THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is 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)

MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 25% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS

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 letter from the independent committee (the "**Independent Board Committee**") of the board of directors of the Company is set out on pages 31 and 32 of this circular. A letter from Nuada Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 33 to 49 of this circular.

A notice convening a special general meeting of Palmpay China (Holdings) Limited to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 June 2009 at 11:00 a.m. is set out on pages 192 to 193 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Whether or not you are able to attend the SGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at http://www.palmpaychina.com.

27 May 2009

* *for identification purposes only*

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

CONTENTS

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

"13,889 MM Shares"	13,889 ordinary shares of US$1 each in the issued share capital of Media Magic, representing approximately 25% of the issued share capital of Media Magic
"722 Sale Shares"	722 MM Shares legally and beneficially owned by Vendor A to be sold to Upper Power under the Sale and Purchase Agreement
"9,055 Sale Shares"	9,055 MM Shares legally and beneficially owned by Vendor B to be sold to Upper Power under the Sale and Purchase Agreement
"4,112 Sale Shares"	4,112 MM Shares legally and beneficially owned by Vendor C to be sold to Upper Power under the Sale and Purchase Agreement
"Acquisition"	the acquisition of the 13,889 MM Shares (being 25% of the total issued share of Media Magic) pursuant to the Sale and Purchase Agreement
"acting in concert"	has the meaning ascribed to it in the Code on Takeovers and Mergers
"associate(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bond(s)
"Business Day(s)"	a day (other than a Saturday, Sunday, 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
"Code"	The Hong Kong Code on Takeovers and Mergers

"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 the 13,889 MM Shares (being 25% of the total issued shares of Media Magic) in accordance with the terms and conditions of the Sale and Purchase Agreement
"connected persons"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the aggregate consideration of HK$82,335,000 for the sale and purchase of the 13,889 MM Shares pursuant to the Sale and Purchase Agreement
"Consideration Shares"	236,363,636 new Shares to be allotted and issued by the Company to the Vendors at the Issue Price as part of the Consideration
"Conversion Price"	HK$0.13 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
"Conversion Shares"	379,500,000 new Shares (subject to adjustment) to be allotted and issued to the Bondholder(s) upon conversion of the Convertible Bonds
"Convertible Bonds"	the convertible bonds in an aggregate principal of HK$49,335,000 (i.e. HK$2,565,420 for Vendor A, HK$32,166,420 for Vendor B and HK$14,603,160 for Vendor C) to be issued by the Company in favour of the Vendors to satisfy part of the Consideration
"Deposit"	the payment of HK$4,000,000 in cash which will be paid by the Purchaser to the Vendors within five Business Days from the date of the Sale and Purchase Agreement which shall be refundable according to the terms of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company, from time to time
"Enlarged Group"	the Group as enlarged by the proposed Acquisition of Media Magic

"Former Sale and Purchase Agreements"	the conditional sale and purchase agreements dated 5 November 2007 entered into among Upper Power as purchaser and Mr. Hsu Tung Chi and Vendor A, as vendors for the sale and purchase of an aggregate of 13,333 MM Shares, representing approximately 24% of the issued share capital of Media Magic, thereunder which were completed on 21 December 2007
"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 committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder
"Independent Financial Adviser" or "Nuada"	Nuada Limited, a licensed corporation under the SFO to conduct type 6 regulated activity appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder
"Independent Shareholders"	Shareholders other than Vendor A, Vendor B and Vendor C and their respective associates or others who are interested in the proposed Acquisition 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
"Issue Price"	the issue price of HK$0.11 per Consideration Share

"Latest Practicable Date"	26 May 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Media Magic"	Media Magic Technology Limited, a company incorporated in BVI
"Media Magic Group"	Media Magic and its subsidiaries
"MIIT"	The Ministry of Industry and Information Technology of the Peoples' Republic of China (中華人民共和國工業和信息化部), including its local counterparts
"MM Shares"	shares in the share capital of Media Magic
"PalmPay Technology"	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 PRC and Taiwan
"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 the 13,889 MM Shares from the Vendors pursuant to the Sale and Purchase Agreement
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 26 February 2009 entered into between Upper Power as purchaser and the Vendors, as vendors for the sale and purchase of the 13,889 MM Shares
"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
"Shareholder(s)"	holder(s) of the Share(s) from time to time

"Share(s)"	ordinary share(s) of HK$0.05 each in the issued and unissued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor A"	Mr. Pang Hong Tao, a permanent resident in the PRC
"Vendor B"	Winner Gain Investments Limited, a company incorporated in the BVI, a substantial shareholder of Media Magic
"Vendor C"	Morning Sun Technology Limited, a company incorporated in the BVI
"Vendors"	together, Vendor A, Vendor B and Vendor C
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America
"%"	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
Mr. Hsu Tung Sheng
Mr. Hsu Tung Chi
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 Kai Wing

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

27 May 2009

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 25% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcement of the Company dated 2 March 2009 in which the Board announced that on 26 February 2009 (after trading hours), Upper Power entered into the Sale and Purchase Agreement, pursuant to which, Vendor A, Vendor B and Vendor C as vendors, have agreed to sell, and Upper Power, as purchaser, has agreed to purchase, in aggregate 13,889 MM Shares, representing approximately 25% of the issued share capital of Media Magic (as to 722 Sale Shares, 9,055 Sale Shares and 4,112 Sale Shares by Vendor A, Vendor B and Vendor C respectively, representing approximately 1.30%, 16.30% and 7.40% of the issued share capital of Media Magic respectively) for a total consideration of HK$82,335,000 which shall be settled by Upper Power in cash and by procuring the Company to allot and issue the Consideration Shares and the Convertible Bonds.

* *for identification purposes only*

The Acquisition constitutes a major and connected transaction on the part of the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules and will be subject to the approval by the Independent Shareholders by way of poll at the SGM.

The purpose of this circular is to provide you with further information regarding the Acquisition and to seek approval from the Independent Shareholders for the Acquisition and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Convertible Bonds and allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds.

THE SALE AND PURCHASE AGREEMENT

Date: 26 February 2009 (after trading hours)

Parties:

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

Vendors: Vendor A, being a shareholder of Media Magic

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

Vendor C, being a shareholder of Media Magic

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors (except Vendor B, which is a substantial shareholder of Media Magic and thus a connected person of the Company) and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The 13,889 MM Shares represent approximately 25% of the existing issued share capital of Media Magic as at the date of the Sale and Purchase Agreement and the entire interests held by the Vendors in Media Magic.

Consideration

The total consideration for the 13,889 MM Shares is HK$82,335,000 which shall be settled by the Purchaser in the following manner:

(i) cash of HK$7,000,000:

(a) HK$4,000,000 shall be payable in cash within five Business Days from the date of the Sale and Purchase Agreement as deposit of the Acquisition; and

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

(ii) as to HK$26,000,000 by the Purchaser by procuring the Company to allot and issue on Completion the 236,363,636 Consideration Shares to the Vendors credited as fully paid, at the Issue Price; and

(iii) as to HK$49,335,000 by the Purchaser by procuring the Company to issue on Completion the Convertible Bonds to the Vendors (i.e. HK$2,565,420 for Vendor A, HK$32,166,420 for Vender B and HK$14,603,160 for Vendor C).

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

Source of Funding

Cash portion of the Consideration will be financed by the internal resources of the Group.

Basis of Consideration

The Consideration is determined at 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 Technology; (ii) the profit guarantee of at least HK$33 million being the audited consolidated net profit after tax and extraordinary or exceptional items of the Media Magic Group for the year ending 31 March 2009 ("**Former Profit Guarantee**") joint and severally guaranteed and warranted to Upper Power by Vendor A and Mr. Hsu Tung Chi according to the Former Sale and Purchase Agreements; and (iii) the profit earning ratios of a number of listed companies engaging similar business in the telecommunication sector in Hong Kong ranging from about 0.13 to 125 times. For details of Media Magic and its future prospect and business plan, please refer to the sections headed "INFORMATION OF THE MEDIA MAGIC GROUP" and "REASONS FOR THE ACQUISITION" below.

The Consideration represents 9.98 price earnings multiple (which is the lower range of the profit earning ratios of a number of listed companies engaging similar business in the telecommunication section in Hong Kong as stated above) of the Former Profit Guarantee and equity interests to be acquired in Media Magic (i.e. HK$33,000,000 x 9.98 x 25% = HK$82,335,000).

The Consideration represents approximately 11.15 times based on attributable 25% equity interest in the Media Magic Group's audited net assets value of approximately HK$29,538,000 as at 31 March 2008, i.e. approximately HK$7,385,000. The financial information of the Media Magic Group is further provided in the section headed "INFORMATION OF 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 Agreement is on normal commercial terms and its terms are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is subject to, among other matters, the following conditions having been fulfilled or waived under the Sale and Purchase Agreement (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 Agreement and the transactions contemplated thereby having been obtained;

(b) the passing by the Independent Shareholders at the SGM approving the Sale and Purchase Agreement 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 satisfaction of the Purchaser to the results of due diligence on the assets, liabilities, operation and other major business of the Media Magic Group;

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

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

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 allotment and issue of Consideration Shares and Conversion Shares at the SGM) and the Vendors under conditions (a) above. Pursuant to the Sale and Purchase Agreement, 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).

Long stop date

The Sale and Purchase Agreement provides that should the satisfaction of all of its conditions, if not waived by Upper Power, not occur on or before 15 May 2009 or such later date (the "**Long Stop Date**") as Upper Power and the Vendors may agree, the Sale and Purchase Agreement 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 Agreement shall take place at 4:00 p.m. within three Business Days after all the conditions of the Sale and Purchase Agreement having been fulfilled or waived or such later date as may be agreed between the Vendors and the Purchaser.

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 Vendors shall forthwith refund to the Purchaser the Deposit paid by the Purchaser, without interest and the Sale and Purchase Agreement 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 Agreement by giving notice of termination in writing to the Purchaser to such effect, in which event the Vendors shall be entitled to forfeit the Deposit 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.

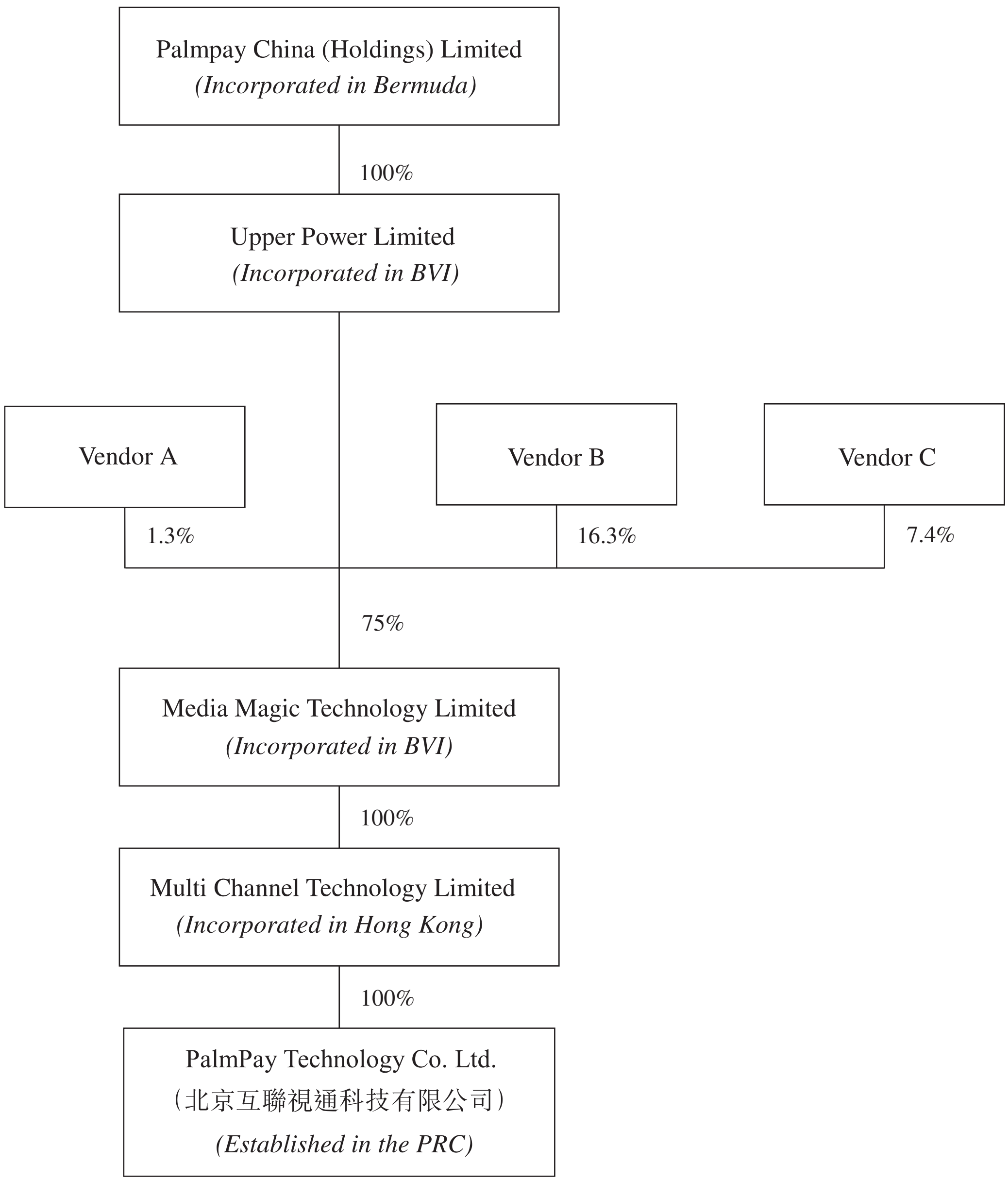
If the conditions set out above have been fulfilled or waived on or before the Long Stop Date, but Completion does not take place otherwise than as a result of the sole default of the Purchaser, the Purchaser may forthwith determine the Sale and Purchase Agreement by giving notice of termination in writing to the Vendors to such effect, in which event the Vendors shall forthwith refund the Deposit paid by the Purchaser without interest 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 non wholly-owned subsidiary of the Company. Upon completion of the Sale and Purchase Agreement, the Company will hold indirectly 100% equity interests in Media Magic with Media Magic continues to a subsidiary of the Company and with its consolidated accounts being consolidated with that of the Group.

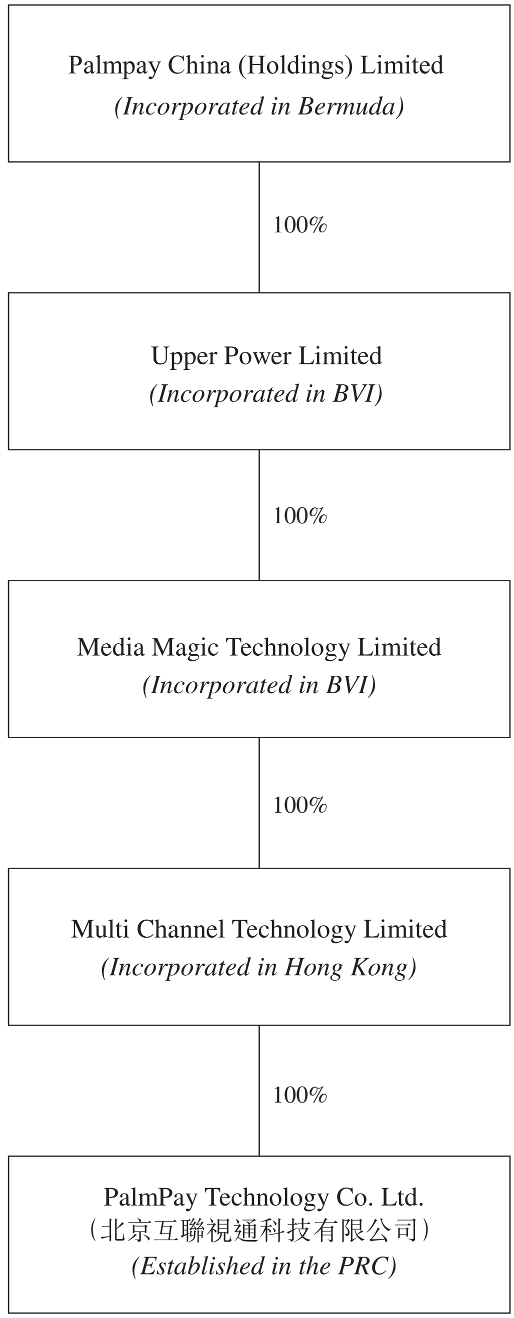
Group Structure

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:



THE CONSIDERATION SHARES

The 236,363,636 new Shares will be issued at an Issue Price of HK$0.11 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 discount of approximately 12% to the closing price of HK$0.125 per Share as quoted on the Stock Exchange on 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(ii) a discount of approximately 12% to the closing price of HK$0.125 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(iii) a discount of approximately 10.93% to the closing price of HK$0.1235 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement; and

(iv) a discount of approximately 40.54% to the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 18.52% to the net asset value per Share of approximately HK$0.135 based on the audited consolidated financial statements of the Group as at 31 March 2008 and the total number of issued Shares of 1,566,375,508 Shares as at the Latest Practicable Date.

Based on the closing price of HK$0.125 per Share as quoted on the Stock Exchange on 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement, the Consideration Shares has a total market value of approximately HK$29,545,454.50.

The Consideration Shares of 236,363,636 new Shares, of which 12,290,909 new Shares will be issued to Vendor A, 154,109,091 new Shares will be issued to Vendor B and 69,963,636 new Shares will be issued to Vendor C, representing in aggregate approximately 15.09% of the existing issued share capital of the Company, approximately 13.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 10.83% 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 Conversion Price.

The 12,290,909 new Shares will be issued to Vendor A representing approximately 0.78% of the existing issued share capital of the Company, approximately 0.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 0.56% 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 Conversion Price.

The 154,109,091 new Shares will be issued to Vendor B representing approximately 9.84% of the existing issued share capital of the Company, approximately 8.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 7.06% 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 Conversion Price.

The 69,963,636 new Shares will be issued to Vendor C representing approximately 4.47% of the existing issued share capital of the Company, approximately 3.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 3.21% 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 Conversion Price.

Upon the allotment and issue of the Consideration Shares and the Conversion Shares, there will not be any change in control of the Company.

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; and (ii) 6 months lock-up period for the 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, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Mandate to issue Consideration Shares

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

Restriction on disposal

The Vendors undertake to and covenants with the Purchaser that, it will not, within the period commencing on the date of Completion and ending on the date falling six months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Consideration Shares or any interest therein or grant any options or rights in respect of any of the Consideration Shares without prior written approval from the Purchaser.

Application for listing

Application has been 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 and the Convertible Shares.

THE CONVERTIBLE BONDS

To satisfy part of the Consideration, the Company will issue to the Vendors the Convertible Bonds in the principal amount of HK$49,335,000 (i.e. HK$2,565,420 for Vendor A, HK$32,166,420 for Vendor B and HK$14,603,160 for Vendor C) by issue of the Convertible Bonds.

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

Conversion Price: HK$0.13 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 Conversion Price of HK$0.13 per Conversion Share represents:

(i) a premium of approximately 4% over the closing price of HK$0.125 per Share as quoted on the Stock Exchange on 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(ii) a premium of approximately 4% over the closing price of HK$0.125 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(iii) a premium of approximately 5.26% over the closing price of HK$0.1235 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 26 February 2009, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement;

(iv) a discount of approximately 29.73% to the closing price of HK$0.185 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 3.7% to the net asset value per Share of approximately HK$0.135 based on the audited consolidated financial statements of the Group as at 31 March 2008 and the total number of issued Shares of 1,566,375,508 Shares as at the Latest Practicable Date.

The Conversion Price was determined at 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. The Conversion Price is set at a higher price than the Issue Price and represents a premium of 18.18% over the Issue Price in view of the maturity period of the Convertible Bonds of three years.

Maturity: Three years.

Interest rate: The Convertible Bonds will carry interest of 1% per annum, payable semi-annually.

Transferability: 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:	Under the terms of the Convertible Bonds, the shareholding of each of the Vendors and its respective parties acting in concert on any conversion of the Convertible Bonds must not exceed 30% or more of the issued share capital of the Company on the date of the conversion and that any conversion will not trigger off a general offer under rule 26 of the Codes on the part of the Vendors and its respective parties acting in concert. The Company will not issue the Conversion Shares to the Vendors if the shareholding of each of the Vendors and its respective parties acting in concert upon any conversion of the Convertible Bonds exceeds 30% or more of the issue share capital of the Company. Subject to the above, 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:	Bondholder(s) shall have the right to convert, from the date of issue of the Convertible Bonds up to and including the maturity date, 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 Conversion Price, an aggregate of 379,500,000 Conversion Shares will be allotted and issued by the Company (representing approximately 24.23% of the existing issued share capital of the Company, approximately 21.05% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 17.39% 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 Conversion Price. However, under the terms of the Convertible Bonds, the shareholding of each of the Vendors and its respective parties acting in concert on any conversion of the Convertible Bonds must not exceed 30% or more of the issued share capital of the Company on the date of the conversion and will not trigger off a general offer under rule 26 of the Codes on the part of the Vendors and its respective parties acting in concert.

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. An application has been made by the Company for the listing of and permission to deal in the Conversion Shares to be issued.
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 Convertible Bonds.

The Company may at any time before the respective maturity dates of the 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 plus interest accrued.

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

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,566,375,508 Shares in issue, 164,560,000 outstanding share options, 267,304,635 non-listed warrants issued on 11 September 2007, 6,986,899 conversion shares to be allotted and issued upon conversion of the convertible bonds issued pursuant to the Former Sale and Purchase Agreements.

