THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purpose only and does not constitute an invitation or offer to acquire or subscribe for securities.

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**, 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.

Palmpay

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF THE ENTIRE EQUITY INTEREST IN UNION BRIDGE GROUP LIMITED

Financial adviser to the Company

INCU

INCU Corporate Finance Limited

Independent financial adviser to the independent board committee and the independent shareholders of the Company

Nuada Limited

Corporate Finance Advisory

A letter of advice from the independent board committee of the Company is set out on page 21 of this circular. A letter of advice from Nuada Limited to the independent board committee and the independent shareholders of the Company is set out on pages 22 to 31 of this circular. A notice convening a special general meeting of the Company ("SGM") to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 10 March 2008 at 10:30 a.m. is set out on pages 140 and 141 of this circular.

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

20 February 2008

* *For identification purpose only*

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CHARACTERISTICS OF GEM

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

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

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

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

"Announcement"	the announcement of the Company dated 16 January 2008 in respect of, among other matters, the Disposal and the proposed resignation of Mr. Lo as executive Director
"associates"	has the meaning associated thereto in the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Bye-Law(s)"	the bye-laws of the Company, and each a "Bye-Law"
"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 First Disposal Agreement and the Second Disposal Agreement simultaneously and in accordance with their respective terms and conditions
"connected persons"	has the meaning ascribed thereto in the GEM Listing Rules
"Directors"	the directors of the Company, including the independent non-executive directors
"Disposal"	the proposed disposal of the entire issued share capital of Union Bridge under the Disposal Agreements
"Disposal Agreements"	altogether the First Disposal Agreement and the Second Disposal Agreement
"First Disposal Agreement"	the conditional agreement dated 11 January 2008 and entered into between Great Plan and Mr. Lo in relation to the sale and purchase of 18,750 UB Shares
"First Disposal Consideration"	HK$5,250,000, being the aggregate consideration for the sale and purchase of 18,750 UB Shares pursuant to the First Disposal Agreement
"GEM"	the Growth Enterprise Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Great Plan"	Great Plan Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries (which shall exclude, where the context requires, UB Group after Completion)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a board comprising all three independent non-executive Directors to advise the Independent Shareholders as to the terms of the Disposal Agreements and to recommend the Independent Shareholders on how to vote, after taking into account the recommendations of Nuada
"Independent Shareholders"	holders of the Shares other than Mr. Lo, Ms. Cheng and their respective associates or others who are interested in the Disposal
"Independent Third Party"	any third party independent of the Company and connected persons of the Company and is not a connected person of the Company
"Latest Practicable Date"	18 February 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Long Stop Date"	31 March 2008, the latest date on which the conditions precedent to the Disposal Agreements have to be satisfied, or such later date as Great Plan may nominate by written notice serving on the respective purchasers to the Disposal Agreements
"Mr. Lo"	Mr. Lo Ka Tong, an executive Director, a director of Union Bridge, each of the UB Subsidiaries and the PRC Subsidiary
"Ms. Cheng"	Ms. Cheng Pui Ping, a director of Union Bridge and each of the UB Subsidiaries
"Nuada"	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder

"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau and Taiwan
"PRC Subsidiary"	東莞名橋電子有限公司(Dongguan Popbridge Electronic Co., Ltd#), a company established in the PRC and an indirect wholly-owned subsidiary of Union Bridge
"Remaining Group"	the Group excluding UB Group after Completion
"Second Disposal Agreement"	the conditional agreement dated 11 January 2008 and entered into between Great Plan and Ms. Cheng in relation to the sale and purchase of 18,750 UB Shares
"Second Disposal Consideration"	HK$5,250,000, being the aggregate consideration for the sale and purchase of 18,750 UB Shares pursuant to the Second Disposal Agreement
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened by the Company to consider and if thought fit, to approve the Disposal Agreements and the transactions contemplated thereunder
"Shareholders"	holders of the Shares
"Share(s)"	share(s) of HK$0.05 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UB Group"	Union Bridge, together with the UB Subsidiaries and the PRC Subsidiary
"UB Shares"	share(s) of US$0.10 each in the issued share capital of Union Bridge
"UB Subsidiary"	the subsidiaries of Union Bridge excluding the PRC Subsidiary
"Union Bridge"	Union Bridge Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"US$"	the United States dollars, the lawful currency of the United States
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of RMB to HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$0.95. This exchange rate is adopted for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

\# *the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

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

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

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
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

20 February 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF THE ENTIRE EQUITY INTEREST IN UNION BRIDGE GROUP LIMITED

(A) INTRODUCTION

Reference is made to the Announcement in which the Board announced that Great Plan has entered into the First Disposal Agreement and the Second Disposal Agreement with Mr. Lo and Ms. Cheng respectively, in relation to the disposal of the entire issued share capital of Union Bridge for an aggregate consideration of HK$10,500,000 on 11 January 2008.

* *For identification purpose only*

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. As Mr. Lo is an executive Director and a director of Union Bridge, each of the UB Subsidiaries and the PRC Subsidiary, whereas Ms. Cheng is a director of Union Bridge and each of the UB Subsidiaries, the Disposal also constitutes a connected transaction on the part of the Company under the GEM Listing Rules. The Disposal Agreements will be subject to Independent Shareholders' approval by way of poll at the SGM.

The purpose of this circular is to provide you with, among other matters, (i) further details of the Disposal Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice and recommendation in respect of the Disposal; (iii) a letter from Nuada containing its advice to the Independent Board Committee and Independent Shareholders in respect of the Disposal; and (iv) a notice convening the SGM.

(B) THE FIRST DISPOSAL AGREEMENT

Date: 11 January 2008 (after trading hours)

Parties: (1) Vendor : Great Plan

(2) Purchaser : Mr. Lo

Mr. Lo is a connected person of the Company by virtue of his directorship in the Company, Union Bridge, each of the UB Subsidiaries and the PRC Subsidiary. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except that both Mr. Lo and Ms. Cheng are directors of Union Bridge and each of the UB Subsidiaries, Mr. Lo and Ms. Cheng are independent of each other.

Assets to be disposed of

18,750 UB Shares, representing 50% of the issued share capital of Union Bridge.

Consideration

The First Disposal Consideration is HK$5,250,000 and has been/shall be settled by Mr. Lo in cash in the following manner:

(a) a sum of HK$2,500,000 being the deposit and partial payment of the First Disposal Consideration shall be paid by Mr. Lo to Great Plan within 7 Business Days after signing of the First Disposal Agreement, which has been duly settled by Mr. Lo; and

(b) the balance of the First Disposal Consideration shall be paid by Mr. Lo to Great Plan on completion of the First Disposal Agreement.

As the First Disposal Agreement and the Second Disposal Agreement are part and parcel of the Disposal, the First Disposal Consideration and the Second Disposal Consideration for each UB Share shall be equivalent.

Conditions

The First Disposal Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as Great Plan may nominate by written notice serving to Mr. Lo:

1. the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the First Disposal Agreement and the transactions contemplated thereunder;

2. all necessary consents, authorizations, licences and approvals required to be contained on the part of Great Plan in respect of the First Disposal Agreement and the transactions contemplated thereunder having been obtained;

3. the representations and warranties given by Great Plan as set out in the First Disposal Agreement remain true and accurate in all respects;

4. the representations and warranties given by Mr. Lo as set out in the First Disposal Agreement remain true and accurate in all respects; and

5. the Second Disposal Agreement having become unconditional (save for the condition for the First Disposal Agreement to become unconditional).

Condition (3) as set out above may be waived by Mr. Lo at any time before the completion of the First Disposal Agreement by written notice to Great Plan, whereas condition (4) as set out above may be waived by Great Plan at any time before the completion of the First Disposal Agreement by written notice to Mr. Lo. If the above conditions have not been satisfied on or before the Long Stop Date or such other date as Great Plan may nominate by written notice serving to Mr. Lo, the First Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and Great Plan shall refund the deposit paid pursuant to the terms and conditions set out in the First Disposal Agreement (without interest) to Mr. Lo forthwith.

As at the Latest Practicable Date, none of the conditions has been fulfilled (or wavied).

Completion

Completion of the First Disposal Agreement will take place within 3 Business Days after satisfaction of the above conditions simultaneously with the completion of the Second Disposal Agreement.

(C) THE SECOND DISPOSAL AGREEMENT

Date: 11 January 2008 (after trading hours)

Parties: (1) Vendor : Great Plan

(2) Purchaser : Ms. Cheng

Ms. Cheng is a connected person of the Company by virtue of her directorship in Union Bridge and each of the UB Subsidiaries. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except that both Mr. Lo and Ms. Cheng are directors of Union Bridge and each of the UB Subsidiaries, Mr. Lo and Ms. Cheng are independent of each other.

Assets to be disposed of

18,750 UB Shares, representing 50% of the issued share capital of Union Bridge.

Consideration

The Second Disposal Consideration is HK$5,250,000 and has been/shall be settled by Ms. Cheng in cash in the following manner:

(a) a sum of HK$2,500,000 being the deposit and partial payment of the Second Disposal Consideration shall be paid by Ms. Cheng to Great Plan within 7 Business Days after signing of the Second Disposal Agreement, which has been duly settled by Ms. Cheng; and

(b) the balance of the Second Disposal Consideration shall be paid by Ms. Cheng to Great Plan on completion of the Second Disposal Agreement.

As the First Disposal Agreement and the Second Disposal Agreement are part and parcel of the Disposal, the First Disposal Consideration and the Second Disposal Consideration for each UB Share shall be equivalent.

Conditions

The Second Disposal Agreement is conditional upon the following conditions being satisfied on or before the Long Stop Date or such other date as Great Plan may nominate by written notice serving to Ms. Cheng:

1. the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Second Disposal Agreement and the transactions contemplated thereunder;

2. all necessary consents, authorizations, licences and approvals required to be contained on the part of Great Plan in respect of the Second Disposal Agreement and the transactions contemplated thereunder having been obtained;

3. the representations and warranties given by Great Plan as set out in the Second Disposal Agreement remain true and accurate in all respects;

4. the representations and warranties given by Ms. Cheng as set out in the Second Disposal Agreement remain true and accurate in all respects; and

5. the First Disposal Agreement having become unconditional (save for the condition for the Second Disposal Agreement to become unconditional).

Condition (3) as set out above may be waived by Ms. Cheng at any time before the completion of the Second Disposal Agreement by written notice to Great Plan, whereas condition (4) as set out above may be waived by Great Plan at any time before the completion of the Second Disposal Agreement by written notice to Ms. Cheng. If the above conditions have not been satisfied on or before the Long Stop Date or such other date as Great Plan may nominate by written notice serving to Ms. Cheng, the Second Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and Great Plan shall refund the deposit paid pursuant to the terms and conditions set out in the Second Disposal Agreement (without interest) to Ms. Cheng forthwith.

As at the Latest Practicable Date, none of the conditions has been fulfilled (or waived).

Completion

Completion of the Second Disposal Agreement will take place within 3 Business Days after satisfaction of the above conditions simultaneously with the completion of the First Disposal Agreement.

After Completion, the Company will cease to have any interest in UB Group, and therefore UB Group will cease to be subsidiaries of the Company.

Basis of the Consideration

The First Disposal Consideration and the Second Disposal Consideration were arrived at after arm's length negotiations between the parties to the Disposal Agreements with reference to (i) the net asset value of UB Group of approximately HK$17.9 million based on the audited financial statement of UB Group as at 30 September 2007; (ii) the price earning ratio of approximately 11 times, which falls within the profit earning ratios of a number of Hong Kong listed companies engaging in similar business in the electronic devices and components ranging from about 4 to 50 times; (iii) the high gearing level of UB Group of approximately HK$60 million based on the audited financial statement of UB Group as at 30 September 2007; and (iv) the economic benefits to be accrued to the Company for the disposal of the loss making business being carried out by UB Group as elaborated in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS" below. The Directors (including the independent non-executive Directors), consider that the terms of the Disposal Agreements and the transactions contemplated thereunder are entered into upon normal commercial terms following arm's length negotiations among the parties and the terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

(D) INFORMATION ON UB GROUP

UB Group is principally engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

The financial information of UB Group for the two financial years ended 31 March 2006 and 2007 and for the six months ended 30 September 2007 are as follows:

	Six months ended 30 September 2007 (Audited) *HK$'000*	Year ended 31 March 2007 (Audited) *HK$'000*	Year ended 31 March 2006 (Audited) *HK$'000* *(Note)*
Results			
Turnover	56,228	104,749	89,323
Profit/(Loss) before tax	(1,424)	1,691	5,050
Profit before tax (%)	–	1.61%	5.65%
Profit/(Loss) after tax	(1,811)	975	5,136
Profit after tax (%)	–	0.93%	5.75%

	As at 30 September 2007 (Audited) *HK$'000*	As at 31 March 2007 (Audited) *HK$'000*	As at 31 March 2006 (Audited) *HK$'000*
Assets and liabilities			
Total assets	138,780	127,499	100,152
Net asset value	17,889	19,536	17,464

Note: As the acquisition of UB Group was completed in late March 2006, only one month turnover and financial results of UB Group were consolidated into the annual result of the Group for the year ended 31 March 2006.

(E) REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Group is principally engaged in the provision of mobile payment gateway services which currently comprises sale of IP cards and virtual game cards in 12 provinces and municipal cities in the PRC. In addition, it is also engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

Due to keen competition in the electronic devices and components business, the substantial increases in the essential raw materials costs, the gradual rise of labour cost in the PRC and the appreciation of Renminbi, the profit margin of UB Group's electronic devices and components business continued to remain at a low level. Moreover, UB Group's electronic devices and components business has recorded a loss of approximately HK$1,811,000 for the six months ended 30 September 2007 based on the audited financial statement for the six months ended 30 September 2007 and had a high gearing ratio. Given the continued unfavourable market conditions, the Directors believe that such business is still difficult in the coming years.

