



**PALMPAY CHINA (HOLDINGS) LIMITED**

**中國掌付(集團)有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 8047)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

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

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

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

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

\* for identification purpose only

## FINANCIAL RESULTS

The board of directors (the “Board”) of Palmpay China (Holdings) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009 together with the comparative figures for the corresponding year in 2008 as follows:

### CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
TURNOVER	5		
Continuing operation		<b>56,810</b>	36,523
Discontinued operations		<u>–</u>	<u>105,840</u>
		<b>56,810</b>	142,363
Cost of sales		<u>(6,483)</u>	<u>(94,391)</u>
Gross profit		<b>50,327</b>	47,972
Other revenues and gains	5	<b>859</b>	3,519
Distribution costs		<b>(4,116)</b>	(4,076)
Administrative expenses		<b>(17,191)</b>	(29,594)
Loss on disposal of subsidiaries, net		–	(17,975)
Finance costs	6	<u>(142)</u>	<u>(6,314)</u>
PROFIT/(LOSS) BEFORE TAX	7		
Continuing operation		<b>29,737</b>	(5,351)
Discontinued operations		<u>–</u>	<u>(1,117)</u>
		<b>29,737</b>	(6,468)
Tax	8		
Continuing operation		<b>(1,043)</b>	(2,170)
Discontinued operations		<u>–</u>	<u>(374)</u>
		<b>(1,043)</b>	(2,544)
PROFIT/(LOSS) FOR THE YEAR			
Continuing operation		<b>28,694</b>	(7,521)
Discontinued operations		<u>–</u>	<u>(1,491)</u>
		<b>28,694</b>	(9,012)

	<i>Notes</i>	<b>2009</b> <b><i>HK\$'000</i></b>	2008 <i>HK\$'000</i>
ATTRIBUTABLE TO:			
Equity holders of the Company		<b>20,063</b>	(18,751)
Minority interests		<b>8,631</b>	9,739
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE YEAR		<b><u>28,694</u></b>	<b><u>(9,012)</u></b>
DIVIDENDS	9	<b><u>-</u></b>	<b><u>-</u></b>
EARNINGS/(LOSS) PER SHARE (2008: restated)	10		
From continuing and discontinued operations			
– basic (HK cent)		<b>1.29</b>	(1.36)*
– diluted (HK cent)		<b>1.28</b>	N/A
		<hr/>	<hr/>
From continuing operation			
– basic (HK cent)		<b>1.29</b>	(1.25)*
– diluted (HK cent)		<b>1.28</b>	N/A
		<hr/>	<hr/>

\* *Restated*

# CONSOLIDATED BALANCE SHEET

31 March 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>15,436</b>	16,045
Available-for-sale investments		<b>26,323</b>	–
Intangible assets		<b>156,360</b>	232,931
Total non-current assets		<b>198,119</b>	248,976
<b>CURRENT ASSETS</b>			
Trade receivables	<i>11</i>	<b>45,907</b>	28,739
Prepayments, deposits and other receivables		<b>38,477</b>	3,494
Cash and cash equivalents		<b>9,985</b>	31,752
Total current assets		<b>94,369</b>	63,985
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>21,139</b>	12,589
Due to a director		<b>446</b>	253
Tax payable		<b>2,896</b>	1,813
Total current liabilities		<b>24,481</b>	14,655
NET CURRENT ASSETS		<b>69,888</b>	49,330
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>268,007</b>	298,306
<b>NON-CURRENT LIABILITIES</b>			
Convertible notes		<b>2,933</b>	2,791
Other payables		–	76,800
Total non-current liabilities		<b>2,933</b>	79,591
Net assets		<b>265,074</b>	218,715
<b>EQUITY</b>			
Issued capital		<b>78,318</b>	64,117
Reserves		<b>170,668</b>	147,748
Minority interests		<b>248,986</b>	211,865
		<b>16,088</b>	6,850
		<b>265,074</b>	218,715