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; (iii) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds at the Conversion Price assuming no further Shares (including exercise of the outstanding share options, non-listed warrants and convertible bonds issued pursuant to the Former Sale and Purchase Agreements) will be issued or no Shares will be repurchased before the allotment and issue of the Consideration Shares and Conversion Shares; and (iv) immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, exercise of 164,560,000 share options, 267,304,635 warrants and 6,986,899 conversion shares pursuant to the Former Sale and Purchase Agreements:

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, before allotment and issue of the Conversion Shares, and before exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, and before exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, and exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Starryland Profits Limited *(Note 1)*	351,354,000	22.43%	351,354,000	19.49%	351,354,000	16.10%	351,354,000	13.40%
Mr. Lau Kim Hung, Jack *(Note 1)*	12,408,000	0.79%	12,408,000	0.69%	12,408,000	0.57%	12,408,000	0.47%
Subtotal	363,762,000	23.22%	363,762,000	20.18%	363,762,000	16.67%	363,762,000	13.87%
Vendor B *(Note 4)*	–	–	–	–	412,343,091	18.89%	412,343,091	15.73%
Big Well Investments Limited *(Note 6)*	–	–	–	–	–	–	267,304,635	10.20%
Hsu Tung Sheng *(Note 2)*	900,000	0.06%	900,000	0.05%	900,000	0.04%	15,740,000	0.60%
Ho Hoi Lap *(Note 2)*	2,544,000	0.16%	2,544,000	0.14%	2,544,000	0.12%	15,744,000	0.60%
Hsu Tung Chi *(Note 2)*	65,074,000	4.15%	65,074,000	3.61%	65,074,000	2.98%	82,534,087	3.15%
Chan Hin Wing, James *(Note 2)*	–	–	–	–	–	–	14,840,000	0.57%
Chan Francis Ping Kuen *(Note 2)*	–	–	–	–	–	–	28,360,000	1.08%
Subtotal	68,518,000	4.37%	68,518,000	3.80%	480,861,091	22.03%	836,865,813	31.93%

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, before allotment and issue of the Conversion Shares, and before exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, and before exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, exercise of 164,560,000 share options and 267,304,635 warrants and 6,986,899 conversion shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Public								
Vendor A *(Note 3)*	101,581,333	6.48%	113,872,242	6.32%	133,606,242	6.12%	137,973,054	5.26%
Vendor B *(Note 4)*	10,800,000	0.69%	164,909,091	9.15%	–	–	–	-
Vendor C *(Note 5)*	7,920,000	0.51%	77,883,636	4.32%	190,215,636	8.72%	190,215,636	7.26%
Employees and consultants	–	–	–	–	–	–	78,480,000	3.00%
Other public Shareholders	1,013,794,175	64.73%	1,013,794,175	56.23%	1,013,794,175	46.46%	1,013,794,175	38.68%
Subtotal	1,134,095,508	72.41%	1,370,459,144	76.02%	1,337,616,053	61.30%	1,420,462,865	54.20%
Total	1,566,375,508	100.00%	1,802,739,144	100.00%	2,182,239,144	100.00%	2,621,090,678	100.00%

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau") who does not hold any position in the Group. Mr. Lau is deemed to be interested in 351,354,000 Shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,200,000 Shares held by Ms. Chan Yiu Kan Katie.

2. Mr. Hsu Tung Sheng is an executive Director and chief executive officer of the Company. Dr. Ho Hoi Lap is non-executive Director and chairman of the Company. Mr. Hsu Tung Chi, Mr. Chan Hin Wing, James and Mr. Chan Francis Ping Kuen are executive Directors.

3. Vendor A and his parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

4. 10,800,000 Shares were held by the ultimate beneficial owner of Vendor B. Vendor B and its parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

5. 7,920,000 Shares were held by the ultimate beneficial owner of Vendor C. Vendor C and its parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

6. Big Well Investments Limited 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 1 September 2007 conferring rights to Big Well Investments Limited to subscribe for 223,000,000 Shares. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635.

INFORMATION ON THE VENDORS

Vendor A is a previous vendor of Media Magic in relation to the Former Sale and Purchase Agreements. Apart from being a shareholder of Media Magic, Vendor A does not assume any role in Media Magic. Vendor A does not have any relationship with Mr. Lau, a substantial Shareholder.

Vendor B, an investment holding company, apart from being substantial shareholder of Media Magic, does not have any relationship with Mr. Lau and the previous vendors of Media Magic in relation to the Former Sale and Purchase Agreements. The original purchase cost of 16.3% interests in Media Magic by Vendor B was US$9,055.

Vendor C, an investment holding company, apart from being a shareholder of Media Magic, does not have any relationship with Mr. Lau and the previous vendors of Media Magic in relation to the Former Sale and Purchase Agreements.

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

Vendor A, Vendor B, Vendor C, Mr. Lau and the previous vendors of Media Magic in relation to the Former Sale and Purchase Agreements are not parties acting in concert.

INFORMATION OF THE MEDIA MAGIC GROUP

Business carried on by Media Magic and PalmPay Technology

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. and investment holding, for mobile users in the PRC through franchising and cooperation with telecommunication business licensed providers.

PalmPay Technology, 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 Technology has been enlarged compared with that at the time of its commencement of business in September 2006. PalmPay Technology 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:

	For the nine months ended 31 December 2008	For the year ended 31 March 2008	For the year ended 31 March 2007
	approximately HK$	*approximately HK$*	*approximately HK$*
	(audited)	(audited)	(audited)
Results			
Turnover	41,144,000	36,523,000	3,177,000
Profit before tax	28,614,000	23,371,000	1,428,000
Profit before tax *(%)*	69.55%	63.99%	44.95%
Profit after tax	28,377,000	21,201,000	931,000
Profit after tax *(%)*	68.97%	58.05%	29.30%

	As at 31 December 2008	As at 31 March 2008	As at 31 March 2007
	approximately HK$	*approximately HK$*	*approximately HK$*
	(audited)	(audited)	(audited)
Assets and liabilities			
Total assets	111,172,000	61,997,000	21,309,000
Net assets value	58,722,000	29,538,000	6,653,000

As at of the Latest Practicable Date, PalmPay Technology, through cooperation with China Unicom (中國聯通) (i) has already penetrated its mobile payment gateway business into 15 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Chongqing (重慶), Jilin (吉林), Guangxi (廣西), Hunan (湖南), Hubei (湖北), Heilongjiang (黑龍江), Shaanxi (陝西), Guizhou (貴州), Gansu (甘肅), Inner Mongolia (內蒙), Yunnan (雲南), Xinjiang (新疆) and Sichuen (四川); (ii) is also in advanced stage of negotiations with China Unicom (中國聯通) for the provision of mobile payment gateway services in 6 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 second quarter of this year.

Based on the audited accounts of the Media Magic Group for the nine months ended 31 December 2008, turnover of the Media Magic Group derived from its mobile payment gateway business was approximately HK$41.14 million, representing an increase of approximately 71.66% when compared with that of the corresponding period of the previous year, which provides stable income and cashflow to the Group.

Following full scale operations of the mobile payment gateway services in 21 major provinces/ municipal cities in the PRC by the second quarter 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.

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

(i) Financial and business performance

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 Media Magic 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 Technology 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 HK$3.2 million. There was no direct cost of sales incurred in the year.

For the year ended 31 March 2008

Turnover for the year amounted to approximately HK$36.5 million. The significant increase in turnover was due to the operation of the mobile payment gateway services in twelve provinces or municipal cities in the PRC, i.e. Shanghai (上海), Liaoning (遼寧), Guangxi (廣西) and Jilin (吉林), Hunan (湖南), Guizhou (貴州), Gansu (甘肅), Hubei (湖北), Chongqing (重慶), Shaanxi (陜西), Inner Mongolia (內蒙) and Heilongjiang (黑龍江).

For nine months ended 31 December 2008

Turnover for the period amounted to approximately HK$41.14 million which was derived from the mobile payment gateway services in fifteen provinces or municipal cities in the PRC, i.e. Shanghai (上海), Liaoning (遼寧), Guangxi (廣西) and Jilin (吉林), Hunan (湖南), Guizhou (貴州), Gansu (甘肅), Hubei (湖北), Chongqing (重慶), Shaanxi (陜西), Inner Mongolia (內蒙) and Heilongiiang (黑龍江), Yunan (雲南), Xinjiang (新疆) and Sichuan (四川).

(ii) Capital structure

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 31 March 2008 consisted of shareholders' equity of approximately HK$433,000 as registered capital and approximately HK$29,105,000 as reserves.

The Media Magic Group's capital structure as at 31 December 2008 consisted of shareholders' equity of approximately HK$433,000 as registered capital and approximately HK$58,289,000 as reserves.

(iii) Liquidity and financial resources

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 31 March 2008, cash and bank balances amounted to approximately HK$1,039,000 and there were no long-term liabilities and bank borrowings.

As at 31 December 2008, cash and bank balances amounted to approximately HK$659,000 and there were no long-term liabilities and bank borrowings.

(iv) Significant investments

As at 31 March 2006, 31 March 2007, 31 March 2008 and 31 December 2008, 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 Technology 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 2006, 2007 and 2008 and 31 December 2008, 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 the year ended 31 March 2006, the Media Magic Group did not have any employee. For the years and period ended 31 March 2007, 31 March 2008 and 31 December 2008, the Media Magic Group has about 25, 50 and 50 employees respectively, total salary and allowances amounted to about HK$308,000, HK$2,642,000 and HK$2,164,000. 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 2006, 31 March 2007, 31 March 2008 and 31 December 2008.

(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 2006, 31 March 2007, 31 March 2008 and 31 December 2008.

(xiii) Gearing

There were no bank borrowings as at as 31 March 2006, 31 March 2007, 31 March 2008 and 31 December 2008.

FINANCIAL EFFECT OF THE ACQUISITION ON ASSETS, EARNINGS AND LIABILITIES OF THE COMPANY

(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$266.62 million as if completion of the Acquisition could have taken place on 30 September 2008. 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 and reserves as a result of the issue of 236,363,636 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. Media Magic will become an indirect wholly-owned subsidiary of the Company and the Group will account for all profit derived from mobile payment gateway business of the Media Magic Group.

(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$43.97 million as if completion of the Acquisition could have taken place on 30 September 2008. The increase is mainly due to the issue of Convertible Bonds in relation to the Acquisition.

REASONS FOR THE ACQUISITION

Upper Power is an investment holding company. The Group is principally engaged in the provision of mobile payment gateway services.

As stated in the announcement of the Company dated 12 November 2007 in relation to the acquisition of 24% interest in the Media Magic, the Directors believe that the business of the provision of diversified mobile value added services is of great potential and prospects in the PRC. Taking into account the significant growth of mobile payment gateway business during 2008, after due consideration, the Directors believes that it is the right time to further acquire 25% equity interests in Media Magic, upon Completion, Media Magic will become an indirect wholly-owned subsidiary of the Company and the Group will account for all profit derived from mobile payment gateway business of the Media Magic Group, which will 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 Technology; (ii) there is an increasing number of mobile phone users in the PRC (current users have already reached 641 million by the end of December 2008 according to the statistics released by the MIIT) 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; and (iii) the benefits of consolidating the business of the Media Magic Group as described above, 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 Agreement, are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the provision of mobile payment gateway services. As mentioned in the third quarterly report of the Group for the nine months ended 31 December 2008, the Group's turnover, which solely derived from its mobile payment gateway business increased from approximately HK$23.69 million of previous corresponding period to approximately HK$39.38 million, represents an increase of approximately 66%. The net profit of the Group for the nine months ended 31 December 2008 increased from approximately HK$11.40 million of previous corresponding period to approximately HK$17.16 million, represents an increase of approximately 51%. Such substantial increase was in line with the consolidation of the Group as one of leading providers of mobile payment gateway in the PRC.

Considering (i) the future prospect and potential of the telecommunication sector in the PRC; and (ii) there is an increasing number of mobile phone users in the PRC and growing demand for diversified mobile value-added services, the Directors (including independent non-executive Directors) believes that it is the right time to increase the Group's stake in the Media Magic Group 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 and cashflow to the Group.

In an effort to establish a complete payment gateway solution in the PRC, the Group is developing another advanced form of payment gateway based on the Near Field Communication Technology ("**NFC**"). The Group has entered into a letter of intent with China Unicom (中國聯通) in February 2009 in relation to the development of Near Field Communication technology payment gateway business in the PRC and firstly in Shanghai. The Group is in final negotiation stage with one of the mobile telecommunication providers in the PRC, a leading bank in the PRC and a worldwide credit card provider for the introduction and operation of such NFC payment gateway in the PRC on a nation-wide basis.

The new NFC payment gateway will serve as an e-payment gateway and will compliment the mobile payment gateway business of the Group and consolidate the Group's leading position in the payment gateway industry in the PRC. Hence, the Board is optimistic that the Group will achieve good performance in the medium to long term.

GEM LISTING RULES IMPLICATIONS

The Sale and Purchase Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Vendor B is a substantial shareholder of Media Magic, which being a subsidiary of the Company, Vendor B is 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 Vendor C and their respective associates, are, in aggregate, interested in 120,301,333 Shares representing approximately 7.68% of the total issued Shares of 1,566,375,508 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.

The Independent Board Committee (comprising all the independent non-executive Directors) will be established to advise the Independent Shareholders as to whether 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. The Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders has been appointed accordingly. Neither of the independent non-executive Directors have any material interest in the Acquisition.

SGM

Set out on pages 192 to 193 is a notice convening the SGM to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 June 2009 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve 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.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

There is no discrepancy between the beneficial shareholding interests of Vendors and its associates in the Company as disclosed in this circular and the numbers of the Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, 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 holding 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder.

Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transaction contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the Acquisition was entered into on normal commercial terms and that the terms of the Acquisition are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the SGM for approving the Acquisition and the transaction contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 31 and 32 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 33 to 49 of this circular.

RECOMMENDATION

The Board having taken into account the advice of the Independent Financial Adviser and the Independent Board Committee considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of the SGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 31 and 32 of this circular which contains its views in relation to the Acquisition and transaction contemplated thereunder; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and transaction contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 33 to 49 of this circular.

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 the Board
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)

27 May 2009

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
INVOLVING ACQUISITION OF 25% INTERESTS IN
MEDIA MAGIC TECHNOLOGY LIMITED
WITH ISSUE OF CONSIDERATION SHARES
AND CONVERTIBLE BONDS**

We refer to the circular of the Company dated 27 May 2009 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Nuada Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 33 to 49 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 30 of the Circular and the additional information set out in the appendices of the Circular.

* *for identification purposes only*

Having considered the terms of the Acquisition, the principal reasons and factors considered by, and the advice of Nuada Limited, we are of the opinion that the Acquisition and the transaction contemplated thereunder is on normal commercial terms and the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned 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 resolution(s) to be proposed at the SGM to approve the Acquisition and the transaction contemplated thereunder.

Yours faithfully,
Independent Board Committee of
Palmpay China (Holdings) Limited

Kwok Chi Sun	**Yeung Kam Yan**	**Chan Kai Wing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Nuada Limited in connection with the terms of the Acquisition 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

27 May 2009

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF 25% INTERESTS IN MEDIA MAGIC TECHNOLOGY LIMITED WITH ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are is fair and reasonable and on normal commercial terms and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution(s) to be proposed at the SGM. Details of the Sale and Purchase Agreement is set out in the letter from the board (the "**Letter**") in the circular to the Shareholders dated 27 May 2009 (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 the Consideration is fair and reasonable and the Sale and Purchase Agreement is on normal commercial terms and its terms are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interests of the Group and the 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 the Ministry of Information Industry (中華人民共和國信息產業部) and the National Bureau of Statistics of China (中華人民共和國國家統計局) regarding the number of mobile telephone subscribers in the PRC.

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 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 the 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 Agreement. 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 Agreement has 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 Agreement.

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.

BACKGROUND INFORMATION

Pursuant to the Sale and Purchase Agreement, 13,889 shares of Media Magic are to be purchased by the Group from Vendors (722 shares, 9,055 shares and 4,112 shares of Media Magic from Vendor A, Vendor B and Vendor C respectively) at a total consideration of HK$82,335,000. The consideration of HK$7,000,000 will be satisfied by cash, of which HK$4,000,000 shall be payable within five Business Days from the date of the Sale and Purchase Agreement and HK$3,000,000 shall be payable on Completion. The remaining balance of HK$75,335,000 will be settled as to (i) HK$26,000,000 by the issue of the Consideration Shares; and (ii) HK$49,335,000 by the issue of the Convertible Bonds on Completion.

The Sale and Purchase Agreement constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Vendor B is a substantial shareholder of Media Magic, which being a subsidiary of the Company, Vendor B is 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.

Vendor A, Vendor B and Vendor C and their respective associates, who are, in aggregate, interested in 120,301,333 Shares, representing approximately 7.68% of the total issued Shares of the Company of 1,566,375,508 Shares as at the Latest Practicable Date, 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 Shareholder has 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 Agreement 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 mobile payment gateway services.

As mentioned in the Letter, the Directors believe that the business of the provision of diversified mobile value-added services is of great potential and prospects in the PRC. The Directors are of the view that, taking into account (i) the significant growth of mobile payment gateway business of Media Magic Group during 2008; (ii) the future prospect and potential of the telecommunication section in the PRC and Palmpay Technology; (iii) there is an increasing number of mobile phone users in the PRC (current users have already reached 641 million by the end of December 2008 according to the statistics released by the MIIT) 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; and (iv) the benefits of consolidating the business of the Media Magic Group into the Group, the 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 Agreement, are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Upon Completion, Media Magic will become an indirect wholly-owned subsidiary of the Company and the Group will account for all profit derived from mobile payment gateway business of the Media Magic Group, which will optimize Shareholders' interests in the long run.

According to the financial information of the Media Magic Group, which has been prepared based on the generally accepted accounting principles in Hong Kong, the profit margin of the Media Magic Group increased from approximately 29.30% for the financial year ended 31 March 2007 to approximately 58.05% for the financial year ended 31 March 2008. For the nine months ended 31 December 2008, the profit margin of the Media Magic Group recorded approximately 68.97%. Based on the third quarterly report of the Group for the nine months ended 31 December 2008, turnover of the Group derived from its mobile payment gateway business was approximately HK$39.4 million, representing an increase of approximately 66% when compared with that of the corresponding period of the previous year. The net profit of the Group for the nine months ended 31 December 2008 increased from approximately HK$11.4 million of previous corresponding period to approximately HK$17.2 million, represents an increase of approximately 51%.

According to the Board, PalmPay Technology, through cooperation with China Unicom (中國聯通) (i) has already penetrated its mobile payment gateway business into 15 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Chongqing (重慶), Jilin (吉林), Guangxi (廣西), Hunan (湖南), Hubei (湖北), Heilongjiang (黑龍江), Shaanxi (陝西), Guizhou (貴州), Gansu (甘肅), Inner Mongolia (內蒙), Yunnan (雲南), Xinjiang (新疆) and Sichuen (四川); (ii) is also in advanced stage of negotiations with China Unicom (中國聯通) for the provision of mobile payment gateway services in 6 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 second quarter of this year.

Having considered (i) the financial results of the Media Magic Group for the year ended 31 March 2007 and 31 March 2008 and the nine months period ended 31 December 2008; (ii) the business development of Palmpay Technology of mobile payment gateway business in the PRC; (iii) the information set out in the section headed "Overview of number of mobile telephone subscribers in the PRC" as discussed below, we concur with the view of Directors 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.

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 2008, 2007 and 2006 and unaudited figures for the nine months ended 31 December 2008 and 2007 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 2008, 2007 and 2006 and the interim report for the six-month periods ended 30 September 2008 and third quarterly report for the nine-month periods ended 31 December 2008 and 2007:

	For the nine months ended 31 December		**For the year ended 31 March**		
	2008	**2007**	**2008**	**2007**	**2006**
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Turnover	39,379	110,484	142,363	110,074	42,474
Gross profit	33,790	33,835	47,972	24,256	4,378
Profit/(Loss) before income tax	23,562	13,848	(6,468)	(5,966)	(8,013)
Profit/(Loss) after income tax	17,157	11,403	(9,012)	(8,618)	(7,660)
Attributable to:					
Equity shareholders of the Company	11,718	5,411	(18,751)	(9,117)	(7,649)

	As at 30 September	**As at 31 March**		
	2008	**2008**	**2007**	**2006**
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Total assets	347,366	312,961	216,949	127,170
Total liabilities	(101,804)	(94,246)	(124,021)	(106,140)
Net Assets	245,562	218,715	92,928	21,030

According to the 2008 annual report of the Company, the Group recorded the turnover of approximately HK$110.07 million and HK$142.36 million for the year ended 31 March 2007 and 31 March 2008 respectively, representing an increase of approximately 29.34%. The loss after income tax increased from approximately HK$8.62 million to approximately HK$9.01 million, representing an increase of approximately 4.52%. The increased in such loss was mainly attributable to the one-off loss on disposal of the trading of electronic devices and internet appliances businesses of approximately HK$17.98 million. The unaudited net assets of the Group recorded approximately HK$245.56 million as at 30 September 2008, representing an increase of approximately 12.27% as compared to audited net assets of the Group of approximately HK$218.71 million as at 31 March 2008.

Upon completion of the disposal of the electronic device and components business of the Group in March 2008, the Group's turnover, which solely represents revenue from its mobile payment gateway business, increased to approximately HK$39.38 million for the nine months ended 31 December 2008 from approximately HK$23.69 million for previous corresponding period, representing an increase of approximately 66.23%, according to the third quarterly report of the Company for the nine months ended on 31 December 2008. Because the mobile payment gateway business is of higher profit margin than the disposed electronic device and components business, the gross profit margin increased approximately 85.81% for the nine months ended 31 December 2008 from approximately 30.62% in the previous corresponding period. In light of the increase in gross profit margin and the decrease in administrative expenses and finance cost of the Group, the Group had recorded the unaudited profit after tax of approximately HK$17.15 million for the nine months ended 31 December 2008 as compared to the audited profit after tax of approximately HK$11.40 million in the previous corresponding period. The net profit margin has also recorded an increased to approximately 43.57% for the nine months period ended 31 December 2008, as compared to approximately 10.32% for the previous corresponding period.

As mentioned in the 2008/09 third quarterly report of the Company (the "**3rd Quarterly Report**"), the Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Company's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in the PRC through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), could be purchased by the subscribers of China Unicom (中國聯通) through mobile phone.

To further strengthen the mobile payment gateway business of the Group, the Group is developing another advanced form of payment gateway based on the Near Field Communication Technology (the "NFC") which will serve as an e-payment gateway and will compliment the mobile payment gateway business of the Group. According to the Board, the Group has entered into a letter of intent with China Unicom (中國聯通) in February 2009 in relation to the development of Near Field Communication technology payment gateway business in the PRC and firstly in Shanghai. Moreover, the Group is in final negotiation stage with one of the mobile telecommunication providers in the PRC, a leading bank in the PRC and a worldwide credit card provider for the introduction and operation of such NFC payment gateway in the PRC on a nation-wide basis.