Following its initial acquisition of 20% share capital of Media Magic Technology Limited ("**Media Magic**"), a company principally engaged in the provision of the mobile payment gateway services, on 22 August 2006, the Company further acquired 31% share capital of Media Magic on 5 January 2007. Since then, the Group has been principally engaging in the provision of mobile payment gateway services, while continuing with the provision of full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry. In addition, as stated in the Interim Report 2007-2008 of the Company and the circular of the Company dated 3 December 2007 in relation to the Company's third acquisition of 24% interest in Media Magic which was completed on 21 December 2007, it is expected that the mobile payment gateway services will further expand to 11 other major provinces and municipal cities in the PRC in the near future. Following full scale operations of the mobile payment gateway services in 23 major provinces/municipal cities in the PRC, the Directors believe that the mobile payment gateway services will continue to generate a steady source of income as well as bringing promising returns to the Group in the near future. As for the insurance products, full operation has been carried out in Shanghai (上海), Guangxi (廣西) and Jilin (吉林) and it is expected that sale of accident insurance products will expand to other provinces and municipal cities in the PRC gradually. The monthly turnover of the mobile payment gateway services has increased by approximately 292% since its accounts being consolidated with that of the Group. During the six months period ended 30 September 2007, the turnover of the mobile payment gateway services increased at an average rate of approximately 17.2% with high gross profit margin of over 60%. Thus its contribution to the total turnover of the Group has been increasing. Considering the advantages including (i) future prospects and potential of the telecommunication sector in the PRC; and (ii) the increasing number of mobile phone users in the PRC under the environment embraced by the rapid economic growth in the PRC, the mobile payment gateway services business is expected to expand rapidly and significantly.

As such, after reviewing the respective financial results and performance of the electronic devices and components business and the mobile payment gateway services business for over one year as well as the factors indicated above, with a view to optimize the Shareholders' interest, the Directors consider that it is the right time to dispose of the loss making business of UB Group (based on the audited financial statement of UB Group for the six months ended 30 September 2007). Moreover, the Directors do not that consider the Disposal would lead to a change of its principal business since after Completion, the principal business of the Group will remain as mobile payment gateway services business and the Group will direct its resources and the management's focus to other business including the mobile payment gateway services business which is of significant increase in turnover, higher profit margin and optimistic prospects. Therefore, the Directors (including the independent non-executive Directors), consider that the Disposal is in the interests of the Company and the Independent Shareholders as a whole.

It is estimated that, upon Completion, the Group will record a loss on disposal of approximately HK$20.61 million. Such loss is estimated based on the difference between (i) HK$10.5 million (the aggregate of the First Disposal Consideration and the Second Disposal Consideration) and (ii) the aggregate of (1) HK$16.63 million (the net asset value of UB Group of approximately HK$17.89 million after elimination of exchange reserves of approximately HK$1.26 million); and (2) goodwill which arose from the acquisition of UB Group of approximately HK$14.48 million. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the Completion. Upon Completion, the Group will significantly lower its gearing level by approximately HK$60 million.

The Board intends to apply the net sale proceeds of approximately HK$8.5 million for future development and investment of the Group. As at the Latest Practicable Date, the Company did not have any specific development and investment plans.

(F) MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Based on the Accountants' Report as set out in Appendix I and the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular. As the acquisition of UB Group was completed in March 2006, only one month financial results of UB Group were consolidated into the annual result of the Group for the year ended 31 March 2006.

(i) Financial and business performance

For the year ended 31 March 2005, the Remaining Group recorded audited turnover of approximately HK$38,864,000 and audited net loss of approximately HK$23,269,000.

For the year ended 31 March 2006, the Remaining Group recorded audited turnover of approximately HK$24,906,000 and audited net loss of approximately HK$8,671,000.

Net loss recorded in the year ended 31 March 2005 of the Remaining Group of approximately HK$23,269,000 is due to quality problems in some products developed. As a result, sales discounts were given and provision for impairment loss of investments, loss on disposals of fixed assets and provision for bad and doubtful debts were made.

The Remaining Group's turnover comprises turnover from the internet appliances and related products and income from the development of e-commerce platform and related service for the two years ended 31 March 2006. Turnover recorded a decrease of approximately 36% in the year ended 31 March 2006 (from approximately HK$38,864,000 to HK$24,906,000) as compared to that of the year ended 31 March 2005 owing to intense competition, sales discounts and decrease in services fee from the development of various internet platforms in the PRC.

Net loss recorded in the year ended 31 March 2006 of the Remaining Group of approximately HK$8,671,000 is due to provision for impairment loss on investments and impairment loss on fixed assets.

For the year ended 31 March 2007, the Remaining Group recorded audited turnover of approximately HK$5,325,000 and audited net loss of approximately HK$9,593,000.

For the six months ended 30 September 2007, the Remaining Group recorded unaudited pro forma turnover of approximately HK$13,662,000 and unaudited pro forma net loss of approximately HK$15,741,000.

Upon the acquisition of 51% equity interest in Media Magic Technology Limited ("Media Magic") during the year ended 31 March 2007, the Remaining Group has been engaged in the provision of diversified mobile payment gateway services on top of the original business. Turnover from the internet appliances and related products segment recorded a decrease of approximately

91% as compared to last year (from approximately HK$24,906,000 to HK$2,125,000). Moreover, there is no income from e-commerce platform and related services recorded during the year ended 31 March 2007. However, turnover from mobile payment gateway services of approximately HK$3.2 million was recorded.

For the six months ended 30 September 2007, turnover of the Remaining Group of approximately HK$13,662,000 consists of the mobile payment gateway business.

Loss of the Remaining Group for the year ended 31 March 2007 of approximately HK$5,325,000 was mainly due to recognition of equity-settled share-based payment, provision for impairment loss on investments and the write-off of the deferred tax assets.

Loss of the Remaining Group for the six months ended 30 September 2007 of approximately HK$15,741,000 was mainly due to the loss on disposal of UB Group of approximately HK$20.61 million.

(ii) Capital structure

The Remaining Group's capital structure as at 31 March 2005 consisted of shareholders' equity of approximately HK$15,000,000, capital reserves of approximately HK$1,818,000 and minority interests of approximately HK$1,999,000.

The Remaining Group's capital structure as at 31 March 2006 consisted of shareholders' equity of approximately HK$18,000,000, deficit of approximately HK$8,969,000 and minority interests of approximately HK$1,988,000.

The Remaining Group's capital structure as at 31 March 2007 consisted of shareholders' equity of approximately HK$47,721,000, capital reserves of approximately HK$29,654,000 and minority interests of approximately HK$4,567,000.

The Remaining Group's capital structure as at 30 September 2007 consisted of shareholders' equity of approximately HK$55,948,000, capital reserves of approximately HK$76,818,000 and minority interests of approximately HK$5,766,000.

During the three years ended 31 March 2007 and the six months ended 30 September 2007, the number of issued share capital of the Remaining Group increased mainly due to allotment of shares by exercise of share options and warrants, placement of new shares, issue of consideration shares and conversion of convertible notes respectively.

(iii) Liquidity and financial resources

The Remaining Group had cash balances of approximately HK$162,000 and bank borrowing of approximately HK$8,168,000 as at 31 March 2005, there were no long-term liabilities.

The Remaining Group had cash balances of approximately HK$3,239,000 and bank borrowing of approximately HK$132,000 as at 31 March 2006, there were no long-term liabilities.

The Remaining Group had cash balances of approximately HK$32,966,000 and no bank borrowing as at 31 March 2007, there were no long-term liabilities.

The Remaining Group had pro forma cash balances of approximately HK$53,885,000 and no bank borrowing as at 30 September 2007, there were no long-term liabilities.

(iv) Significant investments

Other than the investments in listed shares of Ming Kei Energy Holdings Limited ("Ming Kei") (formerly known as MP Logistics International Holdings Limited, the issued shares of which are listed on GEM) held by the Remaining Group, for the year ended 31 March 2005, the Remaining Group did not have any significant investment.

Other than the investments in listed shares of Ming Kei held by the Remaining Group, for the year ended 31 March 2006, the Remaining Group did not have any significant investment.

Provision for impairment loss as at 31 March 2005 and 31 March 2006 were provided in the Remaining Group.

For the year ended 31 March 2007, the Remaining Group acquired 51% equity interest in Media Magic.

For the six months ended 30 September 2007, the Remaining Group did not have any significant investment.

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

During the year ended 31 March 2007, the Remaining Group has acquired 51% equity interest in Media Magic in January 2007 with Media Magic becoming subsidiary of the Company and its financial results being consolidated with that of the Company.

For the six months ended 30 September 2007, the Remaining Group has disposed its entire interest in Smart Time Development Limited and its subsidiaries.

Multi Channel Technology Limited, a wholly-owned subsidiary of the Media Magic Group, completed the acquisition of the entire interest in PalmPay Technology Co. Ltd. (北京互聯視通科技有限公司) on 18 October 2007.

The Remaining Group has also further acquired 24% equity interest in Media Magic on 21 December 2007.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and affiliated companies by the Remaining Group during the period under review up to the Latest Practicable Date.

(vi) Segment information

For the three years ended 31 March 2005, 2006 and 2007 as well as the six months ended 30 September 2007, the Remaining Group's turnover and operating assets were attributable to the provision of internet appliances and related products and electronic devices and components as well as mobile payment gateway services in the PRC. For detailed analysis by business or geographical segment, please refer to the accountants' Report as shown in Appendix I to this circular.

(vii) Number of employees and remuneration policies

For the year ended 31 March 2005, the Remaining Group had about 32 employees, total salary and allowances amounted to about HK$2,500,000.

For the year ended 31 March 2006, the Remaining Group had about 30 employees, total salary and allowances amounted to about HK$900,000.

For the year ended 31 March 2007, the Remaining Group had about 40 employees, total salary and allowances amounted to about HK$300,000.

For the six months ended 30 September 2007, the Remaining Group had about 40 employees, total salary and allowances amounted to about HK$1,000,000. Please refer to Accountants' Report of the Group as shown in Appendix I to this circular for details.

The decrease in the number of employees (from 32 to 30) and total salary and allowances of the Remaining Group (from approximately HK$2,500,000 to HK$900,000) from 2005 to 2006 was mainly due to weak performance of the internet appliances and related products and the development of e-commerce platform and related service businesses and reduction of salary therefore.

The increase in the number of employees of the Remaining Group (from 30 to 40) from 2006 to 2007 was mainly due to the inclusion of the mobile payment gateway business during the year ended 31 March 2007 while the decrease in the total salary and allowances of the Remaining Group (from approximately HK$900,000 to HK$300,000) from 2006 to 2007 was mainly due to weak performance of the internet appliances and related products and the development of e-commerce platform and related service businesses and reduction of salary therefore.

The increase in the total salary and allowances of the Remaining Group of approximately HK$300,000 from the year ended 31 March 2007 to approximately HK$1,000,000 for the six months ended 30 September 2007 was mainly due to increasing contribution to the Group from the mobile payment gateway business.

(viii) Charges on the Remaining Group's assets

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

(ix) Future plans for material investments

As at the Latest Practicable Date, there was no proposed material investments by the Remaining Group.

(x) Exposure to exchange rates

Most of the transactions of the Remaining Group were denominated in US Dollars, HK Dollars and Renminbi. As the exchange of US Dollar and Renminbi to Hong Kong Dollars were fairly stable during the year and period under review. Hence, no hedging or other arrangements to reduce the currency risk were implemented.

(xi) Contingent liabilities

Other than the corporate guarantees for the bank facilities granted to a wholly-owned subsidiary by the Company during the year ended 31 March 2005, there were no contingent liabilities of the Remaining Group as at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007.

(xii) Gearing

The Remaining Group had bank borrowings of approximately HK$8,168,000 as at 31 March 2005 and had no bank borrowings as at 31 March 2006, 31 March 2007 and 30 September 2007.

(G) FINANCIAL EFFECT OF THE DISPOSAL

Immediately following Completion, the Company will cease to have any interest in UB Group, and therefore UB Group will cease to be the subsidiaries of the Company.

(1) Assets

As set out in the audited consolidated balance sheet of the Group contained in Appendix I to this circular, the Group had audited total assets and audited net asset of approximately HK$305.9 million and approximately HK$160.4 million respectively as at 30 September 2007. As referred to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, after Completion, (i) the total assets will be decreased by approximately HK$136.7 million to approximately HK$169.2 million; and (ii) the net asset will be decreased by approximately HK$21.9 million to approximately HK$138.5 million.

(2) Earnings

The Group recorded a net profit of approximately HK$4.9 million for the six months ended 30 September 2007 as set out in the audited consolidated income statement of the Group contained in Appendix I to this circular. As referred to the unaudited pro forma financial information of the Remaining Group in Appendix IV to this circular, after adjusting the effect of the Disposal, a pro forma net loss of approximately HK$15.7 million for the Remaining Group will be attributable to the equity holders of the Company for the six months ended 30 September 2007.

As described under the section "REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS" above, it is expected that upon completion of the Disposal, the profit margin of the Remaining Group will be significantly improved.

(3) Liabilities

As set out in the audited consolidated balance sheet of the Group contained in Appendix I to this circular, the Group had audited total liabilities of approximately HK$145.5 million as at 30 September 2007. As referred to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, after Completion, the total liabilities will be decreased by approximately HK$114.8 million to approximately HK$30.7 million.

(H) FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Group recorded net loss of approximately HK$8.6 million for the year ended 31 March 2007 and recorded net profit of approximately HK$4.9 million for the six months ended 30 September 2007 which was mainly contributed from the mobile payment gateway services. In view of the anticipated significant growth and the stable income stream to be provided to the Group through the mobile payment gateway services business with immense growth potential, the Group is in a strong position to improve its financial and trading prospects and thus provide better returns to the Shareholders.