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

	Attributable to equity holders of the Company											
	Issued capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Convertible notes reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Available-for-sale investments reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total 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
Recognition of equity-settled share-based payment	-	-	-	-	-	3,736	-	-	-	3,736	-	3,736
Share options exercised	1,977	12,763	-	-	-	(2,480)	-	-	-	12,260	-	12,260
Issue of consideration shares	8,169	65,351	-	-	-	-	-	-	-	73,520	-	73,520
Share issue expenses	-	(1,853)	-	-	-	-	-	-	-	(1,853)	-	(1,853)
Issue of warrants	-	-	-	-	-	-	1,561	-	-	1,561	-	1,561
Warrant issue expenses	-	-	-	-	-	-	(221)	-	-	(221)	-	(221)
Issue of convertible notes	-	-	-	-	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 and 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
Partial disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	505	505
Issue of consideration shares	1,148	14,470	-	-	-	-	-	-	-	15,618	-	15,618
Issue of bonus shares	13,053	(13,053)	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	2,272	-	-	-	2,272	-	2,272
Change in fair value of available-for-sale investments	-	-	-	-	-	-	-	(1,734)	-	(1,734)	-	(1,734)
Exchange realignment	-	-	-	902	-	-	-	-	-	902	102	1,004
Net profit for the year	-	-	-	-	-	-	-	-	20,063	20,063	8,631	28,694
At 31 March 2009	<u>78,318</u>	<u>181,041</u>	<u>6,015</u>	<u>3,216</u>	<u>443</u>	<u>6,008</u>	<u>1,340</u>	<u>(1,734)</u>	<u>(25,661)</u>	<u>248,986</u>	<u>16,088</u>	<u>265,074</u>

Notes:

## 1. GENERAL 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 activities of its subsidiaries are the provision of mobile payment gateway services and diversified mobile valued-added services.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (HKASs) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“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 certain financial assets which have been measured at fair value. 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 the following new interpretations and amendments (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial statements of the year.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

### 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, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>2</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>2</sup>
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives <sup>6</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>2</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>5</sup>

Apart from the above, the HKICPA has in October 2008, issued *Improvement to HKFRSs\** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

In addition improvement to HKFRSs was issued in May 2009 by HKICPA which contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provision for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

- <sup>1</sup> *Effective for annual periods beginning on or after 1 January 2009*  
<sup>2</sup> *Effective for annual periods beginning on or after 1 July 2009*  
<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2008*  
<sup>4</sup> *Effective for annual periods beginning on or after 1 October 2008*  
<sup>5</sup> *Effective for transfers of assets from customers received on or after 1 July 2009*  
<sup>6</sup> *Effective for annual periods ending on or after 30 June 2009*

\* *Improvement to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

#### **4. 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 mobile payment gateway services segment provides e-payment services;
- The diversified mobile valued-added services segment provides software development services;
- 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; and
- The design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly.

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 the 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						Consolidated	
	Mobile payment gateway services		Diversified mobile valued-added services		Internet appliances and related products		Electronic devices and components		Design and engineering services			
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
TURNOVER	<u>51,143</u>	<u>36,523</u>	<u>5,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,116</u>	<u>-</u>	<u>1,724</u>	<u>56,810</u>	<u>142,363</u>
RESULTS												
Segment results	<u>44,660</u>	<u>33,331</u>	<u>5,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,299</u>	<u>-</u>	<u>(658)</u>	<u>50,327</u>	<u>47,972</u>
Other revenues and gains											<u>859</u>	<u>3,519</u>
Distribution costs											<u>(4,116)</u>	<u>(4,076)</u>
Administrative expenses											<u>(17,191)</u>	<u>(29,594)</u>
Loss on disposal of subsidiaries, net											<u>-</u>	<u>(17,975)</u>
Finance costs											<u>(142)</u>	<u>(6,314)</u>
Profit/(loss) before tax											<u>29,737</u>	<u>(6,468)</u>
Tax											<u>(1,043)</u>	<u>(2,544)</u>
Profit/(loss) for the year											<u>28,694</u>	<u>(9,012)</u>
BALANCE SHEET												
ASSETS												
Segment assets	<u>56,026</u>	<u>45,823</u>	<u>5,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,706</u>	<u>45,823</u>
Unallocated assets											<u>230,782</u>	<u>267,138</u>
Total assets											<u>292,488</u>	<u>312,961</u>
LIABILITIES												
Segment liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated liabilities											<u>27,414</u>	<u>94,246</u>
Total liabilities											<u>27,414</u>	<u>94,246</u>
Other segment information:												
Depreciation	<u>3,916</u>	<u>2,211</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>3,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,916</u>	<u>5,768</u>
Depreciation - unallocated											<u>192</u>	<u>1,460</u>
Capital expenditure - unallocated											<u>3,295</u>	<u>13,583</u>