Based on the above, we are of the view that the Acquisition is in the ordinary course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE MEDIA MAGIC GROUP

With reference to the Letter, 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. and investment holding, 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 Technology, 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 Technology has been enlarged compared with that at the time of its commencement of business in September 2006. PalmPay Technology is currently selling a variety of products through its mobile payment platforms, such as IP cards, virtual game cards and accident insurance products.

The Group has achieved significant progress on its mobile payment gateway business during the nine months ended 31 December 2008. As at 31 December 2008, the Group has commenced operation of such business in 15 provinces/municipal cities whilst the same in 12 provinces/municipal cities as at 31 December 2007. In particular, the IP card product has penetrated from 9 provinces/municipal cities into 13 provinces/municipal cities, the virtual game card product has penetrated from 6 provinces/ municipal cities into 10 provinces/municipal cities and the insurance product has penetrated from 3 province/municipal cities into 10 provinces/municipal cities, from the previous corresponding period to 31 December 2008.

As disclosed in the 3rd Quarterly Report, the Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Company's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in the PRC through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), could be purchased by the subscribers of China Unicom (中國聯通) through mobile phone. According to the interim report of China Unicom (中國聯通) for the six months ended 30 June 2008 and its announcement dated 29 February 2009, GSM mobile service subscribers of China Unicom (中國聯通) had increased from 127.6 million as at 30 June 2008 to 134.20 million as at 31 January 2009. Furthermore, the chairman and chief executive officer of China Unicom (中國聯通) pronounced that China Unicom (中國聯通) will focus on further developing its mobile business, in particular the GPRS value-added services, to enhance its overall revenue of its company. Through the cooperation by providing the provision of mobile payment gateway services of the Group to China Unicom (中國聯通), we concur with the Directors view that the Media Magic Group will generate steady source of income as well as bringing promising returns to the Group in the future.

According to the audited financial results of the Media Magic Group for the year ended 31 March 2008, turnover and profit after tax derived from its mobile payment gateway business was approximately HK$36.52 million and HK$21.20 million for the year ended 31 March 2008. As compared to the audited financial results of the Media Magic Group for the year ended 31 March 2007, turnover and profit after tax derived from its mobile payment gateway business increased by approximately 1,049.61% and 2,177.23% respectively. Based on the audited financial results of the Media Magic Group for the nine months ended 31 December 2008, turnover of the Media Magic Group derived from its mobile payment gateway business was approximately HK$41.14 million, representing an increase of approximately 71.66% when compared with that of the corresponding period of the previous year, which provides stable income and cashflow to the Group. Upon completion of the Acquisition, the Media Magic Group will become indirect wholly-owned subsidiaries of the Company with its accounts being consolidated into the Group.

Having considered the earning potential in mobile payment gateway business in the PRC operated by PalmPay Technology and a remarkable achievement with its existing business of the financial performance of Media Magic Group, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Overview of number of mobile telephone subscribers in the PRC

According to the National Bureau of Statistics of China, the total number of mobile telephone subscribers in the PRC in 31 December 2008 reached approximately 641.23 million, representing an increase of approximately 137.54% from 31 December 2003. The number of mobile telephone subscribers has recorded a constantly growth in the past years and has already been to approximately 555.77 million subscribers from the beginning the year 2008 and further increased to approximately 641.23 million subscribers as of the end of December 2008. 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.

Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are summarized as follow:

Upper Power, a wholly-owned subsidiary of the Company, agreed to acquire 13,889 shares in Media Magic from Vendors at a total consideration of HK$82,335,000;

The total consideration of HK$82,335,000 shall be satisfied by the Company to the Vendors as to:

(i) HK$7,000,000 by cash, of which HK$4,000,000 shall be payable within five business days from the date of the Sale and Purchase Agreement as deposit and HK$3,000,000 shall be payable on Completion;

(ii) HK$26,000,000 to allot and issue the 236,363,636 Consideration Shares credited as fully paid, at the Issue Price on Completion; and

(iii) HK$49,335,000 by procuring the Company to issue at Completion the Convertible Bonds.

The Directors confirm that the cash portion of the consideration will be financed by the internal resources of the Group.

Basis of Consideration

As disclosed in the Letter, 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 Technology; (ii) the profit guarantee of at least HK$33 million being the audited consolidated net profit after tax and extraordinary or exceptional items of the Media Magic Group for the year ending 31 March 2009 ("**Former Profit Guarantee**") joint and severally guaranteed and warranted to Upper Power by Vendor A and Mr. Hsu Tung Chi according to the Former Sale and Purchase Agreements; and (iii) the profit earning ratios of a number of listed companies engaging similar business in the telecommunication sector in Hong Kong ranging from about 0.13 to 125 times. The Consideration is calculated based on the Former Profit Guarantee times 9.98 price earnings multiple and equity interests to be acquired in Media Magic. The Consideration represents approximately 11.15 times based on the attributable 25% equity interests in the Media Magic Group's audited net assets value of approximately HK$29,538,000 as at 31 March 2008, i.e. approximately HK$7,385,000.

We were indicated the price earnings ratio of number of companies listed on the Main Board of the Stock Exchange and the Growth Enterprise Market of the Stock Exchange engaging similar business in the telecommunication sector in Hong Kong ranging from about 0.13 to 125 times as mentioned on page 8 in the Letter (the "**Comparables**"). Having considered the companies being selected by the Company under the Comparables are engaging in the telecommunication sector in Hong Kong which is similar to the Company, we are of view that the companies are selected under the Comparables is reasonable.

In order to assess the fairness and reasonableness of the 11.15 times which represents the Consideration to the attributable 25% equity interests in the Media Magic Group's audited net assets value as at 31 March 2008, we have performed the analysis based on the market capitalization to their respective net asset value of the companies (the "**Price-to-Equity Ratio**") under the Comparables. Among the companies under the Comparables, we note that the net assets values of the companies being selected under the Comparables are ranged from the lowest of approximately HK$7.29 million to highest of approximately HK$373,751 million. We note that the Price-to-Equity Ratio under the Comparables ranged from the lowest 0.15 times to the highest 28.24 times.

Reference is also made to the accountants' report as disclosed in Appendix II to this circular, the audited net assets value of Media Magic Group increased to approximately HK$59,351,000 as at 31 December 2008. Based on attributable 25% equity interest in the Media Magic Group's audited net assets value of HK$59,351,000 as at 31 December 2008, the aforesaid ratio will be changed from 11.15 times to 5.55 times.

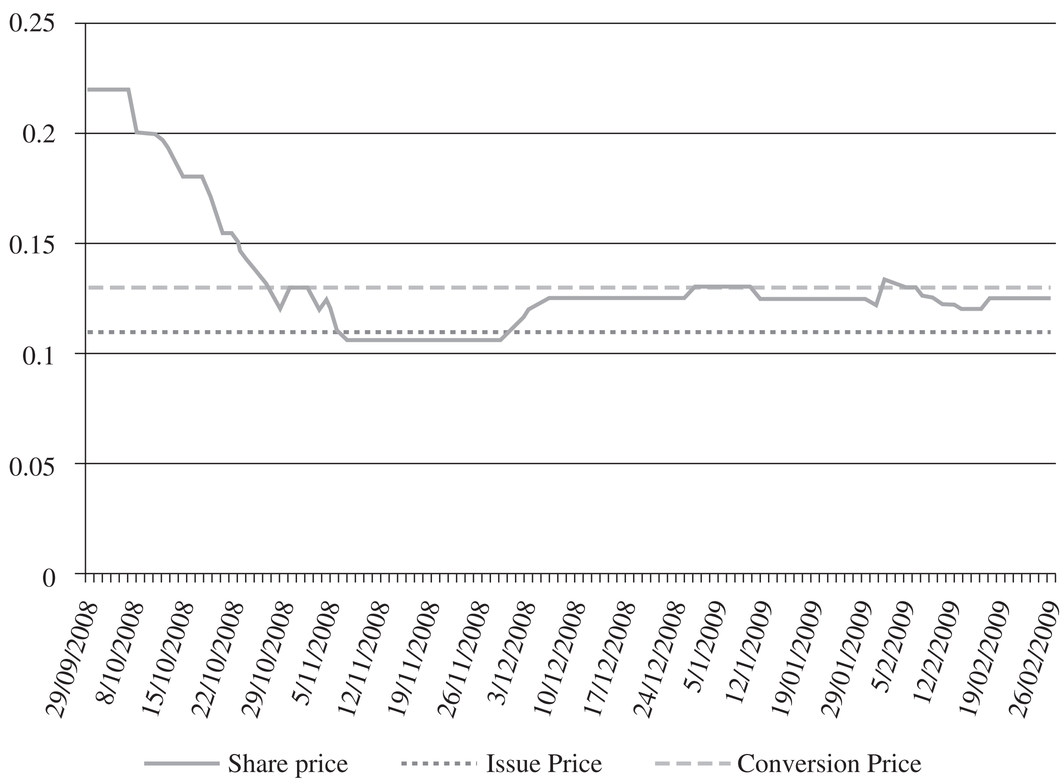
Based on the above, the 9.98 price earnings multiple used by the Company and the Vendors to determine the Consideration and the premium of 5.55 times to the net assets value of Media Magic Group fall within the relevant range of the Comparables. As such, we are of the view that the price earnings multiple used to determine the Consideration and the premium of 5.55 times are fair and reasonable within the industry.

Taking into account (i) the future prospect and business plan of the Media Magic Group and PalmPay Technology and the strong financial performance of the Media Magic Group which we have discussed under the section headed "Information of the Media Magic Group" above; (ii) the potential growth under the secured cooperation arrangements with China Unicom (中國聯通); (iii) the Former Profit Guarantee; (iv) the price earnings multiple being used; and (v) the cash outlay of HK$7,000,000 for the Acquisition, we consider that the Consideration 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 "**Chart**") illustrating the historical closing prices of the Shares during the period from 27 November 2008 up to and including the Last Trading Day (the "**Review Period**").

Closing price per Share on the Stock Exchange



Sources: the Stock Exchange web-site (www.hkex.com.hk)

Consideration Shares

As part of the consideration payable by the Group under the Sale and Purchase Agreement, 236,363,636 new Shares will be issued at an issue price of HK$0.11 per Share for the amount of approximately HK$26,000,000. The Issue Price of HK$0.11 per Consideration Share represents;

(i) a discount of approximately 12% to the closing price of HK$0.125 per Share as quoted on the Stock Exchange on Last Trading Day;

(ii) a discount of approximately 12% to the closing price of HK$0.125 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 discount of approximately 10.93% to the closing price of HK$0.1235 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 40.54% to the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on Latest Practicable Date; and

(v) a discount of approximately 18.52% to the net asset value per Share of approximately HK$0.135 based on the unaudited consolidated financial statements of the Group as at 31 March 2008 and the total number of issued shares of the Company of 1,566,375,508 as at the Latest Practicable Date.

As illustrated in the Charts, the Share closed on the Stock Exchange within a range from the highest of HK$0.22 per Share during the period from 29 September 2008 to 6 October 2008 to the lowest of HK$0.106 per Share during the period from 7 November 2008 to 1 December 2008. The Issue Price is lower than the average closing price per Share during the Review Period of approximately HK$0.133 per Share and the closing price of approximately HK$0.125 per Share as at the Last Trading Day. We note from the Charts above that the Share have been traded at price within a range between HK$0.106 per Share and HK$0.135 per Share since 27 October 2008.

For the purpose of comparison, we have identified, to the best of our knowledge and as far as we are aware of, 16 transactions (the "**Issue Price Comparables**") announced for the last three months immediately prior to the date of the Sale and Purchase Agreements (i.e. from 29 November 2008 to 26 February 2009) conducted by companies which listed on the Stock Exchange involving issue of the consideration shares for the Acquisition of those companies as considerations.

Company's name	Stock code	Date of initial announcement	Premium/(discount) of the issue price of the consideration share over/to the closing price of the share at the last trading day
China Best Group Holdings Limited	370	3 December 2008	31.58%
Golife Concepts Holdings Limited	8172	8 December 2008	(18.03)%
Dynamic Global Holdings Limited	231	11 December 2008	7.27%
Hua Lien (Holding) Limited	969	16 December 2008	7.10%
Wing Shan International Limited	570	16 December 2008	(4.88)%
Temujin International Investments Limited	204	29 December 2008	66.67%
China Fortune Holdings Limited	110	7 January 2009	243.75%
China Mining Resources Group Limited	340	7 January 2009	(4.10)%
Intcera High Tech Group Limited	8041	12 January 2009	33.30%
Kai Yuan Holdings Limited	1215	15 January 2009	1,020.69%
United Pacific Industries Limited	176	18 January 2009	0.00%
China Railway Logistics Limited	8089	29 January 2009	(18.37)%
Shougang Concord International Enterprises Company Limited	697	10 February 2009	9.55%
United Power Investment Limited	674	13 February 2009	8.90%
China-Agri-Industries Holdings Limited	606	17 February 2009	3.40%
Genesis Energy Holdings Limited	702	20 February 2009	21.62%
Premium			1,020.69%
Discount			(18.37)%
The Company			**(12.00)%**

Based on the above illustration, the premium/(discount) represented by the issue price per share of the consideration shares issued by respective listed companies under the Issue 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 ranged from a discount of approximately 18.37% to a premium of the approximately 1,020.69% with average of approximately 88.03%. Upon comparison, we note that the relevant discount represented by the Issue Price over the prevailing market price of the Shares as detailed above falls within the relevant range of the Issue Price Comparables.

Subsequent to the date of the Sale and Purchase Agreement and up to the Latest Practicable Date, we noted that the closing prices of the Shares as quoted from the Stock Exchange has increased from HK$0.125 to HK$0.185. The highest closing prices of HK$0.243 per Share was recorded on 26 March 2009. As disclosed in the Company's announcement dated 26 March 2009, the Board did not aware of any reasons for the increase in trading price and trading volume of the Share.

Pursuant to the Sale and Purchase Agreement, the Purchaser will not, within the period commencing on the date of Completion and ending on the date falling six months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of the Consideration Shares or any interests therein or grant any options or rights in respect of any of the Consideration Shares without prior written approval from the Purchaser, we are of the view that such disposal restriction is in the interest of the Company and the Shareholders as a whole.

Taking into account (i) the weakening share price performance of the Shares on prevailing market condition; (ii) the discount of the Issue Price to the closing price of the Shares as at the Last Trading Date falling within the range of the Issue Price Comparables; and (iii) the Consideration Shares will be subject to 6-months lock-up period, we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Convertible Bonds

As part of the consideration payable by the Group under the Sale and Purchase Agreement, the Convertible Bonds in the principal amount of HK49,335,000 will be issued to the Vendors.

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

Principal amount:	HK$49,335,000, of which HK$2,565,420 to Vendor A, HK$32,166,420 to Vendor B and HK$14,603,160 to Vendor C
Maturity:	Three years
Interest rate:	1% per annum, payable semi-annually

Initial Conversion Price: HK$0.13 per Share (subject to adjustments) represents: (i) a premium of approximately 4% over the closing price of HK$0.125 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of approximately 4% over the closing price of HK$0.125 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 5.26% over the closing price of HK$0.1235 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 discount of approximately 29.73% to the closing price of HK$0.1850 per Share as quoted on the Stock Exchange on Latest Practicable Date; and (v) a discount of approximately 3.7% to the net asset value per Share of approximately HK$0.135 based on the audited consolidated financial statements of the Group as at 31 March 2008 and the total number of issued shares of the Company of 1,566,375,508 as at the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiations among the Upper Power, the Vendors and the Company with reference to average market price of the Shares prior to the Last Trading Day and the Issue Price. The Conversion Price is set at a greater price than the Issue Price and represents a premium of 18.18% over the Issue Price in view of the maturity of the Convertible Bonds of three years.

As illustrated in the Charts, the closing price of the Share on the Stock Exchange within the highest of HK$0.22 per Share to the lowest of HK$0.106 per Share during the Review Period. The average closing price per Share during the Review Period was approximately HK$0.133 per Share. As we mentioned above, the Share have been traded at price within a range between HK$0.106 per Share and HK$0.135 per Share since 27 October 2008.

In light of the (i) weakening share price performance of the Shares on prevailing market condition during the Review Period; (ii) Conversion Price is slightly above the prevailing market as at Last Trading Day and for the last ten consecutive trading days up to and including the Last Trading Day; and (iii) Convertible Bonds carry interest of 1% per annum with maturity period of three year, we are of the view that the 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.

EFFECT ON THE SHAREHOLDING OF THE INDEPENDENT SHAREHOLDERS

We set out below the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion and the allotment and issue of the Consideration Shares; (iii) immediately after allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds at the Conversion Price assuming no further Shares (including exercise of the outstanding share options, non-listed warrants and convertible bonds issued pursuant to the Former Sale and Purchase

Agreements) will be issued or no Shares will be repurchased before the allotment and issue of the Consideration Shares and Conversion Shares; and (iv) immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, exercise of 164,560,000 share options, 267,304,635 warrants and 6,986,899 conversion shares pursuant to the Former Sale and Purchase Agreements:

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		Immediately after the allotment and issue of the Consideration Shares and the Conversion Shares, exercise of 164,560,000 share options, 267,304,635 warrants and 6,986,899 conversion shares	
	Number of Shares	*Approx %*	*Number of Shares*	*Approx %*	*Number of Shares*	*Approx %*	*Number of Shares*	*Approx %*
Starryland Profits Limited *(Note 1)*	351,354,000	22.43%	351,354,000	19.49%	351,354,000	16.10%	351,354,000	13.40%
Mr. Lau Kim Hung, Jack *(Note 1)*	12,408,000	0.79%	12,408,000	0.69%	12,408,000	0.57%	12,408,000	0.47%
Subtotal	**363,762,000**	**23.22%**	**363,762,000**	**20.18%**	**363,762,000**	**16.67%**	**363,762,000**	**13.87%**
Vendor B *(Note 4)*	–	–%	–	–%	412,343,091	18.89%	412,343,091	15.73%
Big Well Investments Limited *(Note 6)*	–	–%	–	–%	–	–%	267,304,635	10.20%
Hsu Tung Sheng *(Note 2)*	900,000	0.06%	900,000	0.05%	900,000	0.04%	15,740,000	0.60%
Ho Hoi Lap *(Note 2)*	2,544,000	0.16%	2,544,000	0.14%	2,544,000	0.12%	15,744,000	0.60%
Hsu Tung Chi *(Note 2)*	65,074,000	4.15%	65,074,000	3.61%	65,074,000	2.98%	82,534,087	3.15%
Chan Hing Wing, James *(Note 2)*	–	–%	–	–%	–	–%	14,840,000	0.57%
Chan Francis Ping Kuen *(Note 2)*	–	–%	–	–%	–	–%	28,360,000	1.08%
Subtotal	**65,518,000**	**4.37%**	**68,518,000**	**3.80%**	**480,861,091**	**22.03%**	**836,865,813**	**31.93%**
Public								
Vendor A *(Note 3)*	101,581,333	6.48%	113,872,242	6.32%	133,606,424	6.12	137,973,054	5.26%
Vendor B *(Note 4)*	10,800,000	0.69%	164,909,091	9.15%	–	–%	–	–%
Vendor C *(Note 5)*	7,920,000	0.51%	77,883,636	4.32%	190,215,636	8.72%	190,215,636	7.26%
Employees and consultants	–	–%	–	–%	–	–%	78,480,000	3.00%
Other public Shareholders	1,013,794,175	64.73%	1,013,794,175	56.23%	1,013,794,175	46.46%	1,013,794,175	38,68%
Subtotal	**1,134,095,508**	**72.41%**	**1,370,459,144**	**76.02%**	**1,337,616,053**	**61.30%**	**1,420,462,865**	**54.20%**
Total	**1,566,375,508**	**100.00%**	**1,802,739,144**	**100.00%**	**2,182,239,144**	**100.00%**	**2,621,090,678**	**100.00%**

Notes:

1. Starryland Profits Limited is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau") who does not hold any position in the Group. Mr. Lau is deemed to be interested in 351,354,000 Shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,200,000 Shares held by Ms. Chan Yiu Kan Katie.

2. Mr. Hsu Tung Sheng is an executive Director and chief executive officer of the Company, Dr. Ho Hoi Lap is non-executive Director and chairman of the Company Mr. Hsu Tung Chi, Mr. Chan Hin Wing, James and Mr. Chan Francis Ping Kuen are executive Directors.

3. Vendor A and his parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

4. 10,800,000 Shares were held by the ultimate beneficial owner of Vendor B. Vendor B and it parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

5. 7,920,000 Shares were held by the ultimate beneficial owner of Vendor C. Vendor C and its parties acting in concert will hold less than 30% of the total issued Shares at any time after Completion.

6. Big Well Investments Limited is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well Investments Limited to subscribe for 223,000,000 Shares. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635.

As shown in the above shareholding table, the shareholding of the public shareholders excluding Vendors will decrease from approximately 64.94% to approximately 56.42% following the allotment and issue of the Consideration Shares and will further decrease to approximately 46.61% following the allotment and issue of the Consideration Shares and Conversion Shares.

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.

FINANCIAL EFFECT

According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the unaudited consolidated net assets of the Group was approximately HK$245.56 million as at 31 December 2008. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group would increase to approximately HK$266.62 million as a result of the Acquisition.

RECOMMENDATION

Having considered the above principal factors and reasons above, we consider that entering into of the Sale and Purchase Agreement 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 resolution(s) to be proposed at the SGM to approve the Sale and Purchase Agreement and the transaction contemplated thereunder.

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

1. 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 2008 as extracted from the relevant published financial statements of the Group.