After Completion, the principal business of the Group remains as mobile payment gateway services which includes the sale and subscription of the IP cards, the virtual game cards and accident insurance services through mobile payment gateway platform. As mentioned in the annual report of the Group for the financial year ended 31 March 2007, the Group recorded an increase of approximately 159% in its turnover from approximately HK$42.5 million to approximately HK$110.1 million. The Group commenced the mobile payment gateway services through acquiring 20% interest in the Media Magic Group in 2006 aiming not only to diversify the sources of income for the Group but also to improve the overall profit margins of the Group. As at the Latest Practicable Date, the mobile payment gateway services has commenced operation in 12 major provinces and municipal cities in the PRC covering Liaoning, Shanghai, Guangxi, Hunan, Jilin, Guizhou, Gansu, Hubei, Chongqing, Shaanxi, Inner Mongolia and Heilongjiang. It is expected that the operation will further expand to additional 11 major provinces and municipal cities in the PRC such as Guangdong, Beijing, Fujian and Shandong within the next 2 to 3 months.

As for the insurance products, the Media Magic Group has secured a co-operation agreement with PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) on a national basis for the sale of accident insurance products through the mobile payment gateway during the third quarter. Full operation has been carried out in Guangxi, Jilin and Shanghai. For the first full month of operation in December 2007, the revenue has already reached RMB237,240. It is expected that sale of accident insurance products will rapidly expand to other major provinces/municipal cities. Media Magic Group is the first operator to launch the sale of accident insurance products through the mobile payment gateway in the PRC. The Directors expect that sale of accident insurance products through the mobile payment gateway will grow significantly as the services penetrate into other major provinces/municipal cities.

Other than the joint promotion with China Unicom Limited (中國聯通股份有限公司) for the sale of products and services through the short message service (SMS), in order to strengthen the marketing efforts, a tele-marketing centre has been opened in Guangxi Province and has been operating very successfully. The tele-marketing centre in Guangxi Province commenced its full operation in November 2007. The turnover for Guangxi Province has jumped from RMB87,004 in October 2007 to RMB229,949 in November and RMB336,613 in December 2007, representing an increase in an average rate of 97%. The total turnover for Guangxi Province for the third quarter is RMB653,566 as compared to RMB257,004 in previous quarter, representing an increase of 154%. The Directors will establish similar marketing centres in other major provinces/municipal cities to further increase sales.

In January 2008, the Media Magic Group has signed up a co-operation agreement with a content service provider for the provision of electronic magazine through the mobile payment gateway and it is expected that it will contribute revenue to the Media Magic Group starting February 2008.

Considering (i) the future prospect and potential of the telecommunication sector in the PRC; and (ii) the growing demand for diversified mobile value-added services, the Directors consider that it is the right time to direct the Company's resources and the management's focus to the mobile payment gateway services business in order to capture potential opportunities in the booming mobile phone market in the PRC and to achieve significant business growth potential and provides a stable income stream for the Group.

(I) GEM LISTING RULES IMPLICATION

The Disposal constitutes a very substantial disposal on the part of the Company under the GEM Listing Rules. As Mr. Lo is an executive Director, a director of Union Bridge, each of the UB Subsidiaries and the PRC Subsidiary, whereas Ms. Cheng is a director of Union Bridge and each of the UB Subsidiaries, the Disposal also constitutes a connected transaction on the part of the Company under the GEM Listing Rules. The Disposal Agreements will be subject to Independent Shareholders' approval at the SGM by way of poll.

Mr. Lo, Ms. Cheng and their respective associates will abstain from voting to approve the Disposal Agreements at the SGM. As at the Latest Practicable Date, Mr. Lo, Ms. Cheng and their respective associates did not have any interest in the Company. Save as mentioned herein, no Shareholders will be required to abstain from voting to approve the Disposal Agreements.

The Board confirms that to the best of their information, knowledge and belief having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Mr. Lo, Ms. Cheng and their respective associates; and (ii) no obligation or entitlement of each of Mr. Lo, Ms. Cheng and their respective associates as at the Latest Practicable Date, whereby each of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis.

The Independent Board Committee comprising Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal and whether the Disposal is in the interests of the Company and the Shareholders as a whole. Nuada has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

(J) SGM

A notice convening the SGM to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 10 March 2008 at 10:30 a.m. is set out on pages 140 and 141 of this circular.

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

(K) PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

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

(i) by the chairman of such meeting; or

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

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

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

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

(L) RECOMMENDATIONS

The Board considers that the terms of the Disposal Agreements and the transactions contemplated thereunder 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 as set out in the notice of the SGM to approve the Disposal Agreements and the transactions contemplated thereunder.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 21 of this circular. The Independent Board Committee, having taken into account of the advice of Nuada, the text of which is set out on pages 22 to 31 of this circular, considers that the terms of the First Disposal Agreement and the Second Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreements and the transactions contemplated thereunder.

(N) ADDITIONAL INFORMATION

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

By order 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)

20 February 2008

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF THE ENTIRE EQUITY INTEREST IN UNION BRIDGE GROUP LIMITED

We refer to the letter from the Board set out in the circular (the "**Circular**") dated 20 February 2008, of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider whether the terms of the Disposal Agreements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole and to advise on the Independent Shareholders on how to vote, taking into account of the recommendations of Nuada, the independent financial advisers. Nuada will advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on page 21 of the Circular, and the letter from Nuada to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Disposal, as set out on pages 22 to 31 of this Circular.

Having taken into account the advice of Nuada Limited, we consider that Disposal is in the interests of the Company and the Independent Shareholders as a whole and that the terms of Disposal Agreements to be fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

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

* *For identification purpose only*

The following is the text of a letter of advice from Nuada in connection with the terms of the Disposal Agreements 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

20 February 2008

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

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF THE ENTIRE EQUITY INTEREST IN UNION BRIDGE GROUP LIMITED

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 connected transaction in relation to the disposal of the entire issued share capital of Union Bridge is in the usual and ordinary course of business of the Group, the terms of the Disposal Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Disposal Agreements and the transactions contemplated thereunder. Details of the Disposal are set out in the letter from the board (the "Board's Letter") in the circular to the Shareholders dated 20 February 2008 (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.

On 16 January 2008, the Company announced that Great Plan, a wholly-owned subsidiary of the Company, entered into the Disposal Agreements, pursuant to which Great Plan has conditionally agreed to dispose the 50% equity interest in Union Bridge to Mr. Lo for a consideration of HK$5.25 million and the remaining 50% equity interest in Union Bridge to Ms. Cheng for a consideration of HK$5.25 million.

The Disposal constitutes a very substantial disposal on part of the Company under the GEM Listing Rules. As Mr. Lo is the executive Director and a director of Union Bridge, each of UB Subsidiaries and the PRC Subsidiary, and Ms. Cheng is the director of Union Bridge and each of UB Subsidiaries, Mr. Lo and Ms. Cheng are therefore connected persons of the Company under the GEM Listing Rules. Consequently, the Disposal constitutes a connected transaction for the Company under the GEM Listing Rules and the Disposal Agreements are subject to the approval by the Independent Shareholders by poll at the SGM. Mr. Lo, Ms. Cheng and their respective associates are required to abstain from voting to approve with respect to the Disposal and the resolution contemplated thereunder at the SGM. As at the Latest Practicable Date, Mr. Lo, Ms. Cheng and their respective associates do not have any interest in the Company. Save as mentioned herein, no Shareholders will be required to abstain from voting to approve the Disposal Agreements.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Disposal Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BACKGROUND INFORMATION

The Disposal

Pursuant to the Disposal Agreements, Great Plan has conditionally agreed to disposal and Mr. Lo and Ms. Cheng (the "Purchasers"), in equally shares, have conditionally agreed to acquire the entire issued share capital of 37,500 shares of Union Bridge at a total consideration of HK$10.5 million. Upon completion of the Disposal, the Purchasers will have 100% interest in UB Group whereas the Company will cease to have any interest in the same.

If the relevant conditions set out in the Disposal Agreements have not been satisfied on or before 31 March 2008 or such other date as Great Plan may nominate by written notice to the Purchasers, the Disposal Agreements shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder and Great Plan shall refund the deposit paid (without interest) pursuant to the terms and conditions set out in the Disposal Agreements to the Purchasers.

According to the pro forma financial report as set out in appendix IV to this circular, a loss on disposal of approximately HK$20.6 million will be recorded by the Company upon completion of the Disposal.

The First Disposal Agreement and the Second Disposal Agreement are inter-conditional upon each other and are part and parcel of the Disposal.

Information on UB Group

UB Group is principally engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry. UB Group was initially acquired by the Company in January 2006 and the acquisition was completed in March 2006 at a total consideration of HK$32 million.

As noted in the Board's Letter, the audited turnover, net profit before taxation and net profit after taxation of UB Group, prepared in accordance with Hong Kong accounting standards, for the financial year ended 31 March 2007 were approximately HK$104.7 million, HK$1.7 million and HK$1.0 million respectively. The net asset value of UB Group was approximately HK$19.5 million as at 31 March 2007.

For the six months ended 30 September 2007, the audited turnover of UB Group, net loss before taxation and net loss after taxation were approximately HK$56.2 million, HK$1.4 million, and HK$1.8 million respectively. The audited net asset value of UB Group was approximately HK$17.9 million as at 30 September 2007.

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.

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 Disposal, 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 UB 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 Disposal Agreements. We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Disposal Agreements have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Disposal Agreements.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Disposal. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Reasons for the Disposal

The Group is principally engaged in the provision of mobile payment gateway services which currently comprises sale of IP cards and virtual game cards in 12 provinces and municipal cities in the PRC. In addition, it is also engaged in the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry.

As mentioned in the Board's Letter, the profit margin for trading and manufacturing of electronic devices and components was low due to keen competition, increase in the essential raw materials costs, the gradual rise of labour cost in the PRC and the appreciation of Renminbi while it provided a stable income to the Group. It has been the strategy of the Board to streamline the businesses of the Group. The Disposal would enable the Company to allocate all its resources and the management focus to its remaining business for more efficient management and to realise cash for future development and investment of the Group, in particular, will significantly lower the gearing level of the Group. The Board considers that the Disposal Agreements were entered into on normal commercial terms after arm's length negotiation, is fair and reasonable and is in the interests of Company and the Independent Shareholders taken as a whole.

According to the Accountant's Report of the Group for the six months ended 30 September 2007 as shown in Appendix I to this circular, the aggregate audited net asset value of Group as at 30 September 2007 amounted to approximately HK$160.4 million. With reference to the pro forma financial information of the Company as set out under appendix IV to this circular, the aggregate unaudited net asset value of Group as at 30 September 2007, as adjusted for the loss of approximately HK$21.9 million in respect of the disposal of certain plant and machinery of UB Group by the Group, would be approximately HK$138.5 million.

Given the operating results of UB Group has been loss making, we concur with the view of the Directors that the Disposal of a loss making business would provide a good opportunity for the Group to streamline its business, particularly to allocate all its resources on mobile gateway business and other possible business which is of significant increase in turnover, higher profit margin and optimistic prospects under the Group for more efficient management, to realise cash by disposing the loss making investments, and to lower the gearing level of the Group. As such, we are of the view that although the Disposal is not in the usual and ordinary course of business of the Group since the operating business of the Group is the provision of mobile payment gateway services as well as the provision of a full range of design, engineering and manufacturing services before the Disposal, it is nevertheless in line with the strategy of the Group, and thus is in the interests of the Company and the Independent Shareholders as a whole.

II. Key terms of the Disposal

Consideration and payment terms

The aggregate amount of First Disposal Consideration and the Second Disposal Consideration (the "Considerations") for the Disposal is HK$10.5 million. A refundable deposit of HK$5.0 million has been paid by the Purchasers to the Great Plan upon the signing of the Disposal Agreements. The balance of the Considerations of approximately HK$5.5 million will be settled by the Purchasers upon completion of the Disposal Agreements. The Company intends to apply the proceeds from the Disposal for future development and investment of the Group. The remaining balance of the Considerations of HK$5.5 million is expected to be received on or before March 2008 upon Completion.

The Considerations payable under the Disposal Agreements were arrived at after arm's length negotiations between the Company and the Purchasers with reference to (i) the net asset value of UB Group of approximately HK$17.9 million based on the audited financial statement of UB Group as at 30 September 2007; (ii) the price earning ratio of approximately 11 times, which falls within the price earning ratios of a number of Hong Kong listed companies engaging in similar business in the electronic devices and components ranging from about 4.4 to 47.5 times; (iii) the high gearing level of UB Group of approximately HK$60 million based on the audited financial statement of UB Group as at 30 September 2007; and (iv) the economic benefits to be accrued to the Company for the disposal of the loss making business being carried out by UB Group.

In assessing the fairness and reasonableness of the Considerations, we have selected, on our best effort, a number of companies listed on the Stock Exchange (either Main Board or GEM) which, to the best of our knowledge, principally engaging in the manufacture and sale of electronic devices and components that are in similar business to UB Group (the "Comparables") as follow:

Company name (stock code)	**Principal business**	**Market capitalization** *(Note 1)*	**Net asset value** *(Note 2)*	**Price earnings ratio** *(Note 3)*	**Premium/ (discount) of market capitalization to net asset value**
CCT Tech International Limited (261)	Manufacture and sale of telecom and electronic products, accessories and components	HK$1,416 million	HK$1,196 million	10.5 times	18.4%
China Aerospace International Holdings Limited (31)	Manufacturing of plastic products, liquid crystal display, audio-video products, printed circuit boards, intelligent charges and security system and telecommunications products; property business; trading and finance	HK$3,265 million	HK$1,475 million	24.4 times	121.4%

Company name (stock code)	Principal business	Market capitalization *(Note 1)*	Net asset value *(Note 2)*	Price earnings ratio *(Note 3)*	Premium/ (discount) of market capitalization to net asset value
Kwang Sung Electrics HK Co. Ltd (2310)	Manufacturing and supply a broad line of electronic components for electronic appliances and communication equipment	HK$878 million	HK$374 million	47.5 times	134.8%
Daiwa Associate Holdings Limited (1037)	Design, development, manufacturing and distribution of electronic components, electronic manufacturing services and distribution and manufacturing of personal computer and digital products	HK$179 million	HK$394 million	14.8 times	(54.6%)
The Grande Holdings Limited (186)	Designs, manufactures and sells consumer electronic products and magnetic heads and trades audio and video products	HK$1,574 million	HK$4,404 million	4.4 times	(64.3%)
Sonavox International Holdings Limited (8226)	Designs, manufactures and sells loudspeaker systems used in both automobiles and home theaters on an OEM and ODM basis	HK$87.8 million	HK$394 million	24.3 times	(77.7%)
		Highest		47.5 times	134.8%
		Lowest		4.4 times	(77.7%)
		Average		21.0 times	13.0%
The Company		HK$526 million	HK$162 million	N/A*	224%

	The Considerations	Net asset value of UB Group	Price earnings ratio	(Discount) of the Considerations to net asset value of UB Group
The Disposal Agreements	**HK10.5 million**	**HK$18 million**	**11 times**	**(41.7%)** *(Note 4)*

Note:

1. Being the share market price as at the date of the Disposal Agreements times the latest total issued share of the company.

