19%

(L) Long position

(ii) Interests in share options:

Name of Directors	Number of share options outstanding *(Note 1)*	Approximate percentage of the issue share capital of the Company
Chan Francis Ping Kuen	11,000,000	0.98%
Ho Hoi Lap	11,000,000	0.98%

Note 1: The exercise price of the share options is HK$0.52 per Share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 where 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

(b) Director's interest in assets and/or arrangement

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been since 31 March 2007, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

(c) Interests of substantial Shareholders and persons who have an interest or short position which is discloseable under Division 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, 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 member of the Group:

Name	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital of the Company
Starryland Profits Limited *(Note 1)*	Beneficial	322,795,000 (L)	28.85%
Lau Kim Hung, Jack ("**Mr. Lau**") *(Note 1)*	Interests in controlled corporation	322,795,000 (L)	28.85%
	Beneficial	5,160,000 (L)	0.46%
Chan Yiu Kan, Katie *(Note 1)*	Interest of spouse	327,955,000 (L)	29.31%
Big Well Investments Limited *(Note 3)*	Beneficial owner	223,000,000 (L)	19.93%
Chong Tin Lung *(Note 3)*	Interest in Controlled Corporation	223,000,000 (L)	19.93%
Lo Yee Man *(Note 3)*	Interest of spouse	223,000,000 (L)	19.93%

(L) Long position

Notes:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau. By virtue of the SFO, Ms. Chan Yiu Kan Katie, being the wife of Mr. Lau, are deemed to be interested in 322,795,000 Shares held by Starryland Profits Limited.

2. Mr. Hsu Tung Sheng is executive Director and chief executive officer of the Company, Dr. Ho Hoi Lap is non-executive Director and chairman of the Company.

3. Big Well Investments Limited ("Big Well") is a company incorporated in BVI 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 11 September 2007 conferring rights to Big Well to subscribe for 223,000,000 Shares. Big Well is wholly-owned by Mr. Chong Tin Lung and he is deemed to be interested in these Shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is deemed to be interested in 223,000,000 Shares as well.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was 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 member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the date of this circular which are or may be material:

(a) the sale and purchase agreement dated 11 January 2006 and entered into with Great Plan Group Limited, a wholly-owned subsidiary of the Company as purchaser and Union Bridge Power Systems Limited as vendor in relation to the acquisition of entire interest in Union Bridge Group Limited for a consideration of HK$32 million;

(b) the placing agreement dated 1 June 2006 and entered into among the Company as the issuer, Quam Securities Company Limited as the placing agent in relation to the placing of 60,000,000 new Shares at HK$0.30 per Share;

(c) the sale and purchase agreement dated 11 August 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Hsu Tung Sheng, Mr. Mar King Tong, Allise and Mr. Cheung Sai Man as vendors in relation to the acquisition of 11.11% equity interest in Media Magic Technology Limited for a consideration of HK$5 million;

(d) the subscription agreement dated 11 August 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as subscriber and Media Magic Technology Limited, as issuer in relation to the subscription of 11.11% equity interest in Media Magic Technology Limited for a consideration of HK$5 million;

(e) the warrant placing agreement dated 12 October 2006 and entered into among the Company as the issuer, Rich Regent Inc., as the subscriber in relation to the subscription of 93,000,000 unlisted warrants of the Company by Rich Regent Inc. at an issue price of HK$0.015 per warrant and subscription price of HK$0.15 per Share;

(f) the sale and purchase agreement dated 16 November 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Hsu Tung Sheng, as vendor in relation to the acquisition of 31% equity interest in Media Magic Technology Limited for a consideration of HK$16.12 million;

(g) the underwriting agreement dated 12 January 2007 and entered into with the Company, Partners Capital Securities Limited in relation to the open offer of 318,472,500 offer Shares at HK$0.06 per offer Share;

(h) the placing agreement dated 12 April 2007 and entered into among the Company as the issuer, Starryland Profits Limited, as vendor and DBS Asia Capital Limited as the placing agent in relation to the placing of 110,000,000 Shares at HK$0.47 per Share of the Company;

(i) the top-up subscription agreement dated 12 April 2007 and entered into among the Company as the issuer, Starryland Profits Limited, as subscriber in relation to the subscription of 110,000,000 new Shares at HK$0.47 per Share;

(j) the sale and purchase agreement dated 15 June 2007 and entered into with Multi Channel Technology Limited, an indirect non wholly-owned subsidiary of the Company as purchaser and Mr. Yuan Sheng Jun and Ms. Gao Xiu Yun, as vendors in relation to the acquisition of the entire interest in PalmPay Technology Co. Ltd. for a consideration of RMB9,978,000;

(k) the revolving facility letter dated 15 June 2007 and entered into with the Company, as lender and Multi Channel Technology Limited, an indirect non wholly-owned subsidiary of the Company, as borrower in relation to the revolving facility of up to a maximum amount of HK$22,000,000 at any time during the term of the revolving facility for each of the three financial years ending 31 March 2010;

(l) the warrant placing agreement dated 27 August 2007 and entered into among the Company as the issuer, Big Well Investments Limited, as the subscriber and Mr. Chong Tin Lung, as the guarantor in relation to the subscription of 223,000,000 unlisted warrants of the Company by Big Well Investments Limited, at an issue price of HK$0.007 per warrant and a subscription price of HK$0.543 per Share; and

(m) the Sale and Purchase Agreements.