Results

	For the year ended 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	142,363	110,074	42,474
(Loss) before taxation	(6,468)	(5,966)	(8,013)
Taxation	(2,544)	(2,652)	353
(Loss) for the year	(9,012)	(8,618)	(7,660)
Attributable to:			
Equity holders of the Company	(18,781)	(9,117)	(7,649)
Minority interests	9,739	499	(11)
	(9,012)	(8,618)	(7,660)

Asset and liabilities

	As at 31 March		
	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	312,961	216,949	127,170
Total liabilities	94,246	124,021	106,140
Total equity	218,715	92,928	21,030

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited financial statements of the Group for the three years ended 31 March 2008 together with accompanying notes extracted from the 2007/08 Annual Report of the Company. References to page numbers in this appendix are to the pages numbers of the 2007/08 Annual Report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March

	Notes	2008 HK$'000	2007 HK$'000	2006 HK$'000
TURNOVER	7	142,363	110,074	42,474
Cost of sales		(94,391)	(85,818)	(38,096)
Gross profit		47,972	24,256	4,378
Other revenue	7	3,519	1,329	318
Distribution costs		(4,076)	(1,217)	(126)
Administrative expenses		(29,594)	(21,216)	(5,517)
Other operating expenses		–	–	(415)
Loss on disposals of subsidiaries		(17,975)	–	–
Provision for impairment loss of fixed assets		–	–	(5,000)
Provision for impairment loss of available-for-sale financial assets		–	(570)	(657)
Finance costs	8	(6,314)	(8,361)	(994)
Share of loss from an associate		–	(187)	–
LOSS BEFORE INCOME TAX	9	(6,468)	(5,966)	(8,013)
Tax	11	(2,544)	(2,652)	353
LOSS FOR THE YEAR		(9,012)	(8,618)	(7,660)
ATTRIBUTABLE TO:				
Equity holders of the Company		(18,751)	(9,117)	(7,649)
Minority interests		9,739	499	(11)
LOSS FOR THE YEAR		(9,012)	(8,618)	(7,660)
DIVIDENDS	14	–	–	–
LOSS PER SHARE	15			
– Basic		HK cent (1.64)	HK cent (1.78)	HK cent (2.53)
– Diluted		N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET
As at 31st March 2008

	Notes	2008 HK$'000	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS				
Fixed assets	16	16,045	39,822	20,986
Available-for-sale financial assets	17	–	150	720
Intangible assets	19	232,931	60,730	25,537
Deferred tax assets	32	–	430	658
		248,976	101,132	47,901
CURRENT ASSETS				
Inventories	20	–	38,484	20,856
Trade receivable	21	28,739	21,756	33,663
Prepayments, deposits and other receivables		3,494	7,469	6,756
Financial assets at fair value through profit or loss		–	–	2,325
Tax prepaid		–	64	6
Pledged time deposits	22	–	14,260	11,239
Cash and cash equivalents	22	31,752	33,784	4,424
		63,985	115,817	79,269
CURRENT LIABILITIES				
Trade payable	23	–	20,087	10,330
Bank borrowings	24	–	64,517	62,413
Current portion of finance lease payables	25	–	2,778	2,368
Other loans	26	–	1,044	1,134
Accrued expenses and other payables		6,730	7,886	3,064
Due to a director	27	253	–	–
Due to a director of a subsidiary	27	5,859	–	–
Due to a shareholder	27	–	215	999
Due to a shareholder of a subsidiary	27	–	13,741	–
Promissory notes	28	–	6,158	–
Tax payable		1,813	854	973
		14,655	117,280	81,281

	Notes	2008 HK$'000	2007 HK$'000	2006 HK$'000
NET CURRENT ASSETS/ (LIABILITIES)		49,330	(1,463)	(2,012)
TOTAL ASSETS LESS CURRENT LIABILITIES		298,306	99,669	45,889
NON-CURRENT LIABILITIES				
Bank borrowings	24	–	1,153	1,045
Finance lease payables	25	–	4,005	2,592
Convertible notes	33	2,791	–	8,415
Other payable	35	76,800	–	–
Promissory notes		–	–	12,636
Provision for long service payment		–	171	171
Deferred tax liabilities	32	–	1,412	–
		79,591	6,741	24,859
NET ASSETS		218,715	92,928	21,030
CAPITAL AND RESERVES				
Issued capital	29	64,117	48,471	18,750
Reserves		147,748	39,890	292
		211,865	88,361	19,042
MINORITY INTERESTS		6,850	4,567	1,988
TOTAL EQUITY		218,715	92,928	21,030

BALANCE SHEET
As at 31st March 2008

	Notes	2008 HK$'000	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS				
Investments in subsidiaries	18	–	13,172	13,172
Amounts due from subsidiaries	18	–	13,158	12,636
		–	26,330	25,808
CURRENT ASSETS				
Due from subsidiaries	18	270,002	59,767	37,365
Tax prepaid		–	–	4
Cash and cash equivalents	22	30,713	31,948	1,138
		300,715	91,715	38,507
CURRENT LIABILITIES				
Bank overdraft, unsecured		–	–	132
Accrued expenses and other payables		766	347	1,065
Amount due to a shareholder		–	–	999
Promissory notes	28	–	6,158	–
		766	6,505	2,196
NET CURRENT ASSETS		299,949	85,210	36,311
TOTAL ASSETS LESS CURRENT LIABILITIES		299,949	111,540	62,119
NON-CURRENT LIABILITIES				
Convertible notes	33	2,791	–	8,415
Other payable	35	76,800	–	–
Promissory notes		–	–	12,636
		79,591	–	21,051
NET ASSETS		220,358	111,540	41,068
CAPITAL AND RESERVES				
Issued capital	29	64,117	48,471	18,750
Reserves	31	156,241	63,069	22,318
		220,358	111,540	41,068

STATEMENT OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY

For the year ended 31st March 2008

Group

	Issued share capital *HK'000*	Share premium *HK$'000*	Contri-buted surplus *HK$'000*	Ex-change reserve *HK$'000*	Conver-tible notes reserve *HK$'000*	Share option reserve *HK$'000*	Warrant reserve *HK$'000*	Accumu-lated losses *HK$'000*	Sub-total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 April 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
Issue of share capital – *note 29 (a) (ii), (vi)*	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 (a) (iv)*	1,500	4,500	–	–	–	–	–	–	6,000	–	6,000
Share option exercised – *note 29 (a) (i), (vii)*	2,200	7,519	–	–	–	(1,239)	–	–	8,480	–	8,480
Exercise of warrants – *note 29(a) (iii)*	4,650	10,695	–	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes – *note 29 (a) (v)*	2,447	7,737	–	–	(885)	–	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	–	(2,625)	–	(2,625)
Exchange realignment	–	–	–	1,099	–	–	–	–	1,099	–	1,099
Net loss for the year	–	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 31 March 2007 and at 1 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 – *note 29 (a) (viii)*	5,500	46,200	–	–	–	–	–	–	51,700	–	51,700
Recognition of equity-settled share-based payment – *note 30*	–	–	–	–	–	3,736	–	–	3,736	–	3,736
Share option exercised – *note 29 (a) (ix)*	1,977	12,763	–	–	–	(2,480)	–	–	12,260	–	12,260
Issue of consideration shares – *note 29 (a) (x)*	8,169	65,351	–	–	–	–	–	–	73,520	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	–	(1,853)	–	(1,853)
Issue of warrants – *note 29 (c) (ii)*	–	–	–	–	–	–	1,561	–	1,561	–	1,561
Warrants issue expenses	–	–	–	–	–	–	(221)	–	(221)	–	(221)
Issue of convertible notes – *note 33*	–	–	–	–	443	–	–	–	443	–	443
Acquired on acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(5,469)	(5,469)
Disposal of subsidiaries	–	–	–	(2,518)	–	–	–	–	(2,518)	(1,987)	(4,505)
Exchange realignment	–	–	–	3,627	–	–	–	–	3,627	–	3,627
Net loss for the year	–	–	–	–	–	–	–	(18,751)	(18,751)	9,739	(9,012)
At 31 March 2008	64,117	179,624	6,015	2,314	443	3,736	1,340	(45,724)	211,865	6,850	218,715

The contributed surplus of the Group arose as a result of the group reorganisation for the listing of the Company's shares on the Growth Enterprise Market 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 the Company's shares in exchange therefor.

Company

	Issued share capital HK"000	Share premium HK$'000	Contri-buted surplus HK$'000	Conver-tible notes reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 April 2006	18,750	11,152	12,947	885	–	–	(2,666)	41,068
Issue of shares capital – *note 29 (a) (ii), (vi)*	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 (a) (iv)*	1,500	4,500	–	–	–	–	–	6,000
Share option exercised – *note 29 (a) (i), (vii)*	2,200	7,519	–	–	(1,239)	–	–	8,480
Exercise of warrants – *note 29 (a) (iii)*	4,650	10,695	–	–	–	–	–	15,345
Conversion of convertible notes – *note 29 (a) (v)*	2,447	7,737	–	(885)	–	–	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(6,855)	(6,855)
At 31 March 2007 and at 1 April 2007	48,471	57,163	12,947	–	2,480	–	(9,521)	111,540
Issue of shares under placing – *note 29 (a) (viii)*	5,500	46,200	–	–	–	–	–	51,700
Recognition of equity-settled share-based payment – *note 30*	–	–	–	–	3,736	–	–	3,736
Share option exercised – *note 29 (a) (ix)*	1,977	12,763	–	–	(2,480)	–	–	12,260
Issue of consideration shares – *note 29 (a) (x)*	8,169	65,351	–	–	–	–	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	(1,853)
Issue of warrants – *note 29 (c) (ii)*	–	–	–	–	–	1,561	–	1,561
Warrants issue expenses	–	–	–	–	–	(221)	–	(221)
Issue of convertible notes – *note 33*	–	–	–	443	–	–	–	443
Disposal of a subsidiary	–	–	(6,932)	–	–	–	–	(6,932)
Net loss for the year	–	–	–	–	–	–	(25,396)	(25,396)
At 31 March 2008	64,117	179,624	6,015	443	3,736	1,340	(34,917)	220,358

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March 2008

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Loss before income tax	(6,468)	(5,966)	(8,013)
Adjustments for:			
Depreciation	7,228	4,879	1,372
Amortisation of product development costs	2,035	2,143	161
Gain on disposals of fixed assets	100	(71)	–
Provision for impairment loss on available-for-sale financial assets	–	570	657
Provision for impairment loss on fixed assets	–	–	5,000
Impairment allowances for bad and doubtful debts	54	–	–
Share-based payments	3,736	3,719	–
Share of loss from an associate	–	187	–
Interest expenses	6,314	8,361	994
Interest income	(2,809)	(711)	(108)
Gain arising from fair value change of derivative financial instruments	(146)	–	–
Loss on disposal of subsidiary's loan	1,500	–	–
Loss on disposal of subsidiaries, net	17,975	–	–
Operating cash flows before movements in working capital	29,519	13,111	63
(Increase)/decrease in inventories	(16,139)	(17,628)	8,176
Decrease/(increase) in trade receivable	(17,652)	12,597	(1,739)
Decrease in prepayments, deposits and other receivables	(4,448)	285	3,627
Increase/(decrease) in trade payable	8,941	9,757	(7,788)
Increase/(decrease) in accrued expenses and other payables	3,004	3,759	(86)
Increase in amount due to a director	253	–	–
Increase in amount due to a director of a subsidiary	5,859	–	–
Cash generated from operating activities	9,337	21,881	2,253
Interest paid	–	(6,191)	(994)
Hong Kong profits tax refunded	–	4	934
Hong Kong profits tax paid	(580)	(264)	(4)
NET CASH GENERATED FROM OPERATING ACTIVITIES	8,757	15,430	2,189

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Interest received	2,809	711	108
Sales proceeds from disposals of fixed assets	13	1,000	795
Sales proceeds from disposal of subsidiary's loan	4,500	–	–
Decrease in financial assets at fair value through profit or loss	–	2,325	–
Increase in derivative financial instruments	(3,080)	–	–
Acquisition of subsidiaries	(50,983)	(9,468)	–
Proceeds from disposal of subsidiaries	37,191	–	–
(Increase)/decrease in pledged time deposits	2,951	(3,021)	2,315
Payment for purchases of fixed assets	(13,583)	(14,189)	(1,626)
Product development costs paid	(4,141)	(4,364)	(833)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(24,323)	(27,006)	759
FINANCING ACTIVITIES			
Interest paid	(6,280)	–	–
Payment of obligations under finance leases	1,972	(2,905)	(202)
Proceeds from new bank loans	–	1,333	28
Net proceeds from issue of shares	62,107	58,308	–
Net proceeds from issue of warrant	1,340	–	–
Repayment of bank loans	(3,261)	–	(254)
Repayment of bank export and import loan	(3,532)	(1,680)	–
Advances from a shareholder	–	–	880
Repayment of promissory notes	(6,158)	(17,120)	–
(Repayment of)/proceeds from other loans	(40)	(90)	10
Repayment of bank overdraft by a newly acquired subsidiary	–	–	(25,600)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	42,204	37,846	(25,138)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	26,638	26,270	(22,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	437	(22,124)	78
CHANGES IN FOREIGN EXCHANGE RATES	437	531	(12)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31,752	4,677	(22,124)

Non-cash transactions:

1. No finance lease arrangement was entered by the Group during the year, In last year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$6,105,000.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2008

1. CORPORATION INFORMATION

Palmpay China (Holdings) Limited ("the Company") was incorporated in Bermuda on 7 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 1 November 2001. Details of the group reorganisation are set out in the Company's prospectus dated 24 October 2001.

The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The Company's principal activity has not changed during the year and consisted of investment holding. The principal activity of its subsidiary is the provision of mobile payment gateway services. Its subsidiaries also 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 a full range of design, engineering and manufacturing services to high-end brand-named users in the industry, which were discontinued upon the disposal of subsidiaries in current year, further details of which are set out in note 13 to the financial statements.

By a special resolution passed on 23 August 2007, the name of the Company was changed from "Union Bridge Holdings Limited 聯僑集團控股有限公司" to "Palmpay China (Holdings) Limited 中國掌付(集團)有限公司".

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention, except for available-for-sale financial assets, derivative financial instruments 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. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements of the year.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The adoption of the new HKFRSs has given rise to additional disclosures as follows:

HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 42.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 March 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

- a sensitivity analysis explains the Group's market risk exposure in regard to its financial instruments, and

- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

3.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year 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 identifiable 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 Group.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the 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 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 Group are assigned to those units or groups of units.

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.

Impairment of non-financial assets other than goodwill

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 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 balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the asset's 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, but 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, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the 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 Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the 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 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 Group, or of any entity that is a related party of the Group.

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:

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 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.

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.

Intangible assets (other than goodwill)

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.

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 expenses 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.

Technical know-how

Technical know-how with indefinite useful lives is 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 form indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contracts that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sales financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existed liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes on fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follow:

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining terms to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised on profit or loss.

The Group discontinues fair value hedge accounting of the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profits or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost if a non-financial asset or liability, the accounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis, and in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade receivables

Trade receivables, 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.

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.

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 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.

Provision

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.

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, carry forward 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 carry forward 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.

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 expenses 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.

Promissory notes

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

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 provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily.

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

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

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

(f) 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.

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 People's Republic of China ("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 into 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.

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.

Foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Group'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 of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On consolidation, the financial statements of overseas subsidiaries are 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 year, 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 year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

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 form those of other segments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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:

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.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and residual values for its property, plant and equipment. 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.

Income taxes

The Group is subject to incomes 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.

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.

6. SEGMENTAL 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:

- The internet appliances segment provides internet appliances and related products;

- The electronic devices and components segment provides power devices, magnetic and printed circuit board assembly;

- The design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly; and

- 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 revenues, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Continuing operation		Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	36,523	3,178	–	2,147	104,116	99,972	1,724	4,777	142,363	110,074
RESULTS										
Segments results	33,331	3,178	–	192	15,299	18,821	(658)	2,065	47,972	24,256
Other revenues and gains									3,519	1,329
Distribution costs									(4,076)	(1,217)
Administrative expenses									(29,594)	(21,216)
Provision for impairment loss on available-for-sale financial assets									–	(570)
Loss on disposal of subsidiaries, net									(17,975)	–
Finance costs									(6,314)	(8,361)
Share of loss from an associate									–	(187)
Loss before tax									(6,468)	(5,966)
Tax									(2,544)	(2,652)
Loss for the year									(9,012)	(8,618)

	Continuing operation		Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET										
ASSETS										
Segments assets	45,823	9,319	–	241	–	38,506	–	14,776	45,823	62,842
Unallocated assets									267,138	154,107
Total assets									312,961	216,949
LIABILITIES										
Segments liabilities	–	–	–	36	–	20,051	–	–	–	20,087
Unallocated liabilities									94,246	103,934
Total liabilities									94,246	124,021
Other segment information:										
Depreciation	2,211	266	28	248	3,529	3,002	–	–	5,768	3,516
Depreciation – unallocated									1,460	1,363
Capital expenditure – unallocated									13,583	18,917

(b) **Geographical segments**

A summary of the geographical segments as at 31 March 2008 is set out as follows:

	Asia & Middle East		United States of America ("USA")		United Kingdom ("UK")		Europe		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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:												
Continuing operation	36,523	3,178	–	–	–	–	–	–	–	–	36,523	3,178
Discontinued operations	31,440	29,284	7,998	19,580	38,691	31,147	27,711	26,877	–	8	105,840	106,896
External turnover	67,963	32,462	7,998	19,580	38,691	31,147	27,711	26,877	–	8	142,363	110,074
Capital expenditure	13,583	18,917	–	–	–	–	–	–	–	–	13,583	18,917
Assets:												
Segment assets	312,961	198,971	–	5,944	–	4,948	–	5,674	–	1,412	312,961	216,949

7. TURNOVER, OTHER REVENUES AND GAINS

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

An analysis of the Group's turnover, other revenues and gains for the year is as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
TURNOVER		
CONTINUING OPERATION		
Mobile payment gateway services	36,523	3,178
DISCONTINUED OPERATIONS		
Trading of internet appliances and related products	–	2,147
Trading and manufacturing of electronic devices and components	104,116	99,972
Design and engineering services	1,724	4,777
	105,840	106,896
	142,363	110,074
OTHER REVENUES AND GAINS		
Interest income	2,809	711
Exchange gains, net	215	321
Gain on disposal of property, plant and equipment	–	71
Gain arising from fair value change of derivative financial instruments	146	–
Sundry income	349	226
	3,519	1,329

8. FINANCE COSTS

	Group 2008	2007
	HK$'000	HK$'000
Interest on:		
Bank overdrafts, bills and loans wholly repayable within five years	5,366	5,570
Finance leases	372	486
Convertible notes	34	885
Promissory notes repayable within five years	542	1,285
Other loans	–	135
	6,314	8,361

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after crediting and charging the following:

	Group 2008	2007
	HK$'000	HK$'000
Crediting:		
Interest income	2,809	711
Exchange gains, net	215	321
Gain on disposal of property, plant and equipment	–	71
Gain arising from fair value change of derivative financial instruments	146	–
Charging:		
Auditors' remuneration	680	648
Amortisation of product development costs	2,035	2,143
Cost of sales	94,391	85,818
Depreciation of property, plant and equipment	7,228	4,879
Loss on disposal of property, plant and equipment	100	–
Provision for impairment loss of available-for-sale financial assets	–	570
Minimum lease payments under operating leases on land and buildings	1,214	2,106
Loss on disposal of subsidiaries, net	17,975	–
Staff costs (excluding directors' remuneration – *note 10*)		
Salaries and allowances	14,792	14,709
Pension scheme contributions	259	686
Share-based payments	1,619	2,618
Loss of disposal of subsidiary's loan	1,500	–
Impairment allowances for bad and doubtful debt	54	–

Staff costs and directors' remuneration amounting to HK$3,742,000 (2007: HK$3,943,000) in relation to research and development are capitalised in "product development costs" during the year.

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Independent non-executive directors:		
Fees	275	180
Salaries, allowances and benefits in kind	–	–
Pension scheme contributions	5	–
Share-based payments	813	–
	1,093	180
Executive directors:		
Salaries, allowances and benefits in kind	1,909	1,430
Pension scheme contributions	26	23
Share-based payments	1,304	1,102
	3,239	2,555
	4,332	2,735

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

	Number of directors	
	2008	**2007**
Emolument band		
Nil to HK$1,000,000	9	7
HK$1,000,000 to HK$2,000,000	1	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: 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 (2007: Nil).

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

	2008					2007
	Fees	Salaries, allowances and benefits in kind	Pension scheme contri-butions	Share–based payments	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*
Executive Directors						
Chan Hin Wing, James	–	120	6	138	264	654
Hsu Tung Chi (appointed on 12 March 2008)	–	55	–	138	193	–
Hsu Tung Sheng (appointed on 2 October 2007)	–	399	3	138	540	–
Chan Francis Ping Kuen (appointed on 22 May 2007)	–	104	5	890	999	–
Lo Ka Tong (resigned on 12 March 2008)	–	1,214	11	–	1,225	1,317
Wan Kin Chung (resigned on 24 August 2007)	–	–	–	–	–	4
Cheng Kwong Chung (resigned on 11 July 2007)	–	–	–	–	–	45
Wong Tak Shing (resigned on 22 May 2007)	–	17	1	–	18	535
Sub-total	–	1,909	26	1,304	3,239	2,555
Non-executive Directors						
Kwok Chi Sun Vincent	60	–	–	–	60	60
Yeung Kam Yan	60	–	–	–	60	60
Chan Wing Chiu	60	–	–	–	60	60
Ho Hoi Lap (appointed on 15 June 2007)	95	–	5	813	913	–
Sub-total	275	–	5	813	1,093	180
Total	275	1,909	31	2,117	4,332	2,735

(c) The five highest paid employees during the year included one (2007: Nil) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2007: five), non-director, highest paid employees are set out as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,292	3,201
Pension scheme contributions	46	60
	2,338	3,261

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

	Number of employee	
	2008	**2007**
Emolument band		
Nil to HK$1,000,000	5	4
HK$1,000,000 to HK$2,000,000	–	1

During the year, no remuneration was 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 (2007: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2007: Nil).