2. Being the amount extracted from the latest interim report of the company.

3. Based on the share market price on 11 January 2008, being the date of the Disposal Agreements, over the earnings per share of the company as at the date of the latest audited financial results.

4. Being the total Considerations of HK$10.5 million divided by the net asset value of approximately HK$18 million of UB Group based on the audited financial statement of UB Group as at 30 September 2007.

* *Losses incurred during the financial year ended under the review.*

(i) The net asset value

As shown in the Comparables above, the premium/ (discount) of market capitalization to the net asset value of the listed company represents the market capitalization on the date of the Disposal Agreements over the net asset value of such companies. The premium or discount to the net asset value of the company illustrates the value of the underlying asset of that company taking into effect the conditions of the market and the future prospect of the company engaged in similar business activities to UB Group accepted by the investors in general. According to the Comparables, the range shows a discount of approximately 77.7% to a premium of approximately 134.8% and with an average premium of 13.0% among them. The considerations of the Disposal Agreements of HK$10.5 million, represents a discount of approximately 41.7% to the net asset value of UB Group, falls within the relevant range of the Comparables but is below the average of the above comparables companies.

(ii) Price earnings ratio

As shown in the Comparables above, the price earnings ratio of the listed companies which engaged in similar business to UB Group ranges from an approximately 4.4 times to an approximately 47.5 times and with an average of 21.0 times among them. Given the Group recorded a loss for the year ended 31 March 2007, no price earnings ratio in respect of the Group can be computed. Instead, the price earnings ratio of 11 times, being the Considerations divided by the profit of UB Group for the year ended 31 March 2007 of approximately HK$976,000, used by the Company to determine the basis of the Considerations under the Disposal Agreements fall within the relevant range of the Comparables and is lower than the average price earnings ratio of the above comparable companies.

(iii) Overall review

In view of the financial position of UB Group as at 30 September 2007, UB Group has suffered from loss for the six months ended 30 September 2007 which led to decrease in its net asset value. Given the low profit margin of trading and manufacturing of electronic devices and components operated by UB Group and the high gearing ratio, the Group would require a larger working capital base to procure high return to the Group. Notwithstanding the discount of the Considerations to the net asset value of UB Group as at 30 September 2007 is below the average of the premium or discount of market capitalization to net asset value of the Comparables, the current financial position of UB Group may adversely affect the net asset value per share and may cause a difficulty to procure potential investors without offering a considerable discount to the underlying asset value of UB Group.

In light of the foregoing, we are of the view that the Considerations, being a discount of 41.7% to the net asset value of UB Group and the price earnings ratio of approximately 11 times used by the Company is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Independent Shareholders as a whole.

Business review and financial effects of the Disposal

Set out below is the summary of the audited figures of the operating results, assets and liabilities and minority interests of the Group as extracted from the accountants' report on the Group in appendix I to this circular for the six months ended 30 September 2007 compare to the pro forma financial information of the Group as set out under appendix IV to this circular, assuming the completion of the Disposal took place on 30 September 2007:

	For the six months ended 30 September 2007	
	(Pro forma report)	(Accountants' report)
	(Unaudited)	*(audited)*
	HK$'000	*HK$'000*
Turnover	13,662	69,890
Profit/ (Loss) before tax	(12,686)	8,313
Profit/ (Loss) after tax	(15,741)	4,871

	As at 30 September 2007	
	(Pro forma report)	(Accountants' report)
	(Unaudited)	*(audited)*
	HK$'000	*HK$'000*
Total assets	169,234	305,882
Total liabilities	(30,702)	(145,478)
Net Assets	138,532	160,404
Equity attributable to the Shareholders	(132,766)	(154,638)
Minority interests	(5,766)	(5,766)

Based on the above illustration, assuming the completion of the Disposal took place, the unaudited consolidated net assets of the Group would have been approximately HK$138.5 million, representing an decrease of approximately 13.7% from the Group's audited net assets of HK$160.4 million as at 30 September 2007. The unaudited net loss of the Group would have been approximately HK$15.7 million (excluding the loss of disposal of approximately HK$20.6 million arising from the Disposal, an unaudited net profit of approximately HK$4.9 million). It should be noted that the loss of disposal of HK$20.6 million is considered to be a one-off transaction to the Company. The gearing ratio of the Remaining Group, as measured by the total liabilities over the total equity attributable to the Shareholders, would have been approximately 23.1%, representing a decrease of approximately 75.5% from the Group of approximately 94.1% as at 30 September 2007.

Following a series of acquisition of Media Magic Group, the Company has acquired 75% share capital of Media Magic Group. Save for the provision of a full range of design, engineering and manufacturing services to high-end brand-named users in the electronics industry, the Group has been principally engaged in, including but not limited to the provision of mobile payment gateway services, as one of the diversified mobile value-added businesses in the PRC. With the existing cooperation arrangement with China Unicom (中國聯通), its mobile payment services has covered in 12 major provinces and municipal cities in the PRC and additional 11 other major provinces and municipal cities in the PRC in near future. According to the Board's presentation, it is expected that the mobile payment gateway services will generate a steady source of income as well as bringing promising returns to the Group in the near future through Media Magic Group following full scale operations in 23 major provinces or municipal cities in the PRC. And as for the insurance products, services has been carried out in Shanghai (上海), Guangxi (廣西) and Jilin (吉林) and it is expected that sale of insurance products will expand to other major provinces or municipal cities gradually.

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

The Directors would apply the net proceeds of the Disposal of approximately HK$8.5 million for future development and investment of the Group.

Taking into account the business review and financial effects of the Disposal above, we consider that the Disposal is on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons above, being (i) the low profit margin of UB Group; (ii) the unsatisfied results and performance of UB Group for the six months ended 30 September 2007; (iii) the keen competition in the electronic devices and components business in which UB Group is principally engaged into; (iv) the Disposal would enable the Group to allocate all its resources on mobile gateway business under the Group for more efficient management and to realise cash by disposing the loss making investments (v) the substantial improvement in gearing ratio of the Group upon completion of the Disposal; (vi) the discount of approximately 41.7% in Considerations to the net asset value of UB Group and the price earnings ratio of 11 times used by the Company to determine the basis of the Considerations, falls within the relevant range of the Comparables, we consider that the Disposal which is not in the usual and ordinary course of business of the Group, it is nevertheless in line with the strategy of the Group and is in the interests of the Company and the Independent Shareholders as a whole and the terms of the Disposal Agreements 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 to be proposed at the SGM to approve the Disposal.

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

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

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

20 February 2008

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 Palmpay China (Holdings) Limited ("Palmpay China") and its subsidiaries (hereafter collectively referred to as the "Palmpay China Group") for the three years ended 31 March 2007 and for the six months ended 30 September 2007 (the "Relevant Periods") for inclusion in the circular of Palmpay China dated 20 February 2008 (the "Circular") in connection with the proposed disposal of the 100% issued share capital of Union Bridge Group Limited, an indirectly wholly-owned subsidiary of Palmpay China (the "Disposal").

Palmpay China was incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and acted as an investment holding company. The registered office of Palmpay China is located 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.

As at the date of this report, Palmpay China has interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by Palmpay China		Principal activities
			Directly	*Indirectly*	
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

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by Palmpay China		Principal activities
			Directly	*Indirectly*	
Sun Bridge Industrial Company Limited	Hong Kong	HK$10,000	–	100%	Dormant
Upper Power 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
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	RMB990,900	–	75%	Dormant
PalmPay Technology Co. Ltd. 北京互聯視通科技有限公司	The People's Republic of China	RMB10,000,000	–	75%	Provision of mobile payment gateway services

For the purpose of this report, the directors of Palmpay China have prepared the consolidated financial statements of the Palmpay China 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 Palmpay China 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 Palmpay China. 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 Palmpay China 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 Palmpay China Group and Palmpay China as at 31 March 2005, 31 March 2006, 31 March 2007 and 30 September 2007 and of the consolidated results and cash flows of the Palmpay China Group for each of the Relevant Periods.

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

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March 2005 HK$'000 (audited)	2006 HK$'000 (audited)	2007 HK$'000 (audited)	Six months ended 30 September 2006 HK$'000 (unaudited)	2007 HK$'000 (audited)
TURNOVER	6	38,864	42,474	110,074	57,846	69,890
COST OF SALES		(42,035)	(38,096)	(85,818)	(43,731)	(48,916)
Gross profit/(loss)		(3,171)	4,378	24,256	14,115	20,974
Other revenues	6	250	318	1,329	653	2,185
Distribution costs		(626)	(126)	(1,217)	(624)	(2,196)
Administrative expenses		(4,033)	(5,517)	(21,216)	(8,462)	(11,741)
Impairment allowances for bad and doubtful debts		(3,093)	–	–	–	–
Other operating expenses		(2,085)	(415)	–	–	–
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(12,758)	(1,362)	3,152	5,682	9,222
Gain on disposal of subsidiaries	35	–	–	–	–	2,854
Loss of disposals of property, plant and equipment		(3,910)	–	–	–	(89)
Provision for impairment loss of available-for-sale financial assets	15	(8,223)	(657)	(570)	(620)	–
Provision for impairment loss of property, plant and equipment	14	–	(5,000)	–	–	–
Finance costs	7	(219)	(994)	(8,361)	(3,495)	(3,674)
Share of loss from an associate	34	–	–	(187)	–	–
PROFIT/(LOSS) BEFORE TAX	8	(25,110)	(8,013)	(5,966)	1,567	8,313
Tax	10	1,841	353	(2,652)	(745)	(3,442)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(23,269)	(7,660)	(8,618)	822	4,871
ATTRIBUTABLE TO:	11					
Equity holders of Palmpay China		(23,143)	(7,649)	(9,117)	822	1,685
Minority interests		(126)	(11)	499	–	3,186
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(23,269)	(7,660)	(8,618)	822	4,871
DIVIDENDS	12	–	–	–	–	–
PROFIT/(LOSS) PER SHARE	13					
– Basic (HK cent)		(7.71)	(2.53)	(1.78)	0.19	0.16
– Diluted		N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

		As at 31 March			As at 30 September
		2005	2006	2007	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	8,022	20,986	39,822	43,560
Available-for-sale financial assets	*15*	1,377	720	150	–
Intangible assets	*17*	–	25,537	60,730	62,010
Deferred tax assets	*32*	1,646	658	430	–
Total non-current assets		11,045	47,901	101,132	105,570
CURRENT ASSETS					
Inventories	*18*	–	20,856	38,484	53,255
Accounts receivable	*19*	12,175	33,663	21,756	26,793
Prepayments, deposits and other receivables		5,626	6,756	7,469	12,176
Financial assets at fair value through profit or loss	*20*	–	2,325	–	–
Derivative financial instruments	*21*	–	–	–	3,111
Tax recoverable		927	6	64	18
Pledged time deposits	*22*	–	11,239	14,260	11,269
Cash and cash equivalents	*22*	162	4,424	33,784	93,690
Total current assets		18,890	79,269	115,817	200,312
CURRENT LIABILITIES					
Accounts payable	*23*	541	10,330	20,087	33,449
Interest-bearing bank borrowings	*24*	8,168	62,413	64,517	59,700
Current portion of finance lease payables	*25*	–	2,368	2,778	2,487
Other loans	*26*	–	1,134	1,044	1,024
Accruals and other payables		1,331	3,064	7,886	23,879
Due to a shareholder		–	999	215	–
Due to a shareholder of a subsidiary		–	–	13,741	16,439
Promissory notes	*28*	–	–	6,158	–
Tax payable		1,078	973	854	2,895
Total current liabilities		11,118	81,281	117,280	139,873
NET CURRENT ASSETS/(LIABILITIES)		7,772	(2,012)	(1,463)	60,439
TOTAL ASSETS LESS CURRENT LIABILITIES		18,817	45,889	99,669	166,009