**(b) Geographical segments**

A summary of the geographical segments as at 31 March 2009 is set out as follows:

	Asia and Middle East		United States of America ("USA")		United Kingdom ("UK")		Europe		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover:										
Continuing operation	<b>56,810</b>	36,523	-	-	-	-	-	-	<b>56,810</b>	36,523
Discontinued operations	<u>-</u>	<u>31,440</u>	<u>-</u>	<u>7,998</u>	<u>-</u>	<u>38,691</u>	<u>-</u>	<u>27,711</u>	<u>-</u>	<u>105,840</u>
External turnover	<b><u>56,810</u></b>	<u>67,963</u>	<u>-</u>	<u>7,998</u>	<u>-</u>	<u>38,691</u>	<u>-</u>	<u>27,711</u>	<b><u>56,810</u></b>	<u>142,363</u>
Capital expenditure	<b><u>3,295</u></b>	<u>13,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>3,295</u></b>	<u>13,583</u>
Assets:										
Segment assets	<b><u>292,488</u></b>	<u>312,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>292,488</u></b>	<u>312,961</u>

## 5. TURNOVER, OTHER REVENUES AND GAINS

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>TURNOVER</b>		
<b>CONTINUING OPERATION</b>		
Mobile payment gateway services	51,143	36,523
Diversified mobile value-added services	<u>5,667</u>	<u>–</u>
	<b><u>56,810</u></b>	<b><u>36,523</u></b>
<b>DISCONTINUED OPERATIONS</b>		
Trading and manufacturing of electronic devices and components	–	104,116
Design and engineering services	<u>–</u>	<u>1,724</u>
	<u>–</u>	<u>105,840</u>
	<b><u>56,810</u></b>	<b><u>142,363</u></b>
<b>OTHER REVENUES AND GAINS</b>		
Interest income	155	2,809
Exchange gains, net	–	215
Gain arising from fair value change of derivative financial instruments	–	146
Dividend income	702	–
Sundry income	<u>2</u>	<u>349</u>
	<b><u>859</u></b>	<b><u>3,519</u></b>

## 6. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on:		
Bank overdrafts, bills and loans wholly repayable within five years	–	5,366
Finance leases	–	372
Convertible notes	142	34
Promissory notes repayable within five years	<u>–</u>	<u>542</u>
	<b><u>142</u></b>	<b><u>6,314</u></b>

## 7. PROFIT/(LOSS) BEFORE TAX

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Auditors' remuneration	309	680
Amortisation of product development costs	–	2,035
Cost of inventories sold	–	91,199
Cost of services rendered	6,483	3,192
Depreciation of property, plant and equipment	4,108	7,228
Property, plant and equipment written off	144	–
Loss on disposal of property, plant and equipment	–	100
Exchange losses, net	38	–
Minimum lease payments under operating leases on land and buildings	933	1,214
Loss on partial disposal of subsidiaries, net	55	–
Loss on disposal of subsidiaries, net	–	17,975
Staff costs (excluding directors' remuneration)		
Salaries and allowances	4,230	14,792
Pension scheme contributions	353	406
Share-based payments	779	1,619
Loss of disposal of subsidiary's loan	–	1,500
Impairment allowances for bad and doubtful debts	<u>2,389</u>	<u>54</u>

During the year, no staff costs and directors' remuneration (2008: HK\$3,742,000) in relation to research and development are capitalised in "product development costs".