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax in the consolidated income statement represents:

	Group 2008	2007
	HK$'000	*HK$'000*
Current tax-provision for Hong Kong profits tax		
Current year	429	292
Over provision in prior years	–	(208)
Current tax-provision for the PRC tax		
Current year	1,721	–
Under provision in prior years	223	–
	2,373	84
Deferred tax – *note 32*	171	2,568
Tax charge for the year	2,544	2,652
Attributable to:		
Continuing operation	2,170	497
Discontinued operations – *note 13*	374	2,155
	2,544	2,652

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Group 2008	2007
	HK$'000	*HK$'000*
Loss before tax	(6,468)	(5,966)
Tax at the domestic tax rate of 17.5% (2007: 17.5%)	(1,132)	(1,044)
Effect of different tax rates in other jurisdictions	2,143	219
Tax effect of non-deductible expenses	6,323	2,716
Tax effect of non-taxable income	(981)	(1,506)
Tax effect on accelerated depreciation allowance	(793)	(35)
Tax effect on unused tax losses not recognised	850	2,510
Under provision in the prior years	223	–
Over provision in the prior years	–	(208)
Tax rebate	(75)	–
Tax concession	(4,014)	–
Tax charge for the year	2,544	2,652

Details of movement of the Group's deferred tax 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 31 March 2008 dealt with in the financial statements of the Company was HK$25,396,000 (2007: HK$6,855,000).

13. DISCONTINUED OPERATIONS

On 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, which held subsidiaries engaged in trading of internet appliances and related products.

Besides, on 11 January 2008, Great Plan Group Limited, a wholly-owned subsidiary of the Company, entered into agreements to sell 100% of the total issued shares of Union Bridge Group Limited, which held subsidiaries engaged in trading and manufacturing of electronic devices and components, and design and engineering services. The disposal of the entire interest in Union Bridge Group Limited and it subsidiaries was completed on 12 March 2008.

The operating result associated with the business of trading of internet appliances and related products, trading and manufacturing of electronic devices and components, and design and engineering services for the year and gain on disposal of subsidiaries related to the discontinued operations are presented below:

		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Turnover	*7*	105,840	106,896
Cost of sales		(91,199)	(85,818)
Gross profit		14,641	21,078
Other revenues and gains		1,107	1,186
Distribution costs		(241)	(1,217)
Administrative expenses		(10,886)	(12,940)
Provision for impairment loss of available-for-sale financial assets		–	(570)
Finance costs		(5,738)	(6,192)
PROFIT/(LOSS) BEFORE TAX		(1,117)	1,345
Tax	*11*	(374)	(2,155)
LOSS FOR THE YEAR		(1,491)	(810)

The net cash flows incurred by the disposed group are as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Operating activities	25,403	25,692
Investing activities	(5,134)	(17,633)
Financing activities	(14,543)	(9,533)
Net cash inflow/(outflow)	5,726	(1,474)

14. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2007: Nil).

15. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2008	**2007**
	HK$'000	*HK$'000*
For continuing and discontinued operations		
Loss attributable to shareholders	(18,751)	(9,117)
For continuing operation		
Loss attributable to shareholders	(17,260)	(8,307)
	Number of shares	
Weighted average number of ordinary shares in issue during the year	1,146,633,275	513,322,041

Diluted loss per share is not presented as the convertible notes and share options had anti-dilutive effects on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Tooling	Leasehold improve-ments	Furniture and fixture	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 1 April 2006	5,083	789	1,974	193	3,338	9	12,814	24,200
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)
Exchange realignment	–	19	220	49	139	–	728	1,155
At 31 March 2007 and at 1 April 2007	5,083	1,444	7,284	589	9,701	9	22,503	46,613
Additions	–	272	200	85	12,567	438	21	13,583
Disposal	–	–	(484)	–	(25)	–	–	(509)
Disposal of subsidiaries	(5,083)	(1,741)	(7,113)	(666)	(5,320)	(447)	(23,790)	(44,160)
Exchange realignment	–	25	745	86	1,340	–	1,266	3,462
At 31 March 2008	–	–	632	94	18,263	–	–	18,989
Accumulated depreciation								
At 1 April 2006	29	18	697	94	488	9	1,879	3,214
Charge for the year	215	256	668	55	1,274	–	2,411	4,879
Written back on disposals	–	–	–	–	–	–	(1,889)	(1,889)
Exchange realignment	–	6	127	48	(31)	–	437	587
At 31 March 2007 and at 1 April 2007	244	280	1,492	197	1,731	9	2,838	6,791
Charge for the year	204	326	923	79	2,977	54	2,665	7,228
Written back on disposals	–	–	(393)	–	(3)	–	–	(396)
Disposal of subsidiaries	(448)	(623)	(2,077)	(324)	(2,303)	(63)	(6,056)	(11,894)
Exchange realignment	–	17	280	62	303	–	553	1,215
At 31 March 2008	–	–	225	14	2,705	–	–	2,944
Net book value								
At 31 March 2008	–	–	407	80	15,558	–	–	16,045
At 31 March 2007	4,839	1,164	5,792	392	7,970	–	19,665	39,822

Notes:

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

(ii) The net book value of the Group's property, plant and equipment held under finance leases (included in plant and machinery) as at 31 March 2008 amounted to HK$nil (2007: HK$11,177,000).

(iii) The Group had no pledged of assets as at 31 March 2008. As at 31 March 2007, the Group's land and buildings with net book value of HK$4,839,000 were all pledged to secure 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 property, plant and equipment in accordance with HKAS17.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Listed equity securities, at cost	–	10,800
Transfer from capital reserve account	–	(1,200)
Provision for impairment loss	–	(9,450)
	–	150

In April 2007, the Group disposed of its entire shareholdings in MP Logistics 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.

Provision for impairment loss as at 31 March 2007 amounting to HK$9,450,000 is determined based on the consideration received after the year ended 31 March 2007 as mentioned above.

Particulars of available-for-sale financial assets held by the Group 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

18. INTERESTS IN SUBSIDIARIES

	Company 2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	13,172
Due from subsidiaries	270,002	72,925
	270,002	86,097

The amounts due from subsidiaries are unsecured, interest-free and will not be demanded for repayment in the next forthcoming year except the amounts due from subsidiaries included in the Company's current assets of HK$270,002,000 (2007: HK$59,767,000) have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate their fair values.

Particulars of principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Smart Time Development Limited *	British Virgin Islands	US$800,000	100%	–	Investment holding
Internet Appliances (Hong Kong) Limited *	Hong Kong	HK$1,000,000	–	100%	Trading of internet appliances
深圳毅興科技企業有限公司 *	The People's Republic of China	HK$20,000,000	–	90%	Dormant
Shencai (Hong Kong) Holding Limited *	British Virgin Islands	US$10,000	–	100%	Dormant
Innotech Development Limited *	British Virgin Islands	US$1,000	–	100%	Holding of fixed assets
Global Form Limited *	British Virgin Islands	US$50,000	–	100%	Investment holding
Sunny Sky Investments Management Limited *	British Virgin Islands	US$1	–	100%	Investment holding
IA Enterprise Limited *	Hong Kong	HK$1,000,000	–	100%	Trading of internet appliances

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Great Plan Group Limited	British Virgin Islands	US$1	100%	–	Investment holding
Union Bridge Group Limited *	British Virgin Islands	US$3,750	–	100%	Investment holding
Union Bridge International Limited *	Hong Kong	HK$10,000	–	100%	Trading of electronic devices
Union Bridge Investment Limited *	Hong Kong	HK$80,767	–	100%	Investment holding and trading of electronic devices
Popbridge Industrial Limited *	Hong Kong	HK$8,230,603	–	100%	Investment holding and trading of electronic devices and provision of design and engineering services
Popbridge Manufacturing Limited *	Hong Kong	HK$10,000	–	100%	Investment holding and subcontracting services of electronic devices
Dongguan Popbridge Electronic Co., Limited *	The People's Republic of China	HK$18,650,000	–	100%	Manufacturing of electronic devices
Popbridge Group Limited *	British Virgin Islands	US$1	–	100%	Dormant
Sun Bridge Group Limited *	British Virgin Islands	US$1	–	100%	Investment holding
Sun Bridge Industrial Company Limited *	Hong Kong	HK$10,000	–	100%	Dormant
Upper Power Limited	British Virgin Islands	US$1	100%	–	Investment holding

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Beaming Investments Limited **	British Virgin Islands	US$1	–	100%	Investment holding
Media Magic Technology Limited	British Virgin Islands	US$55,556	–	75%	Investment holding
Multi Channel Technology Limited	Hong Kong	HK$100	–	75%	Investment holding
PalmPay Technology Co. Ltd. *** 北京互聯視通科技有限公司	The People's Republic of China	RMB21,000,000	–	75%	Provision of mobile payment gateway services
Beijing Hu Lian Hui Zhong Technology Company Limited*** 北京互聯匯眾科技有限公司 (formerly known as 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	HK$1,000,000	–	75%	Dormant

* *These companies were disposed during the year.*

** *The company was incorporated during the year.*

*** *English translation of company names are for identification purpose only.*

19. INTANGIBLE ASSETS

Group

	Goodwill	Product development costs	Technical know-how	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 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 31 March 2007 and at 1 April 2007	37,841	15,579	9,614	63,034
Arising on acquisition of additional interest in subsidiaries	199,034	–	–	199,034
Additions	–	4,141	–	4,141
Exchange realignment	–	–	925	925
Disposal of subsidiaries	(14,483)	(19,720)	–	(34,203)
At 31 March 2008	222,392	–	10,539	232,931
Accumulated amortisation				
At 1 April 2006	–	161	–	161
Charge for the year	–	2,143	–	2,143
At 31 March 2007 and at 1 April 2007	–	2,304	–	2,304
Charge for the year	–	2,035	–	2,035
Disposal of subsidiaries	–	(4,339)	–	(4,339)
At 31 March 2008	–	–	–	–
Net book value				
At 31 March 2008	222,392	–	10,539	232,931
At 31 March 2007	37,841	13,275	9,614	60,730

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:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Manufacturing and trading of electronic products	–	14,483
Mobile payment gateway services	222,392	23,358
	222,392	37,841

As at 31 March 2008, these CGU are the provision of mobile payment gateway services in the PRC. 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:

	Mobile payment gateway services	
	2008	**2007**
	%	*%*
Growth rate	10-50*	10-50
Discount rate	5.25	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 31 March 2008, 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 know-how may be used to generate cash flows to the Group. Technical know-how with indefinite useful lives is tested for impairment annually and is not amortised. The technical know-how is allocated to the CGU-Mobile payment gateway services. The assumption of the CGU is disclosed in (i) above.

20. INVENTORIES

	Group 2008 HK$'000	Group 2007 HK$'000
Raw materials	–	27,244
Work in progress	–	10,363
Finished goods	–	877
	–	38,484

21. TRADE RECEIVABLES

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

	Group 2008 HK$'000	Group 2007 HK$'000
Within 30 days	4,490	8,327
31 – 60 days	4,453	3,774
61 – 90 days	4,722	4,164
91 – 120 days	3,971	1,473
Over 120 days	11,103	4,018
	28,739	21,756

Included in the Group's trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group 2008 HK$'000	Group 2007 HK$'000
United States Dollars	–	18,714
Renminbi	28,739	2,992
	28,739	21,706

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	31,752	6,784	30,713	4,948
Pledged time deposits	–	14,260	–	–
Short-term time deposits	–	27,000	–	27,000
	31,752	48,044	30,713	31,948
Pledged time deposits	–	(14,260)	–	–
Cash and cash equivalents in the balance sheet	31,752	33,784	30,713	31,948
Bank overdrafts – *note 24*	–	(29,107)		
Cash and cash equivalents in the consolidated cash flow statement	31,752	4,677		

The Group had no pledged time deposit as at 31 March 2008. As at 31 March 2007, the time deposits have been pledged to secure general banking facilities to the Group's subsidiaries.

23. TRADE PAYABLES

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within 30 days	–	5,170
31 – 60 days	–	3,149
61 – 90 days	–	3,032
91 – 120 days	–	1,270
Over 120 days	–	7,466
	–	20,087

Included in the Group's trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group 2008 HK$'000	2007 HK$'000
United States Dollars	–	2,065
Euro	–	194
Renminbi	–	5,854
	–	8,113

24. INTEREST-BEARING BANK BORROWINGS

Group

	2008 Effective interest rate (%)	Maturity or interest reprice date, whichever is earlier	HK$'000	2007 Effective interest rate (%)	Maturity or interest reprice date, whichever is earlier	HK$'000
Bank export and import loans, secured	–	–	–	6.75 – 9.75	2007	32,007
Bank overdrafts, secured	–	–	–	8.05 – 9.75	on demand	29,107
Bank loans, secured	–	–	–	7.00 – 9.25	2007 – 2009	4,556
			–			65,670

At 31 March 2008, the Group's interest-bearing bank borrowings were repayable as follows:

	Group 2008 HK$'000	2007 HK$'000
Within 1 year or on demand	–	64,517
In second to fifth years, inclusive	–	1,153
	–	65,670

The Group had no interest-bearing bank borrowings as at 31 March 2008.

At 31 March 2007, the Group's banking facilities with an aggregate amount of HK$76,993,000, of which a total of HK$64,008,000 were utilised, are secured and/or guaranteed by:

(i) legal charges on 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;

(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 31 March 2008, the Group had obligations under finance leases payables as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within 1 year or on demand	–	3,150	–	2,778
In the second to fifth years, inclusive	–	4,418	–	4,005
Total minimum finance lease payments	–	7,568	–	6,783
Total future finance charges	–	(785)		
Present value of lease obligations	–	6,783		
Portion classified as current liabilities	–	(2,778)		
Portion classified as non-current liabilities	–	4,005		

26. OTHER LOANS

	Group 2008	Group 2007
	HK$'000	*HK$'000*
Interest bearing of 12% per annum	–	215
Non-interest bearing	–	829
Carrying amount of liabilities	–	1,044

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

27. DUE TO A DIRECTOR/A DIRECTOR OF A SUBSIDIARY/A SHAREHOLDER/A SHAREHOLDER OF A SUBSIDIARY

These amounts are unsecured, interest-free and have no fixed terms of repayment.

28. PROMISSORY NOTES

On 20 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 19 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$6,158,000 (2007: HK$7,000,000) of the promissory note was repaid.

On 5 January 2007, the Company issued another 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 2 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 31 March 2007.

29. SHARE CAPITAL

(a) Shares

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	100,000	100,000
Issued and fully paid:		
1,282,345,278 (2007: 969,417,500) ordinary shares of HK$0.05 each	64,117	48,471

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

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2006		375,000,000	18,750	11,152	29,902
Share options exercised	*(i)*	30,000,000	1,500	3,001	4,501
Placement of new shares	*(ii)*	60,000,000	3,000	15,000	18,000
Warrants exercised	*(iii)*	93,000,000	4,650	10,695	15,345
Issue of consideration shares	*(iv)*	30,000,000	1,500	4,500	6,000
Conversion of convertible notes	*(v)*	48,945,000	2,447	7,737	10,184
Open offer new shares	*(vi)*	318,472,500	15,924	3,185	19,109
Share options exercised	*(vii)*	14,000,000	700	4,518	5,218
Share issue expenses		–	–	(2,625)	(2,625)
At 31 March 2007 and at 1 April 2007		969,417,500	48,471	57,163	105,634
Issue of shares under placing	*(viii)*	110,000,000	5,500	46,200	51,700
Share options exercised	*(ix)*	39,550,000	1,977	12,763	14,740
Issue of consideration shares	*(x)*	163,377,778	8,169	65,351	73,520
Share issue expenses		–	–	(1,853)	(1,853)
At 31 March 2008		1,282,345,278	64,117	179,624	243,741

Notes:

(i) On 8 May 2006, the subscription rights attaching to 30,000,000 share options were exercised at subscription prices as 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.

(ii) On 16 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.

(iii) On 22 December 2006, 8 January 2007 and 11 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.

(iv) On 5 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 14 December 2006.

(v) On 25 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.

(vi) On 2 March 2007, an open offer of one offer share for every two existing shares held by members on the register of members on 1 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.

(vii) On 20 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.

(viii) On 12 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 23 April 2007, the placing has been completed, thereof creating an additional 110,000,000 shares in issue at that date.

(ix) On 24 April 2007, 25 May 2007 and 10 July 2007, the subscription rights attaching to 580,000, 5,220,000 and 33,750,000 share options were exercised respectively at subscription prices at HK$0.31 per share, resulting in the issue of 39,550,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$12,260,500.

(x) On 5 November 2007, the Company entered into sale and purchase agreements to acquire 13,333 shares of Media Magic Technology Limited at a consideration of HK$203,520,000, which was satisfied by cash of HK$50,000,000, the allotment and issue of 163,377,778 ordinary shares of the Company of HK$0.45 each in the amount of HK$73,520,000 and by the issue of convertible bonds in the principal amount of HK$80,000,000. Further details of the sale and purchase agreements were also set out in a circular of the Company dated 3 December 2007.

(b) Share options

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

(c) Warrants

(i) Pursuant to an ordinary resolution passed on 26 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 12 October 2006 to 11 April 2008. During the year ended 31 March 2007, 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) (v).

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

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 1 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
14 August 2007	From date of grant to 13 August 2017	HK$0.520	HK$0.0729
17 December 2007	From date of grant to 16 December 2017	HK$0.453	HK$0.0403
21 December 2007	From date of grant to 20 December 2017	HK$0.465	HK$0.0399

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		
	14 August 2007	**17 December 2007**	**21 December 2007**
Weighted average share price	0.520	0.453	0.465
Exercise price	0.520	0.453	0.465
Expected volatility	30.60%	16.50%	16.40%
Expected option period	1 year	1 year	1 year
Dividend yield	–	–	–
Risk-free interest rate	4.48%	4.48%	4.48%
Option type	Call	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$3,736,000 for the year ended 31 March 2008 (2007: HK$3,719,000) 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 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors								
Wong Tak Shing	5,800,000	–	(5,800,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
Chan Hin Wing, James	9,550,000	–	(9,550,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Chan Francis Ping Kuen	–	11,000,000	–	11,000,000	14 August 2007	HK$0.520	HK$0.520	14 August 2007 to 13 August 2017
	–	1,800,000	–	1,800,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Hsu Tung Sheng	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Hsu Tung Chi	–	3,200,000	–	3,200,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Ho Hoi Lap	–	11,000,000	–	11,000,000	14 August 2007	HK$0.520	HK$0.520	14 August 2007 to 13 August 2017
Sub-total	15,350,000	33,400,000	(15,350,000)	33,400,000				

Grantee	At 1 April 2007	Granted during the year	Exercised during the year	At 31 March 2008	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Other employees								
In aggregate	24,200,000	–	(24,200,000)	–	12 March 2007	HK$0.310	HK$0.310	12 March 2007 to 11 March 2017
	–	19,000,000	–	19,000,000	17 December 2007	HK$0.453	HK$0.453	17 December 2007 to 16 December 2017
	–	6,400,000	–	6,400,000	21 December 2007	HK$0.465	HK$0.465	21 December 2007 to 20 December 2017
Consultants								
In aggregate	–	20,000,000	–	20,000,000	17 December 2007	HK$0.453	HK$0.453	17 December 2007 to 16 December 2017
Sub-total	24,200,000	45,400,000	(24,200,000)	45,400,000				
Total	39,550,000	78,800,000	(39,550,000)	78,800,000				

31. RESERVES

Company

	Issued share capital HK'000	Share premium HK$'000	Contri-buted surplus HK$'000	Conver-tible notes reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 April 2006	18,750	11,152	12,947	885	–	–	(2,666)	41,068
Issue of shares capital – *note 29 (a) (ii), (vi)*	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 (a) (iv)*	1,500	4,500	–	–	–	–	–	6,000
Share option exercised – *note 29 (a) (i), (vii)*	2,200	7,519	–	–	(1,239)	–	–	8,480
Exercise of warrants – *note 29 (a) (iii)*	4,650	10,695	–	–	–	–	–	15,345
Conversion of convertible notes – *note 29 (a) (v)*	2,447	7,737	–	(885)	–	–	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	(2,625)
Net loss for the year	–	–	–	–	–	–	(6,855)	(6,855)
At 31 March 2007 and at 1 April 2007	48,471	57,163	12,947	–	2,480	–	(9,521)	111,540
Issue of shares under placing – *note 29 (a) (viii)*	5,500	46,200	–	–	–	–	–	51,700
Recognition of equity-settled share-based payment – *note 30*	–	–	–	–	3,736	–	–	3,736
Share option exercised – *note 29 (a) (ix)*	1,977	12,763	–	–	(2,480)	–	–	12,260
Issue of consideration shares – *note 29 (a) (x)*	8,169	65,351	–	–	–	–	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	(1,853)
Issue of warrants – *note 29 (c) (ii)*	–	–	–	–	–	1,561	–	1,561
Warrants issue expenses	–	–	–	–	–	(221)	–	(221)
Issue of convertible notes – *note 33*	–	–	–	443	–	–	–	443
Disposal of a subsidiary	–	–	(6,932)	–	–	–	–	(6,932)
Net loss for the year	–	–	–	–	–	–	(25,396)	(25,396)
At 31 March 2008	64,117	179,624	6,015	443	3,736	1,340	(34,917)	220,358

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 appliance 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 develop-ment costs**	**Allowance for inventories**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	(611)	2,995	(1,934)	208	658
Arising on acquisition of subsidiaries	–	928	–	–	928
Credit/(charge) to income statement – *note 11*	(590)	(1,737)	(388)	147	(2,568)
At 31 March 2007 and at 1 April 2007	(1,201)	2,186	(2,322)	355	(982)
Credit/(charge) to income statement – *note 11*	(166)	215	(369)	149	(171)
Exchange realignment	–	18	–	–	18
Disposal of subsidiaries	1,367	(2,419)	2,691	(504)	1,135
At 31 March 2008	–	–	–	–	–

Deferred tax assets and liabilities are offset when there is 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	
	2008	**2007**
	HK$'000	*HK$'000*
Deferred tax assets	–	430
Deferred tax liabilities	–	(1,412)
	–	(982)

The Company has no significant unprovided deferred tax for the year and at the balance sheet date.

33. CONVERTIBLE NOTES

On 20 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 25 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.

On 21 December 2007, the Company issued the convertible bonds in the principal amount of HK$3,200,000. These bonds were interest free. The Company shall repay such principal amount outstanding under the convertible bonds in the principal amount to the holders of convertible bonds on the respective maturity dates of the convertible bonds. The holders of convertible bonds 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 convertible bond which is subject to achievement of the profit guarantee under the sale and purchase agreements in respect of the audited consolidated net profit after tax and exceptional items of Media Magic Technology Limited and its subsidiaries for the year ended 31 March 2009 which will not be less than HK$33,000,000. 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.