		As at 31 March			As at 30 September
		2005	2006	2007	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*24*	–	1,045	1,153	704
Finance lease payables	*25*	–	2,592	4,005	3,191
Convertible notes	*27*	–	8,415	–	–
Promissory notes	*28*	–	12,636	–	–
Provision for long service payment		–	171	171	171
Deferred tax liabilities	*32*	–	–	1,412	1,539
Total non-current liabilities		–	24,859	6,741	5,605
Net assets		18,817	21,030	92,928	160,404
EQUITY					
Issued capital	*29*	15,000	18,750	48,471	55,948
Reserves		1,818	292	39,890	98,690
		16,818	19,042	88,361	154,638
Minority interests		1,999	1,988	4,567	5,766
Total equity		18,817	21,030	92,928	160,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of Palmpay China											
	Issued share capital *HK$'000* (audited)	Share premium *HK$'000* (audited)	Contributed surplus *HK$'000* (audited)	Exchange reserve *HK$'000* (audited)	Capital reserve *HK$'000* (audited)	Convertible notes reserve *HK$'000* (audited)	Share option reserve *HK$'000* (audited)	Warrant reserve *HK$'000* (audited)	Retained profits/ (Accumulated losses) *HK$'000* (audited)	Sub-total *HK$'000* (audited)	Minority interests *HK$'000* (audited)	Total *HK$'000* (audited)
At 1 April 2004	15,000	5,902	6,015	189	1,200	–	–	–	12,936	41,242	2,125	43,367
Arising on consolidation of subsidiaries	–	–	–	(81)	–	–	–	–	–	(81)	–	(81)
Negative goodwill	–	–	–	–	(1,200)	–	–	–	–	(1,200)	–	(1,200)
Net loss for the year	–	–	–	–	–	–	–	–	(23,143)	(23,143)	(126)	(23,269)
At 31 March 2005 and at 1 April 2005	15,000	5,902	6,015	108	–	–	–	–	(10,207)	16,818	1,999	18,817
Arising on consolidation of subsidiaries	–	–	–	(12)	–	–	–	–	–	(12)	–	(12)
Issue of share capital	3,750	5,250	–	–	–	–	–	–	–	9,000	–	9,000
Issue of convertible notes	–	–	–	–	–	885	–	–	–	885	–	885
Net loss for the year	–	–	–	–	–	–	–	–	(7,649)	(7,649)	(11)	(7,660)
At 31 March 2006 and 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
Arising on consolidation of subsidiaries	–	–	–	1,099	–	–	–	–	–	1,099	–	1,099
Issue of share capital	18,924	18,185	–	–	–	–	–	–	–	37,109	–	37,109
Recognition of equity-settled share-based payment	–	–	–	–	–	–	3,719	–	–	3,719	–	3,719
Issue of consideration shares	1,500	4,500	–	–	–	–	–	–	–	6,000	–	6,000
Share option exercised	2,200	7,519	–	–	–	–	(1,239)	–	–	8,480	–	8,480
Exercise of warrants	4,650	10,695	–	–	–	–	–	–	–	15,345	–	15,345
Conversion of convertible notes	2,447	7,737	–	–	–	(885)	–	–	–	9,299	–	9,299
Share issue expenses	–	(2,625)	–	–	–	–	–	–	–	(2,625)	–	(2,625)
Net loss for the year	–	–	–	–	–	–	–	–	(9,117)	(9,117)	499	(8,618)
At 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	5,500	46,200	–	–	–	–	–	–	–	51,700	–	51,700
Recognition of equity-settled share-based payment	–	–	–	–	–	–	813	–	–	813	–	813
Share issue expenses	–	(1,853)	–	–	–	–	–	–	–	(1,853)	–	(1,853)
Share option exercised	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	–	–	–	327	–	–	–	–	–	327	–	327
Net profit for the period	–	–	–	–	–	–	–	–	1,685	1,685	3,186	4,871
At 30 September 2007	55,948	114,273	6,015	1,436	–	–	813	1,441	(25,288)	154,638	5,766	160,404

The contributed surplus of the Palmpay China Group arose as a result of the group reorganisation for the listing of Palmpay China'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 Palmpay China's shares in exchange therefor.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	(25,110)	(8,013)	(5,966)	1,567	8,313
Adjustments for:					
Depreciation	1,180	1,372	4,879	2,294	3,248
Amortisation of product development costs	–	161	2,143	802	1,072
Loss/(gain) on disposals of property, plant and equipment	3,910	–	(71)	(71)	89
Provision for impairment loss on available-for-sale financial assets	8,223	657	570	620	–
Provision for impairment loss on property, plant and equipment	–	5,000	–	–	–
Gain arising from fair value change of derivative financial instruments	–	–	–	–	(31)
Impairment allowances for bad and doubtful debts, net	3,093	–	–	–	–
Share-based payments	–	–	3,719	–	813
Share of loss from an associate	–	–	187	–	–
Interest expenses	219	994	8,361	3,495	3,674
Interest income	(5)	(108)	(711)	(313)	(1,742)
Gain on disposal of subsidiaries	–	–	–	–	(2,854)
Operating cash flows before movements in working capital	(8,490)	63	13,111	8,394	12,582
Decrease/(increase) in inventories	–	8,176	(17,628)	(8,709)	(14,771)
Decrease/(increase) in accounts receivable	8,000	(1,739)	12,597	(1,078)	(5,037)
Decrease/(increase) in prepayments, deposits and other receivables	(3,717)	3,627	285	(5,592)	(4,707)
Increase/(decrease) in accounts payable	3,656	(7,788)	9,757	12,260	13,362
Increase/(decrease) in accruals and other payables	(2,720)	(86)	3,759	956	18,607
Cash generated from/(used in) operations	(3,271)	2,253	21,881	6,231	20,036
Interest paid	(219)	(994)	(6,191)	(3,495)	(3,674)
Hong Kong profits tax refunded	–	934	4	–	–
Hong Kong profits tax paid	(1,699)	(4)	(264)	(90)	(149)
Net cash inflow/(outflow) from operating activities	(5,189)	2,189	15,430	2,646	16,213
CASH FLOW FROM INVESTING ACTIVITIES					
Interest received	5	108	711	313	1,742
Sales proceeds from disposals of property, plant and equipment	3,909	795	1,000	1,000	11
Decrease in financial assets at fair value through profit or loss	–	–	2,325	2,325	–
Increase in derivative financial instruments	–	–	–	–	(3,080)
Acquisition of an associate	–	–	–	(10,000)	–
Acquisition of subsidiaries	–	–	(9,468)	–	–
Proceeds from disposal of subsidiaries	–	–	–	–	149
Decrease/(increase) in pledged time deposits	–	2,315	(3,021)	(4,402)	2,991
Purchases of property, plant and equipment	(7,828)	(1,626)	(14,189)	(15,269)	(6,390)
Product development costs paid	–	(833)	(4,364)	(1,316)	(2,181)
Net cash inflow/(outflow) from investing activities	(3,914)	759	(27,006)	(27,349)	(6,758)

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
CASH FLOW FROM FINANCING ACTIVITIES					
Payment of obligations under finance leases	–	(202)	(2,905)	(263)	(1,503)
Proceeds from new bank loans	–	28	1,333	732	–
Net proceeds from issue of shares	–	–	58,308	21,545	62,107
Net proceeds from issue of warrant	–	–	–	–	1,441
Repayment of bank loans	–	(254)	–	–	(2,150)
Repayment of bank export and import loan	–	–	(1,680)	(238)	(3,461)
Advances from a shareholder	–	880	–	–	–
Repayment of promissory notes	–	–	(17,120)	(1,239)	(6,158)
Proceeds from/(repayment of) other loans	–	10	(90)	(90)	(20)
Repayment of bank overdraft by a newly acquired subsidiary	–	(25,600)	–	–	–
Net cash inflow/(outflow) from financing activities	–	(25,138)	37,846	20,447	50,256
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,103)	(22,190)	26,270	(4,256)	59,711
Cash and cash equivalents at beginning of year	9,256	78	(22,124)	(22,124)	4,677
Effect of foreign exchange rates changes, net	(75)	(12)	531	142	(150)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	78	(22,124)	4,677	(26,238)	64,238
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	162	4,424	33,784	1,558	93,690
Bank overdraft	(84)	(26,548)	(29,107)	(27,796)	(29,452)
	78	(22,124)	4,677	(26,238)	64,238

Non-cash transactions:

(1) For the six months ended 30 September 2007, the Palmpay China 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$398,000 (year ended 31 March 2007: HK$6,105,000; year ended 31 March 2006: HK$4,123,000; year ended 31 March 2005: Nil).

(2) During the year ended 31 March 2007, the Palmpay China Group acquired 51% interest in Media Magic Technology Limited and its subsidiaries for a total consideration of HK$26.1 million, comprised of the allotment and issue of ordinary shares of Palmpay China totally HK$6.0 million at an issue price of HK$0.2 per share, the issue of promissory notes of Palmpay China amounting to HK$10.1 million.

(3) During the year ended 31 March 2006, the Palmpay China Group acquired an entire interest in Union Bridge Group Limited and its subsidiaries for a total consideration of HK$32 million, comprised of the allotment and issues of ordinary shares of Palmpay China totaling HK$9.0 million at in issue price of HK$0.12 per share, the issue of convertible notes and promissory note of Palmpay China amounting to HK$9.3 million and HK$13.7 million respectively. The conversion price per share of the convertible notes is HK$0.19 per conversion share.

BALANCE SHEET

		As at 31 March			As at 30 September
		2005	2006	2007	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS					
Investments in subsidiaries	*16*	13,172	13,172	13,172	–
Due from subsidiaries	*16*	–	12,636	13,158	13,700
Total non-current assets		13,172	25,808	26,330	13,700
CURRENT ASSETS					
Prepayment and deposits		–	–	–	100
Due from subsidiaries	*16*	20,381	37,365	59,767	50,546
Tax recoverable		–	4	–	–
Cash and cash equivalents	*22*	5	1,138	31,948	87,752
Total current assets		20,386	38,507	91,715	138,398
CURRENT LIABILITIES					
Bank overdraft, unsecured		–	132	–	–
Accruals and other payables		95	1,065	347	159
Due to a shareholder		–	999	–	–
Promissory notes	*28*	–	–	6,158	–
Total current liabilities		95	2,196	6,505	159
NET CURRENT ASSETS		20,291	36,311	85,210	138,239
TOTAL ASSETS LESS CURRENT LIABILITIES		33,463	62,119	111,540	151,939
NON-CURRENT LIABILITIES					
Convertible notes	*27*	–	8,415	–	–
Promissory notes	*28*	–	12,636	–	–
Total non-current liabilities		–	21,051	–	–
Net assets		33,463	41,068	111,540	151,939
EQUITY					
Issued capital	*29*	15,000	18,750	48,471	55,948
Reserves	*31*	18,463	22,318	63,069	95,991
Total equity		33,463	41,068	111,540	151,939

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Palmpay China 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 Palmpay China 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 Palmpay China's prospectus dated 24 October 2001.

Palmpay China acts as an investment holding company and its subsidiaries are principally engaged in the research, development and provision of information-on-demand ("IOD") system solutions and the provision of related products and services as well as the provision of mobile payment gateway services and a full range of design, engineering and manufacturing services to high-end brand-named users in the industry during the Relevant Periods. The registered office of Palmpay China is located 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.

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

By a special resolution passed on 23 August 2007, the name of Palmpay China 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".

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Palmpay China.

Unless otherwise stated, the Palmpay China Group's Financial Information is presented in thousands of units of Hong Kong dollars (HK$'000).

2. ADOPTION OF NEW OR REVISED STANDARDS

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The Financial Information has 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.

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

(b) Subsidiaries

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

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

(c) 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.

(d) 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.

(e) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Palmpay China 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 Palmpay China 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 Palmpay China 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 Palmpay China Group at which the goodwill is monitored for internal management purposes; and

– is not larger than a segment based on either the Palmpay China Group's primary or the Palmpay China 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Accounts receivable

Accounts receivable, which generally have credit terms of not more than 90 days, except for certain well established customers, where the terms are extended to not more than 180 days, are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts. A provision of impairment of accounts receivable is established when there is objective evidence that the Palmpay China 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.

(k) 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.

(l) Derivative financial instruments and hedging

The Palmpay China 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/period.

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 Palmpay China Group formally designates and documents the hedge relationship to which the Palmpay China 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 Palmpay China 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 Palmpay China 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.

Palmpay China 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 Palmpay China 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 Palmpay China 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.

(m) 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 Palmpay China 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.

(n) Leased assets

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.

(o) 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.

(p) Promissory notes

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

(q) 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 Palmpay China Group and when the revenue can be measured reliably, on the following bases:

(i) 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 Palmpay China Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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

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

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

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

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

(vii) 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.

(r) Foreign currencies

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

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

(s) Employee benefits

(i) 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.

(ii) Employee retirement benefits

The Palmpay China 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 Palmpay China Group in an independently administrated fund. The Palmpay China Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Palmpay China Group's employer voluntary contributions, which will be refunded to the Palmpay China 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.

(iii) Share-based compensation

The Palmpay China 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.

(t) 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.

(u) 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 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, 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, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(v) 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.

(w) 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 Palmpay China 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 Palmpay China 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.

(x) Related parties

A party is considered to be related to the Palmpay China Group if:

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

(ii) the party is an associate;

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

(iv) the party is a member of the key management personnel of the Palmpay China Group or its parent;

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

(vi) 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

(vii) the party is a post-employment benefit plan for the benefit of employees of the Palmpay China Group, or of any entity that is a related party of the Palmpay China Group.

(y) Segment reporting

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 Palmpay China Group makes estimate and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Impairment of goodwill

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

(b) Useful lives of 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.

(c) Income taxes

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

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

(d) Impairment of assets

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

5. SEGMENTAL INFORMATION

The Palmpay China 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 Palmpay China 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 e-commerce platform segment provides an e-marketplace for content providers and their users with features such as security enhancements and related services;
- 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 Palmpay China 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 Palmpay China Group's business segments.