7. EXPERT'S QUALIFICATION AND CONSENT

(a) The following are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	**Qualification**
Vision A. S. Limited ("**Vision**")	Certified Public Accountants
Nuada Limited ("**Nuada**")	Licensed Corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities

(b) As at the Latest Practicable Date, each of Vision and Nuada has no shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of Vision and Nuada has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and/or references to its name in the form and context in which they appear.

(d) As at the Latest Practicable Date, each of Vision and Nuada has no direct or indirect interests in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

9. MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2. The head office and the principal place of business of the Company in Hong Kong is located at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

3. The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.

4. The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

5. The company secretary and qualified accountant of the Company is Mr. Law Ho Ming. Mr. Law is currently an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

6. The compliance officer of the Company is Mr. Chan Francis Ping Kuen.

7. The audit committee of the Company comprises the three independent non-executive Directors, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, and Mr. Chan Wing Chiu. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

   Mr. Kwok Chi Sun, Vincent, aged 44, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of four other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited and Kanhan Technologies Group Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on GEM.

Mr. Yeung Kam Yan, aged 55, is a member of the Air & Waste Management Association – Hong Kong Section. Mr. Yeung has over eight years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. From 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Mr. Chan Wing Chiu, aged 77, holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan had been a power designer for signaling and communication engineering for the Ministry of Railways, the PRC for more than 27 years.

The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

8. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the head office and principal place of business of the Company at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as at the date of this circular up to the date of the SGM:

(i) the memorandum of association and Bye-laws of the Company;

(ii) the annual reports of the Company for the two years ended 31 March 2007;

(iii) the material contracts referred to in the section headed "Material contracts" in this appendix;

(iv) the written consent referred to in the section headed "Expert's qualification and consent" in this appendix;

(v) the unaudited interim report 2007/08 of the Company for the six months ended 30 September 2007;

(vi) the letter from the Independent Board Committee, the text of which is set out on page 39 of this circular;

(vii) the letter from the Independent Financial Adviser, the text of which is set out on pages 40 to 67 of this circular;

(viii) the accountants' report of the Media Magic Group, the text of which is set out in Appendix II to this circular;

(ix) the letter from Vision in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III in this circular;

(x) copy of the circular of the Company dated 13 July 2007 issued in relation to, among matters, (1) continuing connected transaction involving revolving facility to be granted by the Company; (2) discloseable and connected transaction involving exercise of option for the acquisition of equity interests in PalmPay Technology Co. Ltd. (北京互聯視通科技有限公司); and

(xi) this circular.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Palmpay China (Holdings) Limited (the "**Company**") will be held on Wednesday, 19 December 2007 at 10:30 a.m. at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company with votes on resolutions to be taken by way of poll.

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement (the "**Sale and Purchase Agreements**") as defined in the circular dated 5 November 2007 and despatched to the shareholders of the Company (the "**Circular**"), copy of which have been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreements including but not limited to the allotment and issue of 163,377,778 ordinary shares of HK$0.05 each in the share capital of the Company (the "**Consideration Shares**") and the transactions contemplated thereunder;

(c) the issue of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$80 million to be issued by the Company in accordance with the terms and conditions of the Sale and Purchase Agreements and the transactions contemplated therein be and are hereby approved;

* *For identification purpose only*

(d) any one or more of the Directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Sale and Purchase Agreements including but not limited to the allotment and issue of 145,454,545 ordinary shares of HK$0.05 each in the share capital of the Company (the "Conversion Shares") of which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds";

(e) "the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Consideration Shares be and is hereby approved; and

(f) "the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Conversion Shares be and is hereby approved.

2. "**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to the Directors at the annual general meeting of the Company held on 23 August 2007 (the "**AGM**") be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior too the passing of this resolution) and replaced by the mandate **THAT**:

(a) subject to paragraph (c) below, pursuant to the Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on the Growth Enterprises Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares (each a "**Share**") of HK$0.05 each in the share capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(bb) the nominal amount of any share capital of the Company repurchased by the Company pursuant to the general mandate to repurchase Shares granted to the Directors at the AGM (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum of association and Bye-laws of the Company or any other applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

On behalf of the Board
Palmpay China (Holdings) Limited
Chan Francis Ping Kuen
Executive Director

Hong Kong, 3 December 2007

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 1601, 16/F
Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his/her/its stead. A proxy need not be a member of the Company but must be present in person to represent the member.

2. A form of proxy for use at the Meeting is enclosed to the circular of the Company dated 3 December 2007. In order to be valid, the form of proxy attached to this circular must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the above Meeting or any adjournment thereof should he/she/it so wish.

3. Where there are joint holders of any share of the Company, any one of such holders may vote at the Meeting either personally or by proxy in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.