By taking the discount rate at 5% per annum, the present value of the liability component is HK$2,791,000 and the difference between the liability component and the face value of the convertible bonds, being HK$443,000 is accounted for as a component of equity.

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

	Group and Company
	HK$'000
Liability component at 1 April 2006	8,415
Interest expense	885
Conversion during the year	(9,300)
Liability component at 31 March 2007 and at 1 April 2007	–
Face value of convertible notes at the date of issue	3,200
Interest expense	34
Amount classified as equity component	(443)
Liability component at 31 March 2008	2,791

34. OPERATING LEASE COMMITMENTS

During the year, the Group leases certain of its office properties under operating lease commitments which are negotiated for terms from 1 to 5 years.

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Within one year	731	671
In the second to fifth years, inclusive	921	1,461
	1,652	2,132

35. BUSINESS COMBINATIONS

On 18 October 2007 and 21 December 2007, the Company acquired additional 4% and 24% equity interest in PalmPay Technology Co. Ltd. and Media Magic Technology Limited, respectively. At the date of acquisition, Palmpay Technology Co. Ltd. and Media Magic Technology Limited had net carrying amounts of approximately HK$5,469,000. An excess of the cost of the further acquisition over the carrying amounts of the net assets acquired of approximately HK$199,034,000 is recognised as goodwill in the consolidated balance sheet.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration discharged by:	
– Cash paid	50,983
– Shares issued	73,520
– Convertible bonds – *note (i)*	80,000
Total purchase consideration of acquisition	204,503
Share of net assets acquired	(5,469)
Goodwill	199,034

Note:

(i) The Company will issue the 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.

36. DISPOSAL OF SUBSIDIARIES

On 20 April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited, an indirectly wholly-owned subsidiary of the Company, to an independent third party at a consideration of HK$150,000. Moreover, on 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, a directly wholly-owned subsidiary of the Company, at a total consideration of HK$1. The disposal of the subsidiaries was completed on 29 September 2007.

On 11 January 2008, Great Plan Group Limited, a wholly owned subsidiary of the Company, has entered into two agreements in relation to the disposal of the entire issued share capital of Union Bridge Group Limited for an aggregate consideration of HK$10,500,000. The disposal of the subsidiaries was completed on 12 March 2008.

	HK$'000
Net assets disposal of:	
Property, plant and equipment	32,266
Available-for-sale financial assets	150
Intangible assets	29,864
Inventories	54,623
Trade receivables	10,615
Prepayment, deposit and receivables	8,423
Derivative financial instruments	3,226
Tax prepaid	121
Pledged time deposit	11,309
Cash and cash equivalents	1,953
Trade payables	(29,028)
Interest-bearing bank borrowings	(29,770)
Bank overdraft, secured	(28,494)
Finance lease payables	(4,811)
Other loans	(1,004)
Accruals and other payables	(24,116)
Tax payable	(891)
Deferred tax liabilities	(1,135)
Provision for long service payment	(171)
Net assets value	33,130
Exchange fluctuation reserve released on disposal	(2,518)
Minority interests	(1,987)
Loss on disposal	(17,975)
Consideration	10,650
Satisfied by:	
Cash	10,650

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	HK$'000
Cash consideration	10,650
Cash and bank balances in subsidiaries disposed of	26,541
Net inflow of cash and cash equivalents on disposal	37,191

37. CONTINGENT LIABILITIES

The Group had no contingent liability as at 31 March 2008. The Group had a contingent liability in respect of possible future long service payment to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,144,000 as at 31 March 2007. 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 payment 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.

38. COMMITMENTS

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	–	700

39. RELATED PARTY TRANSACTIONS

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

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Management fee received from a subsidiary	199	302

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

(b) Disposal of Union Bridge Group Limited

As disclosed in note 36, the Group disposed 100% equity interest in Union Bridge Group Limited to Lo Ka Tong and Cheng Pui Ping, being director of the Company and director of subsidiary of the Company respectively, immediately before the disposal.

(c) By a revolving facility letter signed between the Company and a subsidiary, the Company agreed to conditionally grant the subsidiary a revolving facility up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31 March 2010.

(d) In prior year, 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.

40. POST BALANCE SHEET EVENTS

On 30 April 2008, Beaming Investments Limited ("Beaming Investments"), an indirectly wholly-owned subsidiary of the Company, completed the shares purchase agreement, pursuant to which, iPeer Multimedia International Ltd. ("iPeer Multimedia"), as issuer, had agreed to allot and issue, and Beaming Investments, as subscriber, had agreed to subscribe for 1,500,000 iPeer Multimedia series A Preferred Shares for a total subscription price of USD1,500,000 which has been settled in cash.

On 30 May 2008, the Company completed the share exchange agreement, pursuant to which, the Company had agreed to purchase 2,000,000 ordinary shares of iPeer Multimedia at a price of USD1 per iPeer Multimedia's share, which has been settled by the Company allotment and issurance of 22,967,646 new shares of the Company at a price of HK$0.68 per Company's share as the consideration.

On 25 June 2008, the directors of the Company proposed to make a bonus issue of share on the basis of one new ordinary share of HK$0.05, credited as fully paid, for every five existing shares held by the shareholders of the Company.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest-bearing bank loans, finance leases and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables as well as deposits, prepayments and other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The board of directors reviews and agrees policies for managing each of the risks which are summarized below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amount with floating interest rates as at 31 March 2008. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's results and retained earnings. Changes in interest rates have no impact on the Group's other components of equity.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or cost of sales by operating units in currencies other than the units' functional currency. Approximately 20% (2007: 17%) of the Group's cost of sales are denominated in currencies other than the functional currency of the operating units, whilst approximately 26% (2007: 3%) of sales are denominated in the units' functional currency. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's loss before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	*HK$'000*	*HK$'000*
2008			
RMB	10	(692)	692
RMB	(10)	692	(692)
2007			
RMB	10	1,460	(1,460)
RMB	(10)	(1,460)	1,460

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Interest-bearing bank borrowings	–	–	–	–	–	–
Finance lease payables	–	–	–	–	–	–
Other loans	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Accrued expenses and other payables	6,730	–	–	76,800	–	83,530
	6,730	–	–	76,800	–	83,530
2007						
Interest-bearing bank borrowings	29,107	33,101	2,309	1,153	–	65,670
Finance lease payables	–	745	2,033	4,005	–	6,783
Other loans	1,044	–	–	–	–	1,044
Trade payables	7,466	1,270	11,351	–	–	20,087
Accrued expenses and other payables	7,886	–	–	–	–	7,886
	45,503	35,116	15,693	5,158	–	101,470

Credit risk

The Group's maximum credit exposure of the financial assets as at 31 March 2008 equals to their carrying amounts. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital using a gearing ratio, which is borrowings divided by the total of borrowings and equity. Borrowings include interest-bearing borrowings, financing lease payables, other loans and convertible notes. Equity includes total equity less equity components of convertible notes. The gearing ratios as at the balance sheet dates were as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Borrowings:		
Interest-bearing bank borrowings	–	65,670
Finance lease payables	–	6,783
Other loans	–	1,044
Convertible notes – equity and liability components	3,234	–
	3,234	73,497
Equity:		
Total equity	218,715	92,928
Convertible notes – equity components	(443)	–
	218,272	92,928
Borrowings and equity	221,506	166,425
Gearing ratio	1%	44%

43. COMPARATIVE

Certain comparatives are reclassified during the year to conform current year's presentation.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 June 2008.

The following are the unaudited financial statements of the Group for the six months ended 30 September 2008 together with accompanying notes extracted from the 2008/09 Interim Report of the Company. References to page numbers in this appendix are to the pages numbers of the 2008/09 Interim Report of the Company.

Unaudited Consolidated Income Statement

For the three months and six months ended 30 September 2008

		Six months ended 30 September		Three months ended 30 September	
		2008	**2007**	**2008**	**2007**
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*3*	25,702	69,890	12,625	37,971
Cost of sales		(3,743)	(50,135)	(1,923)	(29,225)
Gross profit		21,959	19,755	10,702	8,746
Other revenue		453	2,134	405	1,210
Distribution costs		(2,970)	(2,598)	(1,453)	(2,412)
Administrative expenses		(5,623)	(9,704)	(3,175)	(3,993)
Profit from operating activities		13,819	9,587	6,479	3,551
Gain on disposal of subsidiaries		–	2,850	–	2,850
Finance costs		(70)	(3,674)	(35)	(1,874)
Profit before income tax	*4*	13,749	8,763	6,444	4,527
Income tax	*5*	(4,092)	(1,489)	(2,016)	(773)
Profit for the period		9,657	7,274	4,428	3,754
Attributable to:					
Equity holders of the company		6,345	3,545	2,443	1,835
Minority interests		3,312	3,729	1,985	1,919
Dividends	*7*	–	–	–	–
Earnings per share	*6*				
– Basic (cent)		0.47	0.32	0.17	0.16
– Diluted (cent)		N/A	N/A	N/A	N/A

Unaudited Consolidated Balance Sheet

As at 30 September 2008

	Notes	As at 30 September 2008 (Unaudited) HK$'000	As at 31 March 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,244	16,045
Available-for-sale investments		28,057	–
Intangible assets		232,973	232,931
Total non-current assets		275,274	248,976
CURRENT ASSETS			
Trade receivables	8	49,102	28,739
Prepayments, deposits and other receivables		6,631	3,494
Cash and cash equivalents		16,359	31,752
Total current assets		72,092	63,985
CURRENT LIABILITIES			
Accrued expenses and other payables		6,797	6,730
Amount due to a director		6,255	253
Amount due to a director of a subsidiary		–	5,859
Tax payable		9,090	1,813
Total current liabilities		22,142	14,655
NET CURRENT ASSETS		49,950	49,330
TOTAL ASSETS LESS CURRENT LIABILITIES		325,224	298,306
NON-CURRENT LIABILITIES			
Convertible notes	9	2,862	2,791
Other payables	10	76,800	76,800
Total non-current liabilities		79,662	79,591
NET ASSETS		245,562	218,715
EQUITY			
Issued capital		78,318	64,117
Reserves		156,632	147,748
		234,950	211,865
MINORITY INTERESTS		10,612	6,850
TOTAL EQUITY		245,562	218,715

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Issued share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Convertible notes reserve (Unaudited) HK$'000	Share option reserve (Unaudited) HK$'000	Warrant reserve (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Sub-total (Unaudited) HK$'000	Minority interests (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 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 30 September 2007	55,948	114,273	6,015	1,032	–	–	1,441	(23,428)	155,281	6,401	161,682
At 1 April 2008	64,117	179,624	6,015	2,314	443	3,736	1,340	(45,724)	211,865	6,850	218,715
Issue of consideration shares	1,148	14,470	–	–	–	–	–	–	15,618	–	15,618
Issue of bonus shares	13,053	(13,053)	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	450	450
Arising on consolidation of subsidiaries	–	–	–	1,122	–	–	–	–	1,122	–	1,122
Net profit for the period	–	–	–	–	–	–	–	6,345	6,345	3,312	9,657
At 30 September 2008	78,318	181,041	6,015	3,436	443	3,736	1,340	(39,379)	234,950	10,612	245,562

On 25 June 2008, the director recommended a bonus issue of share ("Bonus Issue") and approved in Company's annual general meeting held on 1 August 2008. The Bonus Issue has been completed on 12 August 2008 on the basis of 1 share, credited as fully paid, for every 5 existing shares.

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Six months ended 30 September 2008 (Unaudited) *HK$'000*	Six months ended 30 September 2007 (Unaudited) *HK$'000*
Net cash (outflow)/inflow from operating activities	(4,958)	17,304
Net cash outflow from investing activities	(11,557)	(10,805)
Net cash inflow from financing activities	–	53,046
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(16,515)	59,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,752	4,677
	15,237	64,222
Effect of foreign exchange rate changes	1,122	15
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,359	64,237
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,359	93,689
Bank overdrafts	–	(29,452)
	16,359	64,237

Notes to the Financial Statements

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 provision of mobile payment gateway services.

2. BASIS OF PRESENTATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value and promissory notes which have been measured at amortised cost. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2008.

3. TURNOVER

Turnover represents the net invoiced 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 30 September									
	Continuing operation		Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(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	25,702	13,663	–	–	–	55,607	–	620	25,702	69,890
Segment results	21,959	12,042	–	–	–	8,477	–	(764)	21,959	19,755
Other revenue									453	2,134
Net unallocated expenses									(8,593)	(12,302)
Profit from operating activities									13,819	9,587
Gain on disposal of subsidiaries									–	2,850
Finance costs									(70)	(3,674)
Profit before income tax									13,749	8,763
Income tax									(4,092)	(1,489)
Profit for the period									9,657	7,274

	Continuing operation		As at 30 September Discontinued operations							
	Mobile payment gateway services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(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*
Assets										
Segment assets	63,346	27,418	–	–	–	67,310	–	15,592	63,346	110,320
Unallocated assets									284,020	194,545
Total assets									347,366	304,865
Liabilities										
Segment liabilities	–	–	–	–	–	33,419	–	–	–	33,419
Unallocated liabilities									101,804	109,764
Total liabilities									101,804	143,183
Other segment information:										
Depreciation	1,822	594	–	17	–	1,830	–	–	1,822	2,441
Depreciation – unallocated									–	724
Capital expenditure – unallocated									21	6,716

(b) Geographical segments

A summary of the geographical segments for the six months ended 30 September 2008 and the corresponding period in 2007 is as follows:

	China		Middle East		United State of America		United Kingdom		Europe		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(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	25,702	13,925	–	15,287	–	3,410	–	21,390	–	15,618	–	260	25,702	69,890

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 September		Three months ended 30 September	
	2008	**2007**	**2008**	**2007**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on overdrafts and bank loans	–	3,132	–	1,603
Amortisation of product development costs	540	1,072	270	537
Depreciation of property, plant and equipment	1,822	3,165	911	1,597

5. INCOME TAX

Hong Kong profits tax has not been provided (2007: 17.5%) as there was no assessable income 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, based on existing legislation, interpretation and practices in respect thereof.

	Six months ended 30 September		Three months ended 30 September	
	2008	**2007**	**2008**	**2007**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax	4,092	1,051	2,016	335
Deferred tax	–	438	–	438
Tax charge for the period	4,092	1,489	2,016	773

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 30 September 2008 of approximately HK$2,443,000 and HK$6,345,000 respectively (three months and six months ended 30 September 2007: unaudited net profit of approximately HK$1,835,000 and HK$3,545,000 respectively) and the weighted average number of 1,441,519,490 and 1,359,125,123 ordinary shares of the Company (three months and six months ended 30 September 2007: 1,117,866,957 and 1,093,510,779 shares).

No diluted earnings per share had been presented for the three months and six months ended 30 September 2008 and the corresponding period in 2007 as the exercise price of the Company's share options, warrants and convertible bonds were higher than the average market price for the share.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

8. TRADE RECEIVABLES

The aging analysis of trade receivables (net of impairment allowances for bad and doubtful debts) at the balance sheet date, based on date of services rendered, is as follows:

	As at 30 September 2008 (Unaudited) *HK$'000*	**As at 31 March 2008** (Audited) *HK$'000*
Within 30 days	5,017	4,490
31 to 60 days	4,058	4,453
61 to 90 days	4,454	4,722
91 to 120 days	6,174	3,971
Over 120 days	29,399	11,103
	49,102	28,739

9. CONVERTIBLE NOTES

On 21 December 2007, the Company issued the convertible bonds in the principal amount of HK$3,200,000. These bonds were interest free. The Company shall repay such principal amount outstanding under the convertible bonds to the holders of convertible bonds on the respective maturity dates of the convertible bonds. The holders of convertible bonds 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 convertible bond which is subject to achievement of the profit guarantee under the sale and purchase agreements in respect of the audited consolidated net profit after tax and exceptional items of Media Magic Technology Limited and its subsidiaries for the year ending 31 March 2009 which will not be less than HK$33,000,000. As a result of the bonus issue of Share of the Company in August 2008, the conversion price has been adjusted to HK$0.458 per Share. 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 of 5% per annum.

10. OTHER PAYABLES

Other payables represent the amount of convertible bonds to be issued by the Company if the vendor can fulfill the profit requirements of the Earned Out Periods for the years ending 31 March 2009 and 2010.

Management Discussion and Analysis

Review and Prospect

Overview

The mobile payment gateway business of the Group continued to grow in the first half of the financial year ending 2009. The Group recorded an increase of turnover on mobile payment gateway business of approximately 88% as compared to the same in the previous corresponding period. The Group has consolidated itself as one of the leading providers of mobile payment gateway in the PRC with high profitability and strong growth. Net profit of approximately HK$6,345,000 was recorded and represents an increase of 79% as compared to the previous corresponding period. During the first half of the financial year ending 2009, the Group has established a strong financial position with no bank borrowings and achieved substantial decrease of finance costs and administrative expenses.

Financial review

For the six months ended 30 September 2008, the Group's turnover, which represents revenue from its mobile payment gateway business increased from approximately HK$13,663,000 of previous corresponding period to approximately HK$25,702,000. Such substantial increase was in line with the consolidation of the Group as one of the leading providers of mobile payment gateway in the PRC.

The gross profit margin of the Group increased from approximately 28% in the previous corresponding period to approximately 85% in the current period, which was mainly due to the focus of the Group on mobile payment gateway business with higher profit margin during the period.

For the six months ended 30 September 2008, the Group's net profit attributable to equity holders, increased from approximately HK$3,545,000 of previous corresponding period to approximately HK$6,345,000. Administrative expenses decreased by approximately 42% as compared to the previous corresponding period as a result of the cessation of the electronic devices business in March 2008.

Operation review

The Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Company's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in over 20 major provinces/municipal cities in the PRC through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), could be purchased by the subscribers of China Unicom (中國聯通) through mobile phone.

The Group has achieved significant progress on its mobile payment gateway business during the period. As at 30 September 2008, the Group has commenced operation of such business in 14 provinces/municipal cities whilst the same in 5 provinces/municipal cities as at 30 September 2007. In particular, the IP card product has penetrated from 5 provinces/municipal cities into 12 provinces/municipal cities, the virtual game card product has penetrated from 4 provinces/municipal cities into 9 provinces/municipal cities and the insurance product has penetrated from nil province/municipal cities into 10 provinces/municipal cities, for the previous corresponding period up to 30 September 2008.

As stated in the first quarterly report of the Group, the growth of the mobile payment business of the Group during the financial year ending 2009 has been affected by the occurrence of several events in the PRC, i.e. the restructuring of the telecommunication industry, the earthquake of Sichuan (四川) and the implementation of stringent restrictions on marketing and promotion activities of the telecommunication and Internet industries in view of the Beijing Olympic Games.

As a result, the turnover of the Group for the three months ended 30 September 2008 recorded a slight decrease of approximately 3% as compared to the same for the three months ended 30 June 2008.

With all the aforesaid one-off incidents taken place, the Board anticipates resumption of strong growth of the Group's business in the second half of the financial year ending 2009.

Prospects

In an effort to establish a complete payment gateway solution in the PRC, the Group is developing another advanced form of payment gateway based on the Near Field Communication Technology ("NFC"). The Group has entered into a preliminary agreement with China Network Communications Group Corporation (中國網絡通信集團公司) for the introduction and operation of such NFC payment gateway in Jiangsu (江蘇), the PRC and the trial run of which is expected to commence next quarter.

The development of such NFC payment gateway will compliment the mobile payment gateway business of the Group and consolidate the Group's leading position in the payment gateway industry in the PRC. Hence, the Board is optimistic that the Group will achieve good performance in the medium to long terms.

Liquidity, financial resources and capital structure

As at 30 September 2008, the Group had total assets of approximately HK$347 million (31 March 2008: approximately HK$313 million), including cash and bank balances of approximately HK$16 million (31 March 2008: approximately HK$32 million).

For the period ended 30 September 2008, the Group financed its operations mainly with its own working capital and there were no general banking facilities. There was no charge on the Group's assets as at 30 September 2008 (31 March 2008: Nil).

As at 30 September 2008, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (31 March 2008: zero). The Group had no bank borrowings as at 30 September 2008 (31 March 2008: Nil).

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

Material acquisitions or disposal of subsidiaries and affiliated companies

There was no material acquisition or disposal of subsidiaries and affiliated companies for the six months ended 30 September 2008.

Contingent liabilities

The Group had no contingent liability as at 30 September 2008 (31 March 2008: Nil)

Employees and remuneration policies

As at 30 September 2008, the Group had 51 (31 March 2008: 51) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK$2,815,000 for the six months ended 30 September 2008, as compared to approximately HK$5,825,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme for its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

Directors' And Chief Executive's Interests In Shares, Underlying Shares And Debentures

As at 30 September 2008, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in shares:

Name of director	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Hsu Tung Chi *(Note 1)*	Beneficial	162,176,183 (L)	10.35%
Hsu Tung Sheng	Beneficial	1,400,000 (L)	0.09%
Ho Hoi Lap	Beneficial	2,544,000 (L)	0.16%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 96,674,000 shares. According to the sale and purchase agreement entered into between Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. The Company has made the adjustment to the convertible bonds in accordance with the bonus issue approved by the shareholders of the Company on 1 August 2008. The numbers of convertible bonds are adjusted to 2,620,087 and 62,882,096 respectively. As at 30 September 2008, Mr. Hsu has not converted any convertible bonds.