Six months ended 30 September 2007

	Internet appliances and related products	**Electronic devices and components**	**Design and engineering services**	**Mobile payment gateway services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
TURNOVER	–	55,608	620	13,662	69,890
RESULTS					
Segments results	–	8,076	(764)	13,662	20,974
Other revenues					2,185
Distribution costs					(2,196)
Administrative and other operating expenses					(11,741)
Profit from operating expenses					9,222
Gain on disposal of subsidiaries					2,854
Loss on disposals of property, plant and equipment					(89)
Finance costs					(3,674)
Profit before tax					8,313
Tax					(3,442)
Profit for the period					4,871

30 September 2007

	Internet appliances and related products	Electronic devices and components	Design and engineering services	Mobile payment gateway services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
BALANCE SHEET					
ASSETS					
Segment assets	–	67,458	15,593	27,418	110,469
Unallocated assets					195,413
Total assets					305,882
LIABILITIES					
Segment liabilities	–	33,449	–	–	33,449
Unallocated liabilities					112,029
Total liabilities					145,478
Other segment information:					
Depreciation	28	1,844	–	643	2,515
Depreciation – unallocated					733
Capital expenditure – unallocated					6,788

Six months ended 30 September 2006

	Internet appliances and related products	**Electronic devices and components**	**Design and engineering services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TURNOVER	1,804	52,019	4,023	57,846
RESULTS				
Segments results	161	11,152	2,802	14,115
Other revenues				653
Distribution costs				(624)
Administrative and other operating expenses				(8,462)
Profit from operating expenses				5,682
Provision for impairment loss on available-for-sale financial assets				(620)
Finance costs				(3,495)
Profit before tax				1,567
Tax				(745)
Profit for the period				822

30 September 2006

	Internet appliances and related products	Electronic devices and components	Design and engineering services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
BALANCE SHEET				
ASSETS				
Segment assets	14,485	59,173	16,285	89,943
Unallocated assets				74,809
Total assets				164,752
LIABILITIES				
Segment liabilities	21,589	22,516	–	44,105
Unallocated liabilities				77,324
Total liabilities				121,429
Other segment information:				
Depreciation	223	1,320	71	1,614
Depreciation – unallocated				680
Capital expenditure – unallocated				14,340

Year ended 31 March 2007

	Internet appliances and related products	**Electronic devices and components**	**Design and engineering services**	**Mobile payment gateway services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
TURNOVER	2,147	99,972	4,777	3,178	110,074
RESULTS					
Segments results	192	18,821	2,065	3,178	24,256
Other revenues					1,329
Distribution costs					(1,217)
Administrative and other operating expenses					(21,216)
Profit from operating expenses					3,152
Provision for impairment loss on available-for-sale financial assets					(570)
Finance costs					(8,361)
Share of loss from an associate					(187)
Loss before tax					(5,966)
Tax					(2,652)
Loss for the year					(8,618)

31 March 2007

	Internet appliances and related products	**Electronic devices and components**	**Design and engineering services**	**Mobile payment gateway services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
BALANCE SHEET					
ASSETS					
Segment assets	241	38,506	14,776	9,319	62,842
Unallocated assets					154,107
Total assets					216,949
LIABILITIES					
Segment liabilities	36	20,051	–	–	20,087
Unallocated liabilities					103,934
Total liabilities					124,021
Other segment information:					
Depreciation	248	–	–	266	514
Depreciation – unallocated					4,365
Capital expenditure – unallocated					18,917

Year ended 31 March 2006

	Internet appliances and related products	**E-commerce platform and related services**	**Electronic devices and components**	**Design and engineering services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
TURNOVER	23,982	925	16,480	1,087	42,474
RESULTS					
Segments results	(4,957)	351	1,867	879	(1,860)
Other revenues					302
Distribution costs					(54)
Administrative and other operating expenses					(4,750)
Loss from operating expenses					(6,362)
Provision for impairment loss on available-for-sale financial assets					(657)
Finance costs					(994)
Loss before tax					(8,013)
Tax					353
Loss for the year					(7,660)

31 March 2006

	Internet appliances and related products	E-commerce platform and related services	Electronic devices and components	Design and engineering services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
BALANCE SHEET					
ASSETS					
Segment assets	6,708	–	46,376	14,050	67,134
Unallocated assets					60,036
Total assets					127,170
LIABILITIES					
Segment liabilities	71	–	10,259	–	10,330
Unallocated liabilities					95,810
Total liabilities					106,140
Other segment information:					
Depreciation	781	–	–	–	781
Depreciation – unallocated					591
Capital expenditure – unallocated					1,626

Year ended 31 March 2005

	Internet appliances and related products *HK$'000* (audited)	E-commerce platform and related services *HK$'000* (audited)	Consolidated *HK$'000* (audited)
TURNOVER	36,872	1,992	38,864
RESULTS			
Segments results	(5,513)	(280)	(5,793)
Other revenue			5
Distribution costs			(626)
Administrative and other operating expenses			(3,251)
Impairment allowances for bad and doubtful debts			(3,093)
Loss from operating expenses			(12,758)
Loss on disposals of property, plant and equipment			(3,910)
Provision for impairment loss on available-for-sale financial assets			(8,223)
Finance costs			(219)
Loss before tax			(25,110)
Tax			1,841
Loss for the year			(23,269)

31 March 2005

	Internet appliances and related products	E-commerce platform and related services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
BALANCE SHEET			
ASSETS			
Segment assets	20,230	963	21,193
Unallocated assets			8,742
Total assets			29,935
LIABILITIES			
Segment liabilities	8,731	334	9,065
Unallocated liabilities			2,053
Total liabilities			11,118
Other segment information:			
Depreciation	782	–	782
Depreciation – unallocated			398
Capital expenditure			7,819
Capital expenditure – unallocated			9

(b) Geographical segments

A summary of the Palmpay China Group's geographical segments as at the Relevant Periods is set out as follows:

Turnover

	Year ended 31 March		Six months ended 30 September	
	2006	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(audited)
Asia & Middle East	27,348	32,462	19,656	29,212
United States of America ("USA")	9,105	19,580	9,451	3,410
United Kingdom ("UK")	2,795	31,147	16,800	21,390
Europe	2,428	26,877	11,935	15,618
Others	798	8	4	260
	42,474	110,074	57,846	69,890

Capital expenditure

	Year ended 31 March		Six months ended 30 September	
	2006	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(audited)
Asia & Middle East	1,626	18,917	14,340	6,788

Total assets

	As at 31 March		As at 30 September	
	2006	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(audited)
Asia & Middle East	99,962	198,971	135,919	291,301
USA	12,776	5,944	12,485	4,932
UK	2,456	4,948	10,419	1,118
Europe	6,627	5,674	4,844	6,617
Others	5,349	1,412	1,085	1,914
	127,170	216,949	164,752	305,882

No geographical analysis was presented for the year ended 31 March 2005 as substantially all the Palmpay China Group's turnover and contribution to results were derived from the PRC (including Hong Kong).

6. TURNOVER AND OTHER REVENUES

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

An analysis of the Palmpay China Group's turnover and other revenues for the Relevant Periods is as follows:

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Turnover					
Trading of internet appliances and related products	42,488	24,926	2,147	1,804	–
E-commerce platform and related services	1,992	925	–	–	–
Trading and manufacturing of electronic devices and components	–	16,480	99,972	52,019	55,607
Design and engineering services	–	1,087	4,777	4,023	620
Mobile payment gateway services	–	–	3,178	–	13,663
Sales discounts	(5,616)	(944)	–	–	–
	38,864	42,474	110,074	57,846	69,890
Other revenues					
Interest income	5	108	711	313	1,742
Exchange gains, net	–	7	321	173	189
Gain on disposal of property, plant and equipment	–	–	71	71	–
Setup fee for computer networks and others	245	203	–	–	–
Gain arising from fair value change of derivative financial instruments	–	–	–	–	31
Sundry income	–	–	226	96	223
	250	318	1,329	653	2,185

7. FINANCE COSTS

Palmpay China Group

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Interest on:					
Bank overdrafts, bills and loans wholly repayable within five years	219	952	5,570	2,722	2,887
Finance leases	–	32	486	207	245
Convertible notes	–	–	885	215	–
Promissory notes repayable within five years	–	–	1,285	261	542
Other loans	–	10	135	90	–
	219	994	8,361	3,495	3,674

8. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Auditors' remuneration	240	359	648	365	260
Amortisation of product development costs	–	161	2,143	802	1,072
Cost of inventories sold	42,035	38,096	85,818	43,731	48,916
Impairment allowances for bad and doubtful debts	3,093	–	–	–	–
Loss of disposals of property, plant and equipment	3,910	–	–	–	89
Provision for impairment loss of available-for-sale financial assets	8,223	657	570	620	–
Provision for impairment loss of property, plant and equipment	–	5,000	–	–	–
Depreciation of property, plant and equipment	1,180	1,372	4,879	2,294	3,248
Minimum lease payments under operating leases on land and buildings	505	456	2,106	57	681
Research and development costs	2,085	307	–	–	–
Pension scheme contributions	127	37	686	152	137

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Staff costs (excluding directors' remuneration – *note 9*)					
Salaries and allowances	2,421	893	14,709	2,930	5,825
Share-based payments	–	–	2,617	–	–
Interest income	(5)	(108)	(711)	(313)	(1,742)
Exchange gains, net	–	(7)	(321)	(173)	(189)
Gain on disposal of property, plant and equipment	–	–	(71)	(71)	–
Gain arising from fair value change of derivative financial instruments	–	–	–	–	(31)
Gain on disposal of subsidiaries	–	–	–	–	(2,854)

Staff costs and directors' remuneration amounting to HK$1,972,000 (for the six months ended 30 September 2006: HK$1,316,000; year ended 31 March 2007: HK$3,943,000; year ended 31 March 2006: HK$177,000; year ended 31 March 2005: HK$1,720,000) in relation to research and development are capitalised in "product development costs" for the six months ended 30 September 2007.

9. 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:

Palmpay China Group

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Independent non-executive directors:					
Fees	132	148	180	90	125
Salaries and benefits in kind	–	152	–	–	–
Retirement scheme contributions	–	–	–	–	2
Share-based payments	–	–	–	–	407
	132	300	180	90	534
Executive directors:					
Salaries and benefits in kind	200	–	1,430	60	760
Retirement scheme contributions	–	–	23	3	12
Share-based payments	–	–	1,102	–	406
	200	–	2,555	63	1,178
	332	300	2,735	153	1,712

The remuneration of the directors of Palmpay China fell within the following bands:

	Number of directors				
	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Emolument band					
Nil to HK$1,000,000	5	12	7	4	8
HK$1,000,000 to HK$2,000,000	–	–	1	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration for the six months ended 30 September 2007 (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil). In addition, no emoluments were paid by the Palmpay China Group to the directors as an inducement to join, or upon joining the Palmpay China Group or as a compensation for loss of office for the six months ended 30 September 2007 (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil).

(b) The emolument of each director of Palmpay China for the Relevant Periods is set out below:

Six months ended 30 September 2007

	Fee *HK$'000* (audited)	Salaries, allowances and benefits in kind *HK$'000* (audited)	Pension scheme contributions *HK$'000* (audited)	Share-based payments *HK$'000* (audited)	Total *HK$'000* (audited)
Executive Directors					
Chan Hin Wing James	–	60	3	–	63
Lo Ka Tong	–	640	6	–	646
Chan Francis Ping Kuen (appointed on 22 May 2007)	–	43	2	406	451
Wan Kin Chung (resigned on 23 August 2007)	–	–	–	–	–
Cheng Kwong Chung (resigned on 10 July 2007)	–	–	–	–	–
Wong Tak Shing (resigned on 22 May 2007)	–	17	1	–	18
	–	760	12	406	1,178
Non-executive Directors					
Kwok Chi Sun Vincent	30	–	–	–	30
Yeung Kam Yan	30	–	–	–	30
Chan Wing Chiu	30	–	–	–	30
Ho Hoi Lap (appointed on 15 June 2007)	35	–	2	407	444
	125	–	2	407	534
Total	125	760	14	813	1,712

Six months ended 30 September 2006

	Fee	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Share-based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Executive Directors					
Wan Kin Chung	–	–	–	–	–
Lo Ka Tong (appointed on 14 August 2006)	–	–	–	–	–
Wong Tak Shing (appointed on 1 April 2006 and resigned on 22 May 2007)	–	60	3	–	63
Cheng Kwong Chung (appointed on 1 April 2006)	–	–	–	–	–
Zhang Fulin (resigned on 1 April 2006)	–	–	–	–	–
	–	60	3	–	63
Non-executive Directors					
Kwok Chi Sun Vincent	30	–	–	–	30
Yeung Kam Yan	30	–	–	–	30
Chan Wing Chiu	30	–	–	–	30
Wong Hou Yan Norman (resigned on 1 April 2006)	–	–	–	–	–
	90	–	–	–	90
Total	90	60	3	–	153

Year ended 31 March 2007

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Executive Directors					
Wan Kin Chung	–	–	–	4	4
Lo Ka Tong (appointed on 14 August 2006)	–	1,260	12	45	1,317
Wong Tak Shing (appointed on 1 April 2006)	–	120	6	409	535
Chan Hin Wing James (appointed on 1 November 2006)	–	50	5	599	654
Cheng Kwong Chung (appointed on 1 April 2006)	–	–	–	45	45
Zhang Fulin (resigned on 1 April 2006)	–	–	–	–	–
	–	1,430	23	1,102	2,555
Non-executive Directors					
Kwok Chi Sun Vincent	60	–	–	–	60
Yeung Kam Yan	60	–	–	–	60
Chan Wing Chiu	60	–	–	–	60
Wong Hou Yan Norman (resigned on 1 April 2006)	–	–	–	–	–
	180	–	–	–	180
Total	180	1,430	23	1,102	2,735

Year ended 31 March 2006

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Executive Directors					
Zhang Fulin	–	–	–	–	–
Wan Kin Chung (appointed on 16 August 2005)	–	–	–	–	–
Li Ting (resigned on 24 August 2005)	–	–	–	–	–
	–	–	–	–	–
Non-executive Directors					
Kwok Chi Sun Vincent (appointed on 16 August 2005)	37	–	–	–	37
Yeung Kam Yan (appointed on 16 August 2005)	37	–	–	–	37
Chan Wing Chiu (appointed on 16 August 2005)	37	152	–	–	189
Wong Hou Yan Norman (appointed on 16 August 2005)	37	–	–	–	37
Leung Wai Ling Wylie (resigned on 24 August 2005)	–	–	–	–	–
Gui Gan (resigned on 24 August 2005)	–	–	–	–	–
Guo Wen Hong (resigned on 24 August 2005)	–	–	–	–	–
	148	152	–	–	300
Total	148	152	–	–	300

Year ended 31 March 2005

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Executive Directors					
Zhang Fulin	–	100	–	–	100
Li Ting	–	100	–	–	100
	–	200	–	–	200
Non-executive Directors					
Leung Wai Ling Wylie	120	–	–	–	120
Gui Gan	–	–	–	–	–
Guo Wen Hong (appointed on 30 September 2004)	12	–	–	–	12
	132	–	–	–	132
Total	132	200	–	–	332

(c) The five highest paid employees for the six months ended 30 September 2007 included one (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: none) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: five), non-director, highest paid employee for the Relevant Periods are as follows:

Palmpay China Group

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Salaries and benefits in kind	1,307	374	3,201	2,076	1,389
Retirement scheme contributions	60	8	60	30	24
	1,367	382	3,261	2,106	1,413

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

	Number of employee				
				Six months ended	
	Year ended 31 March			30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Emolument band					
Nil to HK$1,000,000	5	5	4	5	5
HK$1,000,000 to HK$2,000,000	–	–	1	–	–

For the six months ended 30 September 2007, no remuneration were paid by the Palmpay China Group to any of the five highest paid employees as an inducement to join or upon joining the Palmpay China Group, or as compensation for loss of office (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the six months ended 30 September 2007 (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil).