## 8. TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred a tax loss for the year. In prior year, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax in the consolidated income statement represents:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current year provision		
Hong Kong	–	429
PRC	<b>2,677</b>	1,721
Under/(overprovision) in prior years		
Hong Kong	–	–
PRC	<b>(1,634)</b>	223
Deferred tax	–	171
Tax charge for the year	<b><u>1,043</u></b>	<b><u>2,544</u></b>
Attributable to:		
Continuing operation	<b>1,043</b>	2,170
Discontinued operations	–	374
	<b><u>1,043</u></b>	<b><u>2,544</u></b>

There are no material unprovided deferred tax assets and liabilities at the year end date.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) before tax	<b><u>29,737</u></b>	<b><u>(6,468)</u></b>
Tax at the statutory rate of 16.5% (2008: 17.5%)	<b>4,906</b>	(1,132)
Effect of different tax rates in other jurisdictions	<b>2,979</b>	2,143
Expenses not deductible for tax	<b>881</b>	6,323
Income not subject to tax	<b>(530)</b>	(981)
Temporary differences not recognised	–	(793)
Tax losses not recognised	<b>688</b>	850
Under/(overprovision) in the prior years	<b>(1,634)</b>	223
Tax rebate	–	(75)
Tax concession	<b>(6,247)</b>	(4,014)
Tax charge at effective rate	<b><u>1,043</u></b>	<b><u>2,544</u></b>

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year (2008: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
For continuing and discontinued operations		
Profit/(loss) attributable to equity holders of the Company	<u><b>20,063</b></u>	<u>(18,751)</u>
For continuing operation		
Profit/(loss) attributable to equity holders of the Company	<u><b>20,063</b></u>	<u>(17,260)</u>
	<b>Number of shares</b>	
	<b>2009</b>	2008 (Restated)
Weighted average number of ordinary shares in issuing during the year	<u><b>1,561,920,415</b></u>	<u>1,375,959,930</u>

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

For the year ended 31 March 2008, diluted loss per share was not presented as the convertible notes and share options had anti-dilutive effects on the basic loss per share.

## 11. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	<b>48,296</b>	28,739
Allowance for bad and doubtful debts	<u>(2,389)</u>	<u>—</u>
	<u><b>45,907</b></u>	<u>28,739</u>

Movements in the allowance for bad and doubtful debts:

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	–	153
Allowances made during the year	<b>2,389</b>	54
Disposal of subsidiaries	–	(207)
	<u>–</u>	<u>–</u>
Balance at end of the year	<b><u>2,389</u></b>	<b><u>–</u></b>

The aged analysis of trade receivables (net of impairment allowances for bad and doubtful debts) at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>6,771</b>	4,490
31 – 60 days	<b>4,868</b>	4,453
61 – 90 days	<b>4,509</b>	4,722
91 – 120 days	<b>5,431</b>	3,971
Over 120 days	<b>24,328</b>	11,103
	<u>24,328</u>	<u>11,103</u>
	<b><u>45,907</u></b>	<b><u>28,739</u></b>

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:

	<b>Group</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi	<b><u>44,007</u></b>	<b><u>28,739</u></b>

## 12. POST BALANCE SHEET EVENTS

On 26 February 2009, Upper Power Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire additional 25% of the total issued shares of Media Magic Technology Limited. The acquisition of the 25% equity interest in Media Magic Technology Limited was completed on 16 June 2009. Further details of the transaction are also set out in a circular of the Company dated 27 May 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Results*

The Group recorded an increase of approximately 55.5% in its turnover from the continuing operation for the year ended 31 March 2009 to approximately HK\$56.8 million as compared to approximately HK\$36.5 million in the previous year. It was mainly attributable to the significant increase of 40.0% of turnover of the provision of mobile payment gateway business.

The Group recorded an increase in gross profit of approximately 4.9% to HK\$50.3 million in the current year as compared to approximately HK\$48.0 million in the previous year mainly due to the increased contribution from turnover of the provision of mobile payment gateway services and the higher gross profit margin of such business.

During the year, Media Magic Group recorded a net profit after tax of approximately HK\$36.4 million, which fulfilled the guaranteed profit guaranteed by Mr. Hsu Tung Chi and Mr. Pang Hong Tao of HK\$33.0 million for the acquisition of 24% shareholding interest in Media Magic in December 2007.

Net profit attributable to equity holders of the Company for the year amounted to approximately HK\$20.1 million (2008: net loss of approximately HK\$18.8 million).