(ii) Interests in share options:

Name of director	**Number of share options outstanding**	**Approximate percentage of issued share capital**
Hsu Tung Sheng	3,840,000#	0.25%
Hsu Tung Chi	3,840,000#	0.25%
Ho Hoi Lap	13,200,000*	0.84%
Chan Hin Wing, James	3,840,000#	0.25%
Chan Francis Ping Kuen	13,200,000*	0.84%
	2,160,000#	0.14%

* *The exercise price of the share options is HK$0.4333 per share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.*

\# *The exercise price of the share options is HK$0.3875 per share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.*

Save as disclosed above, as at 30 September 2008, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 18 October 2001 pursuant to a written resolution of the Company. The Company has made the adjustment to the outstanding share options in accordance with the bonus issue. Details of the movements in the number of share options during the year under the scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share *HK$*	Outstanding as at 31/3/2008	Granted during the period	Exercised during the period	Outstanding as at 30/9/2008
Directors							
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	–	–	13,200,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	2,160,000	–	–	2,160,000
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	–	–	3,840,000
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	–	–	13,200,000
Employees	17/12/2007	17/12/2007 – 16/12/2017	0.3775	22,800,000	–	–	22,800,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	7,680,000	–	–	7,680,000
Consultants	17/12/2007	17/12/2007 – 16/12/2017	0.3775	24,000,000	–	–	24,000,000
				94,560,000	–	–	94,560,000

Substantial Shareholders' Interests And Short Positions In Shares And Underlying Shares

As at 30 September 2008, other than the interests of a director of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited *(Note 1)*	Beneficial	351,354,000 (L)	22.43%
Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	351,354,000 (L)	22.43%
	Beneficial	11,208,000 (L)	0.72%
	Deemed	1,200,000 (L)	0.08%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	362,562,000 (L)	23.15%
	Beneficial	1,200,000 (L)	0.08%
Big Well Investments Limited *(Note 2)*	Beneficial owner	267,304,635 (L)	17.07%
Chong Tin Lung *(Note 2)*	Interests in controlled corporation	267,304,635 (L)	17.07%
Lo Yee Man *(Note 2)*	Deemed	267,304,635 (L)	17.07%
Pang Hong Tao *(Note 3)*	Beneficial	214,387,639 (L)	13.69%
Wang Jing *(Note 3)*	Deemed	214,387,639 (L)	13.69%
Hsu Tung Chi *(Note 4)*	Beneficial	166,016,183 (L)	10.60%
Chuang Meng Hua *(Note 4)*	Deemed	166,016,183 (L)	10.60%

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("**Mr. Lau**"). Mr. Lau is deemed to be interested in 351,354,000 shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,200,000 shares held by Ms. Chan Yiu Kan Katie.

   Ms. Chan Yiu Kan Katie, being the spouse of Mr. Lau, is deemed to be interested in 351,354,000 shares held by Starryland Profits Limited and 11,208,000 shares held by Mr. Lau.

2. Big Well Investments Limited ("**Big Well**") is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 shares. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 267,304,635 shares as well.

3. Mr. Pang Hong Tao ("**Mr. Pang**") is interested in 105,217,333 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. After the bonus issue adjustment, the number of convertible bonds are adjusted to 4,366,812 and 104,803,494 respectively. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 105,217,333 shares and 109,170,306 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

4. Mr. Hsu Tung Chi ("**Mr. Hsu**") is interested in 96,674,000 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu Tung Chi on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. After the bonus issue adjustment, the number of convertible bonds are adjusted to 2,620,087 and 62,882,096 respectively. Mr. Hsu is also interested in 3,840,000 share options. As at the Latest Practicable Date, Mr. Hsu Tung Chi has not converted any convertible bonds nor exercised any share options.

   Ms. Chuang Meng Hua is deemed to be interested in 96,674,000 shares, 65,502,183 convertible bonds and 3,840,000 share options of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at 30 September 2008, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights To Acquire Securities

Apart from as disclosed under the section headed "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

Purchase, Sale Or Redemption Of The Company's Listed Shares

During the six months ended 30 September 2008, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

Competing Interests

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

Pre-Emptive Right

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the Bye-laws of Bermuda, which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

Code Of Conduct Regarding Securities Transactions By Directors

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period ended 30 September 2008, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

Code On Corporate Governance

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 September 2008 except that no nomination committee of the Board is established.

Remuneration Committee

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

Audit Committee

The Company set up an audit committee (the "Committee") on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing. The unaudited financial statements of the Group for the period ended 30 September 2008 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange requirements, and that adequate disclosures have been made.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$109,707,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables (Unsecured and unguaranteed)	29,743
Amount due to a director (Unsecured and unguaranteed)	231
	29,974
Non-current liabilities	
Other payables (Unsecured and unguaranteed)	76,800
Convertible bonds (Unsecured and unguaranteed)	2,933
	79,733
Total borrowings	109,707

Contingent liabilities

As at 30 April 2009, the Enlarged Group had no material contingent liabilities.

Commitments

As at 30 April 2009, the Enlarged Group had no commitments.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 April 2009, the 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.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 30 April 2009 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration of the financial resources of the Enlarged Group, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

5. 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 as at 31 March 2008, 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 independent reporting accountants, Vision A. S. Limited.

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

27 May 2009

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 three years ended 31 March 2008 and for the nine months ended 31 December 2008 (the "Relevant Periods") for inclusion in the circular of Palmpay China (Holdings) Limited (the "Company") dated 27 May 2009 (the "Circular") in connection with the proposed acquisition of the 25% 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 and provision of diversified mobile value-added services. The registered office of Media Magic is located at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, BVI and its principal place of business is situated at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

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	RMB21,000,000	–	100%	Provision of mobile payment gateway services

* *English translation of company's name 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 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 the Media Magic Group and Media Magic as at 31 March 2006, 31 March 2007, 31 March 2008 and 31 December 2008 and of the consolidated results and cash flows of the Media Magic Group for each of the Relevant Periods.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Media Magic Group for the nine months ended 31 December 2007 together with notes thereon (the "2007 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 nine months ended 31 December 2007, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 2007 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 2007 Comparative Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		Year ended 31 March			Nine months ended 31 December	
		2006	**2007**	**2008**	**2007**	**2008**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Notes	(audited)	(audited)	(audited)	(unaudited)	(audited)
TURNOVER	*7*	–	3,177	36,523	23,969	41,144
Cost of sales		–	–	(3,192)	(1,933)	(4,895)
Gross profit		–	3,177	33,331	22,036	36,249
Other revenues and gains	*7*	–	2	87	81	686
Distribution costs		–	–	(3,834)	(2,831)	(3,779)
Administrative expenses		(16)	(1,751)	(6,213)	(4,393)	(4,542)
PROFIT/(LOSS) BEFORE TAX	*8*	(16)	1,428	23,371	14,893	28,614
Tax	*10*	–	(497)	(2,170)	(456)	(237)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(16)	931	21,201	14,437	28,377
Minority interests		–	(40)	(248)	(248)	–
NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF MEDIA MAGIC		(16)	891	20,953	14,189	28,377

CONSOLIDATED BALANCE SHEET

		As at 31 March			As at 31 December
		2006	**2007**	**2008**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	–	4,941	16,045	14,556
Goodwill	*12*	–	1,775	2,141	2,141
Intangible assets	*13*	–	9,614	10,539	10,771
Deferred tax assets	*20*	–	430	–	–
Total non-current assets		–	16,760	28,725	27,468
CURRENT ASSETS					
Trade receivables	*15*	–	2,992	28,739	62,766
Prepayment, deposits and other receivables	*16*	1	602	3,494	20,279
Due from shareholders	*17*	390	–	–	–
Cash and bank balances		–	955	1,039	659
Total current assets		391	4,549	33,272	83,704
CURRENT LIABILITIES					
Accruals and other payables	*18*	39	14,405	5,934	26,292
Due to ultimate holding company	*19*	–	–	18,600	17,616
Due to a fellow subsidiary	*19*	–	–	–	91
Due to directors	*19*	–	251	6,112	6,219
Tax payables		–	–	1,813	2,232
Total current liabilities		39	14,656	32,459	52,450
NET CURRENT ASSETS/(LIABILITIES)		352	(10,107)	813	31,254
Net assets		352	6,653	29,538	58,722
EQUITY					
Issued capital	*21*	390	433	433	433
Reserves		(38)	5,851	29,105	58,289
		352	6,284	29,538	58,722
Minority interests		–	369	–	–
		352	6,653	29,538	58,722

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of Media Magic						
	Notes	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)
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	*21*	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
Acquired on acquisition of additional interest in a subsidiary	*23*	–	–	–	–	–	(617)	(617)
Exchange realignment		–	–	2,301	–	2,301	–	2,301
Net profit for the year		–	–	–	20,953	20,953	248	21,201
At 31 March 2008 and at 1 April 2008		433	4,957	2,342	21,806	29,538	–	29,538
Exchange realignment		–	–	807	–	807	–	807
Net profit for the period		–	–	–	28,377	28,377	–	28,377
At 31 December 2008		433	4,957	3,149	50,183	58,722	–	58,722

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March			Nine months ended 31 December	
	2006	2007	2008	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before tax	(16)	1,428	23,371	14,893	28,614
Adjustments for:					
Depreciation	–	266	2,211	1,319	2,935
Loss on disposal of property, plant and equipment	–	–	9	9	–
Interest income	–	(2)	(87)	(81)	(4)
Gain on disposal of a subsidiary	–	–	–	–	(679)
Operating cash flows before movements in working capital	(16)	1,692	25,504	16,140	30,866
Increase in trade receivables	–	(2,302)	(25,747)	(13,073)	(34,027)
Decrease/(increase) in prepayment, deposits and other receivables	9	22	(2,892)	(761)	(16,819)
Decrease in amounts due from shareholders	–	390	–	–	–
Increase in amount due from a fellow subsidiary	–	–	–	–	(227)
Increase/(decrease) in accruals and other payables	7	13,578	(8,471)	(11,580)	20,557
Increase/(decrease) in amount due to the ultimate holding company	–	–	18,600	6,500	(984)
Increase in amount due to a fellow subsidiary	–	–	–	–	91
Increase/(decrease) in amounts due to directors	–	(8,319)	5,861	17,548	130
Cash generated from/(used in) operations	–	5,061	12,855	14,774	(413)
Net cash inflow/(outflow) from operating activities	–	5,061	12,855	14,774	(413)

	Year ended 31 March			Nine months ended 31 December	
	2006	2007	2008	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest received	–	2	87	81	4
Purchases of property, plant and equipment	–	(48)	(12,314)	(12,140)	(1,402)
Sales proceeds from disposal of property, plant and equipment	–	–	2	2	–
Acquisition of subsidiaries	–	(9,081)	(983)	(983)	–
Proceeds from disposal of a subsidiary	–	–	–	–	942
Net cash outflow from investing activities	–	(9,127)	(13,208)	(13,040)	(456)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	–	5,000	–	–	–
Net cash inflow from financing activities	–	5,000	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	–	934	(353)	1,734	(869)
Cash and cash equivalents at beginning of year/period	–	–	955	955	1,039
Effect of foreign exchange rate changes, net	–	21	437	(175)	489
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	–	955	1,039	2,514	659
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	–	955	1,039	2,514	659

BALANCE SHEET

		As at 31 March			As at 31 December
		2006	**2007**	**2008**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Investment in a subsidiary	*14*	–	–	–	–
CURRENT ASSETS					
Trade receivables	*15*	–	–	–	1,800
Other receivables	*16*	1	–	–	–
Due from a subsidiary	*14*	–	5,563	5,217	5,207
Due from shareholders	*17*	390	–	–	–
Cash and bank balances		–	12	12	11
Total current assets		391	5,575	5,229	7,018
CURRENT LIABILITIES					
Other payables	*18*	39	65	56	56
Due to a subsidiary	*14*	–	–	–	510
Due to a director	*19*	–	214	214	214
Total current liabilities		39	279	270	780
NET CURRENT ASSETS		352	5,296	4,959	6,238
Net assets		352	5,296	4,959	6,238
EQUITY					
Issued capital	*21*	390	433	433	433
Reserves	*22*	(38)	4,863	4,526	5,805
		352	5,296	4,959	6,238

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 and its principal place of business is situated at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

Media Magic acts as an investment holding company and provision of diversified mobile value-added services 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. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1 April 2005, 1 April 2006, April 2007 and 1 April 2008.

For the purpose of preparing and presenting the Financial Information, the Media Magic Group has adopted all these new and revised HKFRSs throughout the Relevant Periods.

3.1. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Media Magic Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of Media Magic anticipate that the application of these standards, amendments or interpretations will have no material impact on the Financial Information of the Media Magic Group.

4. PRINCIPAL ACCOUNTING POLICIES

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 the Media Magic Group obtains control, and continue to be consolidated until the date that such control ceases. All significant inter-company transactions and balances within the Media Magic Group are eliminated on consolidation.

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.

Minority interests represent the interests of outside shareholders not held by the Media Magic Group in the results and net assets of Media Magic's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies Media Magic controls, directly or indirectly, 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 investments in subsidiaries are stated at cost less any impairment losses.

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 recognised for goodwill is not reversed in a subsequent period.

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.

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.

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 Relevant Periods the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets (other than goodwill)

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.

Technical know-how

Technical know-how with indefinite useful lives is 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 form indefinite to finite is accounted for on a prospective basis.

Leases

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.

Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Media Magic Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Media Magic Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Media Magic Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contracts that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss, of which interest income is included in net gains or losses.

Impairment of financial assets

The Media Magic Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Media Magic Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Media Magic Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Media Magic Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Media Magic Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Media Magic Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Media Magic Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Media Magic Group's continuing involvement is the amount of the transferred asset that the Media Magic Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Media Magic Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Media Magic Group after deducting all of its liabilities. The Media Magic Group's financial liabilities are generally classified into financial liabilities at fair value through profit of loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

– it has been incurred principally for the purpose of repurchasing in the near future; or

– it is a part of an identified portfolio of financial instruments that Media Magic manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Media Magic's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as fair value through profit or loss, of which the interest expense is included in net gains or losses.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existed liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedging

The Media Magic Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes on fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the Relevant Periods.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Media Magic Group formally designates and documents the hedge relationship to which the Media Magic Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Media Magic Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follow:

Fair value hedges

Fair value hedges are hedges of the Media Magic Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining terms to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised on profit or loss.

The Media Magic Group discontinues fair value hedge accounting of the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Media Magic Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedges

Cash flow hedges are hedges of the Media Magic Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profits or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost if a non-financial asset or liability, the accounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Trade receivables

Trade receivables, 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 Media Magic 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.

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.

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.

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.

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.

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.

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.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Media Magic Group at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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.

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 Media Magic 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 Information. 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 Media Magic Group.

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

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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the 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 goodwill

The Media Magic 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.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and residual values for its property, plant and equipment. 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.

Income taxes

The Media Magic Group is subject to incomes taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes for each entity in the Media Magic Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Media Magic 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 Relevant Periods 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.

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.

6. 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 (the "PRC").

7. TURNOVER, OTHER REVENUES AND GAINS

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

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

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover					
Mobile payment gateway services	–	3,177	36,523	23,969	39,344
Diversified mobile value-added services	–	–	–	–	1,800
	–	3,177	36,523	23,969	41,144
Other revenues and gains					
Gain on disposal of a subsidiary	–	–	–	–	679
Interest income	–	2	87	81	4
Sundry income	–	–	–	–	3
	–	2	87	81	686
	–	3,179	36,610	24,050	41,830

8. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 March			Nine months ended 31 December	
	2006	2007	2008	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Cost of sales	–	–	3,192	1,933	4,895
Depreciation	–	266	2,211	1,319	2,935
Minimum lease payments under operating leases on land and buildings	–	188	653	520	398
Loss on disposal of property, plant and equipment	–	–	9	9	–
Auditors' remuneration	–	–	91	68	–
Staff cost (excluding directors' remuneration)					
Salaries and allowances	–	308	2,642	1,885	2,164
Pension scheme contribution	–	67	147	95	243

Auditors' remuneration is borned by Upper Power Limited, an immediate holding company of Media Magic for the years ended 31 March 2006 and 31 March 2007 and nine months ended 31 December 2008.

9. 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:

	Year ended 31 March			Nine months ended 31 December	
	2006	2007	2008	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Fees	–	–	–	–	–
Other emoluments:					
Salaries and benefits in kind	–	–	1,237	920	960
Retirement scheme contributions	–	–	–	–	–
	–	–	1,237	920	960

Of the five individuals with highest emoluments, three (years ended 31 March 2006 and 31 March 2007: none; year ended 31 March 2008 and nine months ended 31 December 2007: three) of them are directors. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries and benefits in kind	–	121	1,493	1,135	1,194
Retirement scheme contributions	–	14	17	10	23
	–	135	1,510	1,145	1,217

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.

10. TAX

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current year provision					
Hong Kong	–	–	–	–	–
PRC	–	–	1,721	–	1,870
Overprovision in prior year	–	–	–	–	(1,633)
Deferred tax	–	497	449	456	–
Tax charge for the year/period	–	497	2,170	456	237

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 nine months ended 31 December 2008 (years ended 31 March 2006, 31 March 2007 and 31 March 2008 and nine months ended 31 December 2007: Nil).

Taxes on profits of companies operating in the 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:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit/(loss) before tax	(16)	1,428	23,371	14,893	28,614
Tax at the statutory tax rate of 16.5% (years ended 31 March 2006, 31 March 2007 and 31 March 2008 and nine months ended 31 December 2007: 17.5%)	(3)	250	4,090	2,606	4,721
Effect of different tax rate in other jurisdictions	–	231	2,526	2,327	(347)
Tax effect of non-taxable income	–	(1)	(13)	(13)	(409)
Tax effect of non-deductible expenses	3	17	219	128	59
Tax effect on unused tax losses not recognised	–	–	5	4	–
Overprovision in prior year	–	–	–	–	(1,633)
Tax concession	–	–	(4,657)	(4,596)	(2,154)
Tax charge at effective rate	–	497	2,170	456	237

11. PROPERTY, PLANT AND EQUIPMENT

Media Magic Group

	Leasehold improvements *HK$'000* (audited)	Computer equipment *HK$'000* (audited)	Furniture and fixtures *HK$'000* (audited)	Office equipment *HK$'000* (audited)	Total *HK$'000* (audited)
Cost:					
At 1 April 2006	–	–	–	–	–
Acquired on acquisition of a subsidiary	383	5,047	14	13	5,457
Additions	–	38	10	–	48
At 31 March 2007 and at 1 April 2007	383	5,085	24	13	5,505
Additions	201	12,025	65	23	12,314
Disposals	–	(13)	–	–	(13)
Exchange realignment	48	1,128	5	2	1,183
At 31 March 2008 and at 1 April 2008	632	18,225	94	38	18,989
Additions	–	1,402	–	–	1,402
Disposal of a subsidiary	–	(315)	–	–	(315)
Exchange realignment	14	401	2	1	418
At 31 December 2008	646	19,713	96	39	20,494
Accumulated depreciation:					
At 1 April 2006	–	–	–	–	–
Acquired on acquisition of a subsidiary	48	249	1	–	298
Provided for the year	24	240	1	1	266
At 31 March 2007 and at 1 April 2007	72	489	2	1	564
Provided for the year	139	2,054	12	6	2,211
Disposals	–	(2)	–	–	(2)
Exchange realignment	14	157	–	–	171
At 31 March 2008 and at 1 April 2008	225	2,698	14	7	2,944
Provided for the period	135	2,780	14	6	2,935
Disposal of a subsidiary	–	(8)	–	–	(8)
Exchange realignment	5	61	1	–	67
At 31 December 2008	365	5,531	29	13	5,938
Net book value:					
At 31 December 2008	281	14,182	67	26	14,556
At 31 March 2008	407	15,527	80	31	16,045
At 31 March 2007	311	4,596	22	12	4,941
At 31 March 2006	–	–	–	–	–

12. 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)
At 1 April 2006	–
Arising from acquisition of subsidiaries	1,775
At 31 March 2007 and at 1 April 2007	1,775
Arising from acquisition of additional interest in a subsidiary	366
At 31 March 2008 and at 31 December 2008	2,141

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

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Mobile payment gateway services	–	1,775	2,141	2,141

These CGU are the provision of mobile payment gateway services in the PRC. 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:

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	%	*%*	*%*	*%*
Growth rate	–	10-50*	10-50*	10-50*
Discount rate	–	10.5	10.5	10.5

* *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.

The directors of the Media Magic Group are of the opinion that there is no impairment of goodwill.

13. INTANGIBLE ASSETS

Media Magic Group

	Technical know-how
	HK$'000
	(audited)
At 1 April 2006	–
Arising from acquisition of a subsidiary	9,614
At 31 March 2007 and at 1 April 2007	9,614
Exchange realignment	925
At 31 March 2008 and at 1 April 2008	10,539
Exchange realignment	232
At 31 December 2008	10,771

14. INVESTMENT IN A SUBSIDIARY

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Unlisted shares, at cost	–	–	–	–

The amounts due from and to a subsidiary included in Media Magic's current assets and current liabilities of HK$5,207,000 (31 March 2006: Nil; 31 March 2007: HK$5,563,000; 31 March 2008: HK$5,217,000) and HK$510,000 (31 March 2006, 31 March 2007 and 31 March 2008: Nil), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of 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	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	PRC 20 March 2005	RMB21,000,000	–	100%	Provision of mobile payment gateway services
Beijing Hu Lian Hui Zhong Technology Company Limited * 北京互聯匯眾科技有限公司 ** (formerly known as Beijing Dong Fang Hui Zhong Enterprise Management Limited * 北京東方匯眾企業管理有限公司)	PRC 17 November 2006	HK$1,000,000	–	100%	Dormant

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

** *The company was disposed during the nine months ended 31 December 2008.*

15. TRADE RECEIVABLES

The aged analysis of the Media Magic Group's trade receivables is as follows:

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
0 – 30 days	–	1,421	4,490	5,935
31 – 60 days	–	1,259	4,453	5,844
61 – 90 days	–	262	4,722	4,776
91 – 120 days	–	50	3,971	4,427
Over 120 days	–	–	11,103	41,784
	–	2,992	28,739	62,766

The aged analysis of Media Magic's trade receivables is as follows:

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
0 – 30 days	–	–	–	900
31 – 60 days	–	–	–	900
	–	–	–	1,800

16. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

Media Magic Group

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Prepayment	–	8	132	73
Deposits	–	314	449	562
Other receivables	1	280	2,913	19,644
	1	602	3,494	20,279

Media Magic

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Other receivables	1	–	–	–

17. DUE FROM SHAREHOLDERS

Media Magic Group and Media Magic

The amounts due from shareholders are unsecured, interest-free and have been fully settled during the year ended 31 March 2007.

18. ACCRUALS AND OTHER PAYABLES

Media Magic Group

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Accruals	–	444	2,486	1,103
Other payables	39	13,961	3,448	25,189
	39	14,405	5,934	26,292

Media Magic

	As at 31 March			As at 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Accruals	–	–	10	10
Other payables	39	65	46	46
	39	65	56	56

19. DUE TO ULTIMATE HOLDING COMPANY/A FELLOW SUBSIDIARY/DIRECTORS

Media Magic Group

The amounts due to ultimate holding company/a fellow subsidiary/directors are unsecured, interest-free and have no fixed terms of repayment.