10. TAX

The amount of tax in the consolidated income statement represents:

				Six months ended	
	Year ended 31 March			30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Current tax-provision for Hong Kong profits tax					
Current year/period	–	148	292	182	158
Over provision in prior years	(350)	(278)	(208)	–	–
Under provision in prior years	155	10	–	–	–
Current tax-provision for PRC tax					
Current year/period	–	–	–	–	2,617
Under provision in prior years	–	–	–	–	102
	(195)	(120)	84	182	2,877
Deferred tax	(1,646)	(233)	2,568	563	565
Tax charge/(credit) for the year/period	(1,841)	(353)	2,652	745	3,442

Hong Kong profits tax has been provided at the rate of 17.5% (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: 17.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2007. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Palmpay China Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Profit/(Loss) before tax	(25,110)	(8,013)	(5,966)	1,567	8,313
Tax at the statutory tax rate of 17.5%	(4,394)	(1,402)	(1,044)	274	1,454
Effect of different tax rates in other jurisdictions	32	482	219	(445)	43
Tax effect of non-deductible expenses	2,479	750	2,716	1,239	3,312
Tax effect of non-taxable income	–	(568)	(1,506)	(462)	(1,629)
Tax effect on accelerated depreciation allowance	11	9	(35)	–	16
Tax effect on unused tax losses not recognised	226	644	2,510	139	–
Over provision in the prior years	(350)	(278)	(208)	–	–
Under provision in the prior years	155	10	–	–	102
Tax concession	–	–	–	–	144
Tax charge/(credit) at effective rate	(1,841)	(353)	2,652	745	3,442

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the six months ended 30 September 2007 dealt with in the Financial Information of Palmpay China was HK$17,030,000 (for the six months ended 30 September 2006: HK$1,156,000; year ended 31 March 2007: HK$6,855,000; year ended 31 March 2006: HK$2,280,000; year ended 31 March 2005: HK$50,000).

12. DIVIDENDS

No dividends have been paid or declared by Palmpay China for the six months ended 30 September 2007 (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil).

13. PROFIT/(LOSS) PER SHARE

The calculation of basic profit per share is based on the net profit attributable to shareholders for the six months ended 30 September 2007 of HK$1,685,000 (for the six months ended 30 September 2006: profit of HK$822,000; year ended 31 March 2007: loss of HK$9,117,000; year ended 31 March 2006: loss of HK$7,649,000; year ended 31 March 2005: loss of HK$23,143,000) and on the weighted average number of 1,084,826,025 (for the six months ended 30 September 2006: 434,016,000; year ended 31 March 2007: 513,322,041; year ended 31 March 2006: 302,465,753; year ended 31 March 2005: 300,000,000) ordinary shares of Palmpay China in issue for the six months ended 30 September 2007.

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

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

Diluted loss per share had not been presented for the year ended 31 March 2007 as share options outstanding during the year had anti-dilutive effects on the basic loss per share.

Diluted loss per share had not been presented for the year ended 31 March 2006 as the convertible notes had anti-dilutive effects on the basis loss per share.

Diluted loss per earning per share had been presented for the year ended 31 March 2005 as there were no diluting events existed during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Palmpay China Group

	Land and buildings	Tooling	Leasehold improvements	Furniture and fixture	Computer and office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Cost/Carrying value								
At 1 April 2004	–	–	928	183	1,433	526	7,819	10,889
Additions	–	–	–	–	9	–	7,819	7,828
Disposals	–	–	–	–	–	–	(7,819)	(7,819)
Exchange realignment	–	–	(1)	(1)	(4)	(2)	–	(8)
At 31 March 2005 and at 1 April 2005	–	–	927	182	1,438	524	7,819	10,890
Arising on acquisition of subsidiaries	5,083	762	1,319	101	1,404	9	9,827	18,505
Additions	–	27	–	–	1,431	–	168	1,626
Impairment loss	–	–	–	–	–	–	(5,000)	(5,000)
Disposals	–	–	(272)	(90)	(935)	(524)	–	(1,821)
At 31 March 2006 and 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	–	229	31	59	6,010	438	21	6,788
Disposal of subsidiaries	–	–	(655)	(92)	(503)	–	–	(1,250)
Disposals	–	–	(473)	–	(12)	–	–	(485)
Exchange realignment	–	4	120	13	123	–	198	458
At 30 September 2007	5,083	1,677	6,307	569	15,319	447	22,722	52,124

	Land and buildings *HK$'000* (audited)	Tooling *HK$'000* (audited)	Leasehold improvements *HK$'000* (audited)	Furniture and fixture *HK$'000* (audited)	Computer and office equipment *HK$'000* (audited)	Motor vehicles *HK$'000* (audited)	Plant and machinery *HK$'000* (audited)	Total *HK$'000* (audited)
Accumulated depreciation								
At 1 April 2004	–	–	716	102	634	108	130	1,690
Charge for the year	–	–	49	34	268	47	782	1,180
Exchange realignment	–	–	3	–	(3)	(2)	–	(2)
At 31 March 2005 and at 1 April 2005	–	–	768	136	899	153	912	2,868
Charge for the year	29	18	67	23	235	33	967	1,372
Written back on disposals	–	–	(138)	(65)	(646)	(177)	–	(1,026)
At 31 March 2006 and 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 period	108	164	454	40	1,068	15	1,399	3,248
Disposal of subsidiaries	–	–	(655)	(92)	(503)	–	–	(1,250)
Written back on disposals	–	–	(384)	–	(1)	–	–	(385)
Exchange realignment	–	2	40	10	30	–	78	160
At 30 September 2007	352	446	947	155	2,325	24	4,315	8,564
Net book value								
At 30 September 2007	4,731	1,231	5,360	414	12,994	423	18,407	43,560
At 31 March 2007	4,839	1,164	5,792	392	7,970	–	19,665	39,822
At 31 March 2006	5,054	771	1,277	99	2,850	–	10,935	20,986
At 31 March 2005	–	–	159	46	539	371	6,907	8,022

Notes:

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

(ii) The net book value of the Palmpay China Group's property, plant and equipment held under finance leases (included in plant and machinery) as at 30 September 2007 amounted to HK$10,922,000 (31 March 2007: HK$11,177,000; 31 March 2006: HK$6,925,000; 31 March 2005: Nil)

(iii) As at 30 September 2007, the Palmpay China Group's land and buildings with net book value of HK$4,731,000 (31 March 2007: HK$4,839,000; 31 March 2006: HK$5,054,000; 31 March 2005: Nil) were all pledged to secure banking facilities granted to the Palmpay China'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.

(v) During the year ended 31 March 2005, plant and machinery of HK$7,819,000 was acquired from a third party. Due to the over-estimation of the production volume, this plant and machinery was idle. In order to ease the working capital, this was sold at a consideration of HK$3,909,000. Accordingly, a loss of HK$3,910,000 was incurred and this has been charged to the income statement during the year ended 31 March 2005.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Palmpay China Group

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Listed equity securities, at cost	10,800	10,800	10,800	–
Transfer from capital reserve account	(1,200)	(1,200)	(1,200)	–
Provision for impairment loss	(8,223)	(8,880)	(9,450)	–
	1,377	720	150	–

In April 2007, the Palmpay China 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. The market value of the shares at the date of disposal is approximately HK$3,420,000.

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.

Provision for impairment loss as at 31 March 2006 amounting to HK$8,880,000 (31 March 2005: HK$8,223,000) is determined based on the market value of the shares listed in GEM.

Particulars of available-for-sale financial assets held by the Palmpay China 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

16. INTERESTS IN SUBSIDIARIES

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Unlisted shares, at cost	13,172	13,172	13,172	–
Due from subsidiaries	20,381	50,001	72,925	64,246
	33,553	63,173	86,097	64,246

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 Palmpay China's current assets of HK$50,546,000 (31 March 2007: HK$59,767,000; 31 March 2006: HK$37,365,000; 31 March 2005: HK$20,381,000) have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate their fair values.

Particulars of Palmpay China's 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 Palmpay China		Principal activities
			Directly	*Indirectly*	
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

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by Palmpay China		Principal activities
			Directly	*Indirectly*	
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
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

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of ordinary share/ registered capital	Attributable equity interest held by Palmpay China		Principal activities
			Directly	*Indirectly*	
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
Media Magic Technology Limited **	British Virgin Islands	US$55,556	–	51%	Investment holding
Multi Channel Technology Limited **	Hong Kong	HK$100	–	51%	Investment holding
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	RMB990,900	–	51%	Dormant
PalmPay Technology Co. Ltd. 北京互聯視通科技有限公司 **	The People's Republic of China	RMB10,000,000	–	49% ***	Provision of mobile payment gateway services

* *These companies were disposed during the period ended 30 September 2007.*

** *These companies were acquired during the year ended 31 March 2007.*

*** *During the year ended 31 March 2007, the Palmpay China Group acquired Media Magic Technology Limited which has the power to govern the financial and operating policies of PalmPay Technology Co. Ltd.*

The financial statements of the above companies for the years ended 31 March 2007, 31 March 2006 and 31 March 2005 have been audited by other auditors except Upper Power Limited, Media Magic Technology Limited, Multi Channel Technology Limited, Beijing Dong Fang Hui Zhong Enterprise Management Limited and PalmPay Technology Co. Ltd.

17. INTANGIBLE ASSETS

Palmpay China Group

	Goodwill	Product development costs	Technical know-how	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Cost				
At 1 April 2004, at 31 March 2005 and at 1 April 2005	–	–	–	–
Arising on acquisition of subsidiaries	14,483	10,382	–	24,865
Additions	–	833	–	833
At 31 March 2006 and 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
Additions	–	2,181	–	2,181
Exchange realignment	–	–	171	171
At 30 September 2007	37,841	17,760	9,785	65,386
Accumulated amortisation				
At 1 April 2004, at 31 March 2005 and at 1 April 2005	–	–	–	–
Charge for the year	–	161	–	161
At 31 March 2006 and 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 period	–	1,072	–	1,072
At 30 September 2007	–	3,376	–	3,376
Net book value				
At 30 September 2007	37,841	14,384	9,785	62,010
At 31 March 2007	37,841	13,275	9,614	60,730
At 31 March 2006	14,483	11,054	–	25,537
At 31 March 2005	–	–	–	–

Notes:

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

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Manufacturing and trading of electronic products	–	14,483	14,483	14,483
Mobile payment gateway services	–	–	23,358	23,358
	–	14,483	37,841	37,841

As at 30 September 2007, these CGU are manufacturing and trading of electronic products and provision of mobile payment gateway services in Asia & Middle East, USA, UK and Europe. The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on the financial budgets covering a five-year period for CGU as approved by the directors.

Key assumptions used for value-in-use calculations:

	Manufacturing and trading of electronic products			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	%	%	%	%
Growth rate	–	10	10	10
Discount rate	–	8.25	7.75	7.75

	Mobile payment gateway services			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	%	%	%	%
Growth rate	–	–	10-50	10-50*
Discount rate	–	–	7.75	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 30 September 2007, the directors of the Palmpay China 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 Palmpay China Group. Technical know-how with indefinite useful lives is tested for impairment annually and is not amortised.

18. INVENTORIES

Palmpay China Group

		As at 31 March		**As at 30 September**
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Raw materials	–	15,113	27,244	36,311
Work in progress	–	5,240	10,363	15,004
Finished goods	–	503	877	1,940
	–	20,856	38,484	53,255

No inventories were carried at net realisable value as at 30 September 2007 (31 March 2007, 31 March 2006 and 31 March 2005: Nil).

19. ACCOUNTS RECEIVABLE

The aged analysis of the Palmpay China Group's accounts receivable (net of impairment allowances for bad and doubtful debts) at the balance sheet date, based on the date of goods delivered, is as follows:

		As at 31 March		**As at 30 September**
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within 30 days	3,430	16,556	8,327	8,059
31 – 60 days	2,421	4,027	3,774	5,249
61 – 90 days	6,324	3,384	4,164	3,976
91 – 120 days	–	5,911	1,473	2,498
Over 120 days	–	3,785	4,018	7,011
	12,175	33,663	21,756	26,793

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

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
United States Dollars	–	13,025	18,714	15,412
Renminbi	–	–	2,992	11,381
	–	13,025	21,706	26,793

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Palmpay China Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Unlisted investment, at fair value	–	2,325	–	–

21. DERIVATIVE FINANCIAL INSTRUMENTS

Palmpay China Group

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Foreign exchange option contract	–	–	–	3,111

The carrying amount of a foreign exchange option contract at 30 September 2007 of HK$3,111,000 (31 March 2007, 31 March 2006 and 31 March 2005: Nil) was the same as its fair value.

The foreign exchange option contract was entered into by the Palmpay China Group to manage its exchange rate exposure and did not meet the criteria for hedge accounting. The change in fair value of non-hedging currency derivatives amounting to HK$31,000 (for the six months ended 30 September 2006, years ended 31 March 2007, 31 March 2006 and 31 March 2005: Nil) was credited to income statement for the six months ended 30 September 2007.

22. CASH AND CASH EQUIVALENTS

Palmpay China Group

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Cash and bank balances	162	4,424	6,784	5,982
Pledged time deposits	–	11,239	14,260	11,269
Short-term time deposits	–	–	27,000	87,708
	162	15,663	48,044	104,959
Pledged time deposits	–	(11,239)	(14,260)	(11,269)
Cash and cash equivalents in the consolidated balance sheet	162	4,424	33,784	93,690
Bank overdrafts	(84)	(26,548)	(29,107)	(29,452)
Cash and cash equivalents in the consolidated cash flow statements	78	(22,124)	4,677	64,238

The time deposits have been pledged to secure general banking facilities to Palmpay China's subsidiaries.