#### *Liquidity, financial resources and capital structure*

As at 31 March 2009, the Group had total assets of approximately HK\$292.5 million (2008: approximately HK\$313.0 million), including net cash and bank balances of approximately HK\$10.0 million (2008: approximately HK\$31.8 million).

For the year ended 31 March 2009, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2008: Nil). There was no charge on the Group's assets as at 31 March 2009 (2008: Nil).

As at 31 March 2009, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2008: Nil). The Group had no bank borrowings as at 31 March 2009 (2008: Nil).

#### *Exposure to exchange rate fluctuation*

Most of the transactions of the Group are denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2009, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.



### *Segment information*

The revenue of the Group comprises the provision of mobile payment gateways services and diversified mobile value-added services. The sales of internet appliances and related products, trading and manufacturing electronic devices and components, design and engineering services were discontinued last year.

Revenue from mobile payment gateways services increase by approximately HK\$14.6 million and approximately 40.0%. Revenue from the diversified mobile valued-added services was approximately HK\$5.7 million during the year.

As to the geographical segments, sale of the Group generated in Asia & Middle East market was approximately HK\$57.0 million during the year ended 31 March 2009 (2008: approximately HK\$68.0 million in Asia & Middle East, approximately HK\$8.0 million in USA, approximately HK\$38.0 million in UK and approximately HK\$28.0 million in Europe).

### *New products and services*

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

### *Significant investments*

Other than investment in ordinary and preference shares of a company, the Group did not have any significant investment during the year (2008: Nil).

### *Material acquisitions or disposals of subsidiaries and affiliated companies*

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year.

### *Future plans for material investments and expected source of funding*

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2009. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

### *Contingent liabilities*

The Group had no contingent liability as at 31 March 2009.

## *Employees and remuneration policies*

As at 31 March 2009, the Group had 51 (2008: 51) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK\$5.4 million for the year ended 31 March 2009 (2008: approximately HK\$16.8 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. 70,000,000 share options have been granted to directors, employees and business associates during the year.

## **Business Review**

### *General*

The Group is principally engaged in the provision of mobile payment gateway services in the PRC. The Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Group's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in 15 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 phones.

Despite the occurrence of certain unprecedented events in the PRC during the year, the mobile payment gateway business maintained significant growth during the year and achieved 55.5% increase of turnover as compared to the previous year. With the established business relationship with China Unicom and the solid customer base in the 15 major provinces and municipal cities in the PRC, the Board is of the view that the mobile payment gateway business will continue to make significant and stable profit contribution to the Group in the foreseeable future.

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

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

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

## **PROSPECTS**

The Group is optimistic about its prospects for the coming years owing to the steady growth of the economic environment, growing consumption power and the rapid development of 3G mobile telecommunication in the PRC.

While the existing mobile payment gateway business will continue to make stable and significant profit contribution, the Group has deployed significant efforts and resources to transform its payment gateway into new dimensions which will integrate with the 3G world in the PRC. With its established mobile payment gateway coupled with the introduction of its web-based NFC payment gateway, the Group is well positioned to benefit from the development of the 3G in the PRC, especially the downloading of audio/video contents, in near-medium term.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

## **CONTINUING CONNECTED TRANSACTION**

On 15 June 2007, the Company entered into an agreement with Multi Channel Technology Limited ("Multi Channel") (a non-wholly owned subsidiary of the Company) to conditionally grant Multi Channel a revolving facility by way of Revolving Facility Letter of up to a maximum amount of HK\$22.0 million at any time during the period commencing from the date of the Revolving Facility Letter and ending on 31 March 2010.

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

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

2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and
3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2009 except that no nomination committee of the Board is established.

### **CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2009.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **AUDIT COMMITTEE**

The Company set up an audit committee (the “Committee”) on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, who resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing. During the year, the audit committee held four meetings to review and

supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2009 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 29 June 2009

*As at the date of this announcement, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Chan Hin Wing, James and Mr. Yuan Shengjun. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing.*

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

*This announcement will appear and remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and the Company’s website at [www.palmpaychina.com](http://www.palmpaychina.com).*