Media Magic

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

20. DEFERRED TAX ASSETS

Media Magic Group

	Losses available for offset against future taxable profit *HK$'000* (audited)
At 1 April 2006	–
Acquired on acquisition of a subsidiary	927
Charge to income statement for the year	(497)
At 31 March 2007 and at 1 April 2007	430
Charge to income statement for the year	(449)
Exchange realignment	19
At 31 March 2008 and at 31 December 2008	–

Media Magic has no significant unprovided deferred tax for the Relevant Periods and at the balance sheet dates.

21. SHARE CAPITAL

	As at 31 March			**As at 31 December**
	2006	**2007**	**2008**	**2008**
	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 2008 and 31 March 2007: 55,556 ordinary shares; 31 March 2006: 50,000 ordinary shares) of US$1 each	390	433	433	433

A summary of the transactions with reference to the above movements in Media Magic's issued ordinary share capital and share premium account are as follows:

	Note	Issued share capital HK$'000 (audited)	Share premium account HK$'000 (audited)	Total HK$'000 (audited)
At 1 April 2005, at 31 March 2006 and at 1 April 2006		390	–	390
Issue of shares	*(i)*	43	4,957	5,000
At 31 March 2007, at 31 March 2008 and at 31 December 2008		433	4,957	5,390

Note:

(i) 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.

22. RESERVES

Media Magic

	Share premium account HK$'000 (audited)	Retained profits/ (Accumulated losses) HK$'000 (audited)	Total HK$'000 (audited)
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 year	–	(337)	(337)
At 31 March 2008 and at 1 April 2008	4,957	(431)	4,526
Net profit for the period	–	1,279	1,279
At 31 December 2008	4,957	848	5,805

23. BUSINESS COMBINATION

On 27 June 2006 and 5 January 2007, the Media Magic Group acquired 100% and 96% equity interests in Multi Channel Technology Limited and PalmPay Technology Co. Ltd. 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$'000* (audited)	Fair value adjustment *HK$'000* (audited)	Fair value of the acquirees *HK$'000* (audited)
Net assets acquired comprised:			
Property, plant and equipment	5,159	–	5,159
Intangible assets	9,614	–	9,614
Deferred tax assets	927	–	927
Trade receivables	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 arising 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 (audited)
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)

On 18 October 2007, the Media Magic Group acquired additional 4% equity interest in PalmPay Technology Co. Ltd. At the date of acquisition, PalmPay Technology Co. Ltd. had net carrying amounts of approximately HK$617,000. An excess of the cost of the further acquisition over the carrying amounts of the net assets acquired of approximately HK$366,000 is recognised as goodwill in the consolidated balance sheet.

Details of net assets acquired and goodwill are as follows:

	HK$'000 (audited)
Total purchase consideration discharged by:	
– Cash paid	983
Share of net assets acquired	(617)
Goodwill	366

24. DISPOSAL OF A SUBSIDIARY

On 17 July 2008, the Media Magic Group disposed of its entire interest in Beijing Hu Lian Hui Zhong Technology Company Limited, an indirectly wholly-owned subsidiary of Media Magic, to Victory Tech Limited, a fellow subsidiary of Media Magic, at a consideration of HK$1,000,000. The disposal of the subsidiary was completed on 3 September 2008.

	HK$'000 (audited)
Net assets disposal of:	
Property, plant and equipment	307
Prepayment, deposit and other receivables	34
Due from a fellow subsidiary	227
Cash and cash equivalents	58
Accruals and other payables	(199)
Due to a director	(23)
Net assets value	404
Exchange fluctuation reserve released on disposal	(83)
Gain on disposal	679
Consideration	1,000
Satisfied by:	
Cash	1,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	HK$'000 (audited)
Cash consideration	1,000
Cash and bank balances in subsidiary disposed of	(58)
Net inflow of cash and cash equivalents on disposal	942

25. RELATED PARTY TRANSACTIONS

(a) The Media Magic Group had the following transactions with related parties:

As disclosed in note 24, the Media Magic Group disposed 100% equity interest in Beijing Hu Lian Hui Zhong Technology Company Limited to Victory Tech Limited, a fellow subsidiary of Media Magic.

(b) Media Magic had the following transactions with related parties:

	Year ended 31 March			Nine months ended 31 December	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Service fee paid to a subsidiary	–	–	–	–	510

26. OPERATING LEASE COMMITMENTS

The Media Magic Group leases certain of its office properties under operating lease arrangements which are negotiated for terms from 1 to 5 years.

At the balance sheet dates, 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 31 December
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within one year	–	671	731	725
In the second to fifth years, inclusive	–	1,461	921	409
	–	2,132	1,652	1,134

27. CAPITAL COMMITMENTS

At each of the balance sheet dates, neither the Media Magic Group nor Media Magic had any significant capital commitments.

28. CONTINGENT LIABILITIES

At each of the balance sheet dates, neither the Media Magic Group nor Media Magic had any significant contingent liabilities.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments		As at 31 March		As at 31 December
	2006	2007	2008	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Financial assets				
Loan and receivables (including cash and cash equivalents)	391	4,549	33,272	83,704
Financial liabilities				
Amortised cost	39	14,656	30,646	50,218

30. FINANCIAL RISKS AND MANAGEMENT

The Media Magic Group is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Media Magic Group's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

(a) Credit risk

The Media Magic Group's maximum exposure credit risk is represented by the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. The Media Magic Group's credit risk is primarily attributable to trade and other receivables, bank balances and the amounts due from shareholders. The management of the Media Magic Group reviews the recoverable amount regularly at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regards, the management considers that the Media Magic Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Credit risk is concentrated to a number of debtors principally located in the PRC. The management has considered the good creditability of the debtors and is of the view that, there is no significant credit risk on these receivables.

(b) Liquidity risk

In the management of the liquidity risk, the management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Media Magic Group's operations and mitigate the effects of fluctuation in cash flows.

The maturity of the Media Magic Group's financial liabilities at each of balance sheet dates is less than one year.

(c) Market risk

(i) Interest rate risk

The Media Magic Group's exposure to cash flow interest rate risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, the management considers the Media Magic Group's exposure to such interest rate risk is not significant as bank balances are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

(ii) Currency risk

The Media Magic Group sells in mainly Renminbi, that exposes it to currency risk arising from such sales and the resulting receivables.

The Media Magic Group currently does not have a foreign currency hedging policy. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure when the need arises.

Summary of quantitative data

	Renminbi *HK$'000* (audited)
31 December 2008	
Financial assets	
– Trade receivables	60,966
– Deposits and other receivables	20,279
– Cash and bank balances	510
	81,755
Financial liabilities	
– Accruals and other payables	26,237
– Due to fellow subsidiary	91
– Due to directors	5,988
	32,316
31 March 2008	
Financial assets	
– Trade receivables	28,739
– Deposits and other receivables	3,494
– Cash and bank balances	879
	33,112
Financial liabilities	
– Accruals and other payables	5,863
– Due to directors	5,881
	11,744
31 March 2007	
Financial assets	
– Trade receivables	2,992
– Deposits and other receivables	602
– Cash and bank balances	928
	4,522
Financial liabilities	
– Accruals and other payables	14,340
– Due to a director	20
	14,360
31 March 2006	
Financial assets	
– Cash and bank balances	–
Financial liabilities	
– Accruals and other payables	–

The following table demonstrates the sensitivity to a reasonably possible change in Renminbi ("RMB") exchange rate, with all other variables held constant, of the Media Magic Group's profit/loss before tax and the Media Magic Group's equity.

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	*HK$'000*	*HK$'000*
		(audited)	(audited)
31 December 2008			
RMB	10	2,615	2,615
RMB	(10)	(2,615)	(2,615)
31 March 2008			
RMB	10	2,366	2,366
RMB	(10)	(2,366)	(2,366)
31 March 2007			
RMB	10	149	149
RMB	(10)	(149)	(149)
31 March 2006			
RMB	10	–	–
RMB	(10)	–	–

(d) Fair value

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

31. CAPITAL MANAGEMENT

The primary objective of the Media Magic Group's capital management is to safeguard the Media Magic Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The capital structure of the Media Magic Group consists of debts, cash and cash equivalents and equity attributable to the shareholders of the Media Magic Group, comprising issued share capital and retained profits as disclosed in the financial statements.

The Media Magic Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Media Magic Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No change was made in the objectives, policies or processes during the Relevant Periods.

The Media Magic Group monitors capital using a gearing ratio, which is the Media Magic Group's total liabilities over its total assets. The Media Magic Group's policy is to keep the gearing ratio at a reasonable level. The Media Magic Group's gearing ratio as at 31 December 2008 was 0.47 (31 March 2008: 0.52; 31 March 2007: 0.68; 31 March 2006: 0.1).

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Media Magic Group in respect of any period subsequent to 31 December 2008.

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

27 May 2009

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 financial information (the "Unaudited Pro Forma Financial Information") of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 25% equity interests in Media Magic Technology Limited might have affected the financial information presented, for inclusion as Appendix III to the circular of the Company dated 27 May 2009 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 179 to 181 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 those 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 Group as at 30 September 2008 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 2008, extracted from the Company's 2008/2009 Interim Report as set out in Appendix I to this circular and the unaudited financial information of the Target Group for the period ended 30 September 2008. The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of 25% equity interests in the Target at a consideration of HK$82,335,000 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 2008 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.

Unaudited Pro Forma Financial Information of the Enlarged Group
As at 30 September 2008

	The Group as at 30 September 2008 *HK$'000*	*Notes*	Acquisition of additional 25% Media Magic Technology Limited *HK$'000*	Unaudited Pro forma of the Enlarged Group *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	14,244			14,244
Available-for-sale investments	28,057			28,057
Intangible assets	232,973		72,033	305,006
Total non-current assets	275,274			347,307
CURRENT ASSETS				
Trade receivables	49,102			49,102
Prepayments, deposits and other receivables	6,631			6,631
Cash and cash equivalents	16,359	*(2a)*	(7,000)	9,359
Total current assets	72,092			65,092
CURRENT LIABILITIES				
Accrued expenses and other payables	6,797			6,797
Amount due to a director	6,255			6,255
Tax payable	9,090			9,090
Total current liabilities	22,142			22,142
NET CURRENT ASSETS	49,950			42,950
TOTAL ASSETS LESS CURRENT LIABILITIES	325,224			390,257
NON-CURRENT LIABILITIES				
Convertible notes	2,862	*(2c)*	43,973	46,835
Other payables	76,800			76,800
Total non-current liabilities	79,662			123,635
NET ASSETS	245,562			266,622
EQUITY				
Issued capital	78,318	*(2b)*	11,818	90,136
Reserves	156,632	*(2b)*	14,182	176,176
		(2c)	5,362	
	234,950			266,312
MINORITY INTERESTS	10,612		(10,302)	310
TOTAL EQUITY	245,562			266,622

Notes:

(1) For acquisition of additional 25% equity interests in Media Magic Technology Limited, the adjustment reflects the excess of the Group's interest in the net fair value of Media Magic Group's identifiable assets, liabilities and contingent liabilities over cost arising from the acquisition of 25% equity interests in the Media Magic Group for the consideration HK$82,335,000 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$43,625,000 as at 30 September 2008 (being the net assets value of the Media Magic Group as at 30 September 2008 before minority interests). Based on the information provided to us, we are not aware of any significant provision for the impairment loss on goodwill is required.

(2) The adjustment reflects the acquisition at the purchase price of HK$82,335,000, which will be satisfied by cash of HK$7,000,000, the allotment and issue of 236,363,636 Consideration Shares in the amount of HK$26,000,000 credited as fully paid and issue of Convertible Bonds in the principal amount of HK$49,335,000.

(a) Cash of HK$7,000,000 has to be paid to the Vendors under the Sale and Purchase Agreement.

(b) The Consideration Shares are recorded at the issue price of HK$0.11 per share. 236,363,636 Consideration Shares of par value HK$0.05 each, totally HK$11,818,181 is accounted for as an issued capital and the premium of HK$14,181,818 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$49,335,000. 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$0.13 except for the Completion Convertible Bond which is subject to achievement of the Profit Guarantee. The Convertible Bonds will carry interest of 1% payable semi-annually.

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 and interest payments 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$43,972,973 and the difference between the liability component and the face value of the Convertible Bonds, being HK$5,362,027 is accounted for as an equity component.

1. RESPONSIBILITY STATEMENT

This circular, for which the Director collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Director, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information concerned in this circular is accurate and complete in all material respects and 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. SHARE CAPITAL

Authorised		*HK$*
4,000,000,000 Shares		200,000,000.00
Issued and to be issued, fully paid or credited as fully paid		
1,566,375,508	Shares in issue as at the Latest Practicable Date	78,318,775.40
236,363,636	Consideration Shares to be allotted and issued under the Sale and Purchase Agreement	11,818,181.80
379,500,000	Shares to be allotted and issued pursuant to the Bondholder(s) upon conversion of the Convertible Bonds under the Sale and Purchase Agreement	18,975,000.00
2,182,239,144	Shares	109,111,957.20

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

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 or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 and 5.47 of the GEM Listing Rules for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

(i) Interests in Shares:

Name of Director	Number of the Shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Hsu Tung Chi *(Note 1)*	130,576,183 (L)	Beneficial	8.34
Hsu Tung Sheng	900,000 (L)	Beneficial	0.06
Ho Hoi Lap	2,544,000 (L)	Beneficial	0.16

(L) denotes long position

Notes:

1. Mr. Hsu Tung Chi ("**Mr. Hsu**") is interested in 65,074,000 Shares. According to the sale and purchase agreement entered into between Upper Power Limited ("**Upper Power**"), a wholly-owned subsidiary of the Company and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. The Company has made the adjustment to the convertible bonds in accordance with the bonus issue approved by the shareholders of the Company on 1 August 2008. The numbers of convertible bonds are adjusted to 2,620,087 and 62,882,096 respectively. As at the Latest Practicable Date, Mr. Hsu has not converted any convertible bonds.

(ii) Interests in share options:

Name of Director	**Number of share options outstanding**	**Approximate percentage or attributable percentage of shareholding** *(%)*
Hsu Tung Sheng	3,840,000#	0.25
	11,000,000^	0.70
Hsu Tung Chi	3,840,000#	0.25
	11,000,000^	0.70
Ho Hoi Lap	13,200,000*	0.84
Chan Hin Wing, James	3,840,000#	0.25
	11,000,000^	0.70
Chan Francis Ping Kuen	13,200,000*	0.84
	2,160,000#	0.14
	13,000,000^	0.83

* *The exercise price of the share options is HK$0.4333 per share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.*

\# *The exercise price of the share options is HK$0.3875 per share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.*

^ *The exercise price of the share options is HK$0.106 per share with exercise period commencing from 1 December 2008 and ending on 30 November 2013.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 and 5.47 of the GEM Listing Rules for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, 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:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Starryland Profits Limited *(Note 1)*	351,354,000 (L)	Beneficial	22.43
Lau Kim Hung, Jack *(Note 1)*	351,354,000 (L)	Interests in controlled corporation	22.43
	11,208,000 (L)	Beneficial	0.72
	1,200,000 (L)	Deemed	0.08
Chan Yiu Kan, Katie *(Note 1)*	362,562,000 (L)	Deemed	23.15
	1,200,000 (L)	Beneficial	0.08
Big Well Investments Limited *(Note 2)*	267,304,635 (L)	Beneficial	17.07
Chong Tin Lung *(Note 2)*	267,304,635 (L)	Interests in controlled corporation	17.07
Lo Yee Man *(Note 2)*	267,304,635 (L)	Deemed	17.07
Pang Hong Tao *(Note 3)*	210,751,639 (L)	Beneficial	13.45
Wang Jing *(Note 3)*	210,751,639 (L)	Deemed	13.45

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("**Mr. Lau**"). Mr. Lau is deemed to be interested in 351,354,000 Shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, he is also deemed to be interested in 1,200,000 Shares held by Ms. Chan Yiu Kan Katie.

   Ms. Chan Yiu Kan Katie, being the spouse of Mr. Lau, is deemed to be interested in 351,354,000 Shares held by Starryland Profits Limited and 11,208,000 Shares held by Mr. Lau.

2. Big Well Investments Limited ("**Big Well**") is a company incorporated in 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 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 Shares. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 267,304,635 shares as well.

3. Mr. Pang Hong Tao ("**Mr. Pang**") is interested in 101,581,333 Shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. After the bonus issue adjustment, the number of convertible bonds are adjusted to 4,366,812 and 104,803,494 respectively. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 101,581,333 Shares and 109,170,306 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

(c) Substantial shareholders of other members of the Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of 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, 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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position 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.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries or the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) 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;

(b) the top-up subscription agreement dated 12 April 2007 and entered into among the Company as issuer, Starryland Profits Limited as subscriber in relation to the subscription of 110,000,000 new Shares at HK$0.47 per Share;

(c) 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 RMB9,987,000 (equivalent to approximately HK$10,503,157.90);

(d) 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 of each of the three financial years ending 31 March 2010;

(e) 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;

(f) the sale and purchase agreement dated 5 November 2007 and entered into between Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Hsu Tung Chi as vendor in relation to the acquisition of approximately 9% equity interest in Media Magic for a consideration of HK$76,320,000;

(g) the sale and purchase agreement dated 5 November 2007 and entered into between Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Pang Hong Tao as vendor in relation to the acquisition of approximately 15% equity interest in Media Magic for a consideration of HK$127,200,000;

(h) the conditional agreement dated 11 January 2008 and entered into between Great Plan ("Great Plan"), a wholly-owned subsidiary of the Company as vendor and Mr. Lo Ka Tong as purchaser in relation to the sale and purchase of 18,750 shares of Union Bridge Group Limited ("Union Bridge"), representing 50% interests in Union Bridge;

(i) the conditional agreement dated 11 January 2008 and entered into between Great Plan as vendor and Ms. Cheng Pui Ping as purchaser in relation to the sale and purchase of 18,750 shares of Union Bridge, representing 50% interests in Union Bridge;

(j) the shares purchase agreement dated 20 March 2008 and entered into between Beaming Investments Limited, an indirect wholly-owned subsidiary of the Company, as subscriber and iPeer Multimedia International Ltd. ("iPeer"), as issuer in relation to the subscription and issue of 1,500,000 new iPeer series A preferred shares;

(k) the share exchange agreement dated 14 May 2008 and entered into between the Company as purchaser, Magic Way Holdings Limited as vendor, and Mr. Michael Henry Horne as guarantor in relation to the acquisition of 2,000,000 ordinary shares of iPeer for 22,967,646 new Shares; and

(l) the Sale and Purchase Agreement.

5. 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 Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Nuada	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities pursuant to the SFO
Vision A.S. Limited ("**Vision**")	Certified Public Accountants

Each of Nuada and Vision has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Nuada and Vision does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Nuada and Vision has no direct or indirect interests in an y 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 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 2008, the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

So far as the Directors are aware, no member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

9. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong is at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road Central East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Law Ho Ming. He is currently an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(f) The compliance officer of the Company is Mr. Chan Francis Ping Kuen.

(g) The audit committee of the Company was set up for the purpose of renewing and providing supervision over the financial reporting and internal control of the Group, comprises the three independent non-executive Directors, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, and Mr. Chan Kai Wing. 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.

Kwok Chi Sun, Vincent, aged 45, who was also appointed as an audit committee member, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five 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 China Digital Licensing (Group) Limited, the former four named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM.

Yeung Kam Yan, aged 55, who was also appointed as an audit committee member, is a member of the Air & Waste Management Association - Hong Kong Section. Mr. Yeung has over 8 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. Yeung does not hold any directorship in any other listed companies as at the Latest Practicable Date.

Chan Kai Wing, aged 36, who was also appointed as an audit committee member, holds a Master's degree in Electrical Engineering from Cornell University, and a Bachelor's degree in Electrical Engineering and Computer Sciences (with highest distinction) from the University of Wisconsin-Madison. Mr. Chan is a veteran in the technology industry with more than 14 years of entrepreneurship, management of major corporate activities and professional services experience. Mr. Chan does not hold any directorship in any other listed companies as at the Latest Practicable Date.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2007 and 31 March 2008 and the interim report of the Company for the six months ended 30 September 2008;

(c) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(d) the written consents of the experts referred to in the paragraph headed "Experts" in this Appendix;

(e) the accountants' report of the Media Magic Group prepared by Vision A.S. Limited, the text of which is set out in Appendix II to this circular;

(f) the letter from Vision A.S. Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the letter from the Independent Board Committee, the text of which is set out on pages 31 to 32 in this circular;

(h) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 33 to 49 in this circular;

(i) the circular of the Company dated 9 July 2008; and

(j) 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 "**SGM**") of the shareholders of Palmpay China (Holdings) Limited (the "**Company**") will be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 15 June 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**") dated 26 February 2009 and entered into between Upper Power Limited, a wholly-owned subsidiary of the Company, as purchaser, Mr. Pang Hong Tao, Winner Gain Investments Limited and Morning Sun Technology Limited as vendors (the "**Vendors**") in relation to the sale and purchase of 13,889 ordinary shares of US$1.00 each in the share capital of Media Magic Technology Limited, at a total consideration of HK$82,335,000 (a copy of which has been produced to the SGM marked "A" and signed by the chairman of the SGM for the purpose of identification) and the 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/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;

(c) the allotment and issue of an aggregate of 236,363,636 shares (the "**Consideration Shares**" and each a "**Consideration Share**") of HK$0.05 each in the share capital of the Company credited as fully paid at an issue price of HK$0.11 per Consideration Share to the Vendors in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved;

* *for identification purpose only*

(d) the issue of convertible bonds (the "**Convertible Bonds**") in the aggregate principal amount of HK$49,335,000 by the Company to the Vendors in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved; and

(e) any one or more of the Directors be and is/are hereby authorised to take all steps necessary or expedient in his/their opinion to implement and/or give effect to the issue of the Convertible Bonds including but not limited to the allotment and issue of ordinary shares of HK$0.05 each in the share capital of the Company of which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bonds."

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

Hong Kong, 27 May 2009

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 SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

4. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.