Palmpay China

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Cash and bank balances	5	1,138	4,948	44
Short-term time deposits	–	–	27,000	87,708
Cash and cash equivalents in the balance sheet	5	1,138	31,948	87,752

23. ACCOUNTS PAYABLE

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

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within 30 days	405	6,131	5,170	6,068
31 – 60 days	–	1,605	3,149	6,005
61 – 90 days	136	1,540	3,032	4,600
91 – 120 days	–	372	1,270	6,043
Over 120 days	–	682	7,466	10,733
	541	10,330	20,087	33,449

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

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
United States Dollars	–	1,807	2,065	13,584
Euro	–	12	194	220
Renminbi	–	56	5,854	2,074
	–	1,875	8,113	15,878

24. INTEREST-BEARING BANK BORROWINGS

Palmpay China Group

	Effective Interest rate	Maturity	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 30 September 2007
	(%)		*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Bank export and import loans, secured	6.75 – 9.75	2006-2007	8,084	33,687	32,007	28,546
Bank overdrafts, secured	8.05 – 9.75	on demand	–	26,416	29,107	29,452
Bank loans, secured	7.00 – 9.75	2007-2009	–	3,223	4,556	2,406
Bank overdrafts, unsecured			84	132	–	–
			8,168	63,458	65,670	60,404

At 30 September 2007, the Palmpay China Group's interest-bearing bank borrowings were repayable as follows:

	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 30 September 2007
	HK$'000 (audited)	*HK$'000* (audited)	*HK$'000* (audited)	*HK$'000* (audited)
Within 1 year or on demand	8,168	62,413	64,517	59,700
In second to fifth years, inclusive	–	1,045	1,153	704
	8,168	63,458	65,670	60,404

The directors are of the opinion that the carrying amount of the Palmpay China Group's interest-bearing bank borrowings approximates their fair value.

At 30 September 2007, the Palmpay China Group's banking facilities with an aggregate amount of HK$99,993,000 (31 March 2007: HK$76,993,000; 31 March 2006: HK$76,724,000; 31 March 2005: HK$10,000,000), of which a total of HK$60,404,000 (31 March 2007: HK$64,008,000; 31 March 2006: HK$63,326,000; 31 March 2005: HK$8,084,000) were utilised, are secured and/or guaranteed by:

(i) legal charges on two (31 March 2007 and 31 March 2006: two; 31 March 2005: Nil) residential properties situated in Hong Kong owned by a director of a subsidiary and an independent third party;

(ii) legal charges on the Palmpay China Group's land and buildings situated in Hong Kong with aggregate net book value of HK$4,731,000 (31 March 2007: HK$4,839,000; 31 March 2006: HK$5,054,000; 31 March 2005: Nil);

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

(iv) personal guarantees executed by a director of Palmpay China and a director of certain subsidiaries of Palmpay China.

25. FINANCE LEASE PAYABLES

At 30 September 2007, the Palmpay China Group had obligations under finance leases payables as follows:

	Minimum lease payments			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Amounts payable:				
Within 1 year or on demand	–	2,651	3,150	2,767
In the second to fifth years, inclusive	–	2,727	4,418	3,500
Total minimum finance lease payments	–	5,378	7,568	6,267
Total future finance charges	–	(418)	(785)	(589)
Present value of lease obligations	–	4,960	6,783	5,678
Portion classified as current liabilities	–	(2,368)	(2,778)	(2,487)
Portion classified as non-current liabilities	–	2,592	4,005	3,191

	Present value of minimum lease payments			
	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Amounts payable:				
Within 1 year or on demand	–	2,368	2,778	2,487
In the second to fifth years, inclusive	–	2,592	4,005	3,191
Total minimum finance lease payments	–	4,960	6,783	5,678

26. OTHER LOANS

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Interest bearing of 12% per annum	–	215	215	215
Non-interest bearing	–	919	829	809
Portion classified as non-current liabilities	–	1,134	1,044	1,024

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

27. CONVERTIBLE NOTES

On 20 March 2006, Palmpay China issued the interest free convertible notes with a nominal value of HK$9,300,000 to an independent noteholder. Palmpay China 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 times 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 Palmpay China of HK$0.05 each at a conversion price of HK$0.19 per share.

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

Palmpay China Group and Palmpay China

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Liability component at 1 April	–	–	8,415	–
Face value of convertible notes issued during the year/period	–	9,300	–	–
Equity component	–	(885)	–	–
Liability component at the issuance date	–	8,415	–	–
Interest expense	–	–	885	–
Conversion during the year/period	–	–	(9,300)	–
Liability component	–	8,415	–	–
Portion classified as non-current	–	(8,415)	–	–
Current portion	–	–	–	–

28. PROMISSORY NOTES

On 20 March 2006, Palmpay China 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. Palmpay China 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 ended 31 March 2007 and the six months ended 30 September 2007, HK$7,000,000 and HK$6,158,000 of the promissory note were repaid respectively.

On 5 January 2007, Palmpay China issued another tranch of interest free promissory note with a nominal value of HK$10,120,000 to an independent noteholder. The promissory note is unsecured and matures on 2 July 2008. Palmpay China 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

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Authorised:				
2,000,000,000 ordinary shares of HK$0.05 each	100,000	100,000	100,000	100,000
Issued and fully paid:				
1,118,967,500 (31 March 2007: 969,417,500; 31 March 2006: 375,000,000; 31 March 2005: 300,000,000) ordinary shares of HK$0.05 each	15,000	18,750	48,471	55,948

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

	Notes	Number of shares in issue	Issued capital *HK$'000* (audited)	Share premium account *HK$'000* (audited)	Total *HK$'000* (audited)
At 1 April 2004, at 31 March 2005 and at 1 April 2005		300,000,000	15,000	5,902	20,902
Issue of consideration shares	*(i)*	75,000,000	3,750	5,250	9,000
At 31 March 2006 and at 1 April 2006		375,000,000	18,750	11,152	29,902
Share options exercised	*(ii)*	30,000,000	1,500	3,001	4,501
Placement of new shares	*(iii)*	60,000,000	3,000	15,000	18,000
Warrants exercised	*(iv)*	93,000,000	4,650	10,695	15,345
Issue of consideration shares	*(v)*	30,000,000	1,500	4,500	6,000
Conversion of convertible notes	*(vi)*	48,945,000	2,447	7,737	10,184
Open offer new shares	*(vii)*	318,472,500	15,924	3,185	19,109
Share options exercised	*(viii)*	14,000,000	700	4,518	5,218
Share issue expenses		–	–	(2,625)	(2,625)
At 31 March 2007 and at 1 April 2007		969,417,500	48,471	57,163	105,634
Issue of shares under placing	*(ix)*	110,000,000	5,500	46,200	51,700
Share options exercised	*(x)*	39,550,000	1,977	12,763	14,740
Share issue expenses		–	–	(1,853)	(1,853)
At 30 September 2007		1,118,967,500	55,948	114,273	170,221

Notes:

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

(ii) On 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.

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

(iv) On 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.

(v) On 5 January 2007, Palmpay China 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 Palmpay China 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 Palmpay China dated 14 December 2006.

(vi) On 25 January 2007, 48,945,000 new ordinary shares of HK$0.19 each of Palmpay China were issued upon the conversion of the convertible notes with face values aggregating HK$9,300,000 issued by Palmpay China.

(vii) 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.

(viii) 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.

(ix) On 12 April 2007, Palmpay China 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. The total issued shares therefore increased from 969,417,500 to 1,079,417,500.

(x) 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.

(b) Share options

Details of the Palmpay China's share option scheme and share option issued under the scheme are set out in note 30 to the Financial Information.

(c) Warrants

Pursuant to an ordinary resolution passed on 26 October 2006, Palmpay China 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 Palmpay China 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.

On 11 September 2007, Palmpay China 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

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

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of Palmpay China and its subsidiaries, including any independent non-executive directors of Palmpay China. 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 Palmpay China 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 Palmpay China 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 Palmpay China'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 Palmpay China'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 Palmpay China'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:

As at 30 September 2007

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$0.0739

As at 31 March 2007

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

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

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

Inputs into the model

	Share option grant date		
	4 May 2006	**12 March 2007**	**14 August 2007**
Weighted average share price	0.125	0.310	0.520
Exercise price	0.138	0.310	0.520
Expected volatility	30.60%	47.00%	30.60%
Expected option period	1 year	1 year	1 year
Dividend yield	–	–	–
Risk-free interest rate	3.78%	3.92%	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 Palmpay China Group recognised the total expenses of HK$813,000 for the six months ended 30 September 2007 (for the six months ended 30 September 2006: Nil; year ended 31 March 2007: HK$3,719,000; years ended 31 March 2006 and 31 March 2005: Nil) in relation to share options granted by Palmpay China.

Movements of Palmpay China's share options held by employees, directors and business associates during the Relevant Periods are:

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

Grantee	At 1 April 2007	Granted during the period	Exercised during the period	At 30 September 2007	Date of grant	Share price of Palmpay China 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
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
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
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
	39,550,000	22,000,000	(39,550,000)	22,000,000				

31. RESERVES

Palmpay China

	Issued share capital HK$'000 (audited)	Share premium account HK$'000 (audited)	Contributed surplus HK$'000 (audited)	Convertible notes reserve HK$'000 (audited)	Share option reserve HK$'000 (audited)	Warrant reserve HK$'000 (audited)	Accumulated losses HK$'000 (audited)	Total HK$'000 (audited)
At 1 April 2004	15,000	5,902	12,947	–	–	–	(336)	33,513
Net loss for the year	–	–	–	–	–	–	(50)	(50)
At 31 March 2005 and at 1 April 2005	15,000	5,902	12,947	–	–	–	(386)	33,463
Issue of shares	3,750	5,250	–	–	–	–	–	9,000
Issue of convertible notes	–	–	–	885	–	–	–	885
Net loss for the year	–	–	–	–	–	–	(2,280)	(2,280)
At 31 March 2006 and at 1 April 2006	18,750	11,152	12,947	885	–	–	(2,666)	41,068
Issue of shares	18,924	18,185	–	–	–	–	–	37,109
Recognition of equity-settled share-based payment	–	–	–	–	3,719	–	–	3,719
Issue of consideration shares	1,500	4,500	–	–	–	–	–	6,000
Share option exercised	2,200	7,519	–	–	(1,239)	–	–	8,480
Exercise of warrants	4,650	10,695	–	–	–	–	–	15,345
Conversion of convertible notes	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	5,500	46,200	–	–	–	–	–	51,700
Recognition of equity-settled share-based payment	–	–	–	–	813	–	–	813
Share option exercised	1,977	12,763	–	–	(2,480)	–	–	12,260
Issue of warrants	–	–	–	–	–	1,441	–	1,441
Share issue expenses	–	(1,853)	–	–	–	–	–	(1,853)
Disposal of subsidiary	–	–	(6,932)	–	–	–	–	(6,932)
Net loss for the period	–	–	–	–	–	–	(17,030)	(17,030)
At 30 September 2007	55,948	114,273	6,015	–	813	1,441	(26,551)	151,939

The contributed surplus of Palmpay China 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 Palmpay China's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, Palmpay China'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 Palmpay China Group operates.

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

Palmpay China Group

	Accelerated tax depreciation	**Tax losses**	**Product development costs**	**Allowance for inventories**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
At 1 April 2004	–	–	–	–	–
Credit/(charge) to income statement	(37)	1,683	–	–	1,646
At 31 March 2005 and at 1 April 2005	(37)	1,683	–	–	1,646
Arising on acquisition of subsidiaries	(492)	1,192	(2,101)	180	(1,221)
Credit/(charge) to income statement	(82)	120	167	28	233
At 31 March 2006 and at 1 April 2006	(611)	2,995	(1,934)	208	658
Arising on acquisition of subsidiaries	–	928	–	–	928
Credit/(charge) to income statement	(590)	(1,737)	(388)	147	(2,568)
At 31 March 2007 and at 1 April 2007	(1,201)	2,186	(2,322)	355	(982)
Charge to income statement	(71)	(300)	(194)	–	(565)
Exchange realignment	–	8	–	–	8
At 30 September 2007	(1,272)	1,894	(2,516)	355	(1,539)

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:

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Deferred tax assets	1,646	658	430	–
Deferred tax liabilities	–	–	(1,412)	(1,539)
	1,646	658	(982)	(1,539)

Palmpay China has no significant unprovided deferred tax for the Relevant Periods and at the balance sheet date.

33. OPERATING LEASE COMMITMENTS

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

At the balance sheet date, the Palmpay China Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Within one year	84	621	671	697
In the second to fifth years, inclusive	–	–	1,461	1,111
	84	621	2,132	1,808

34. BUSINESS COMBINATIONS

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

Details of net assets acquired and goodwill are as follows:

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

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

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

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

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

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

35. DISPOSAL OF SUBSIDIARIES

On 20 April 2007, Palmpay China disposed of its entire interest in Sunny Sky Investments Management Limited, an indirectly wholly-owned subsidiary of Palmpay China, to an independent third party at a consideration of HK$150,000. Moreover, on 29 September 2007, Palmpay China 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 Palmpay China, at a total consideration of HK$1. The disposal of the subsidiaries was completed on 29 September 2007.

	HK$'000
Net liabilities disposal of:	
Property, plant and equipment	–
Available-for-sale financial assets	150
Cash and cash equivalents	1
Accruals and other payables	(131)
Tax payable	(641)
Net liabilities value	(621)
Exchange fluctuation reserve released on disposal	(96)
Minority interests	(1,987)
Gain on disposal	2,854
Consideration	150
Satisfied by:	
Cash	150

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	150
Cash and bank balances in subsidiaries disposed of	(1)
Net inflow of cash and cash equivalents on disposal	149

36. CONTINGENT LIABILITIES

The Palmpay China Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,190,000 as at 30 September 2007 (31 March 2007: HK$1,144,000; 31 March 2006: HK$1,343,000; 31 March 2005: Nil). 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 Palmpay China Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Palmpay China Group.

Palmpay China

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Guarantee provided to the subsidiaries for their utilised banking facilities at the balance sheet date	8,084	–	–	–

37. COMMITMENTS

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

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	–	700	700	310

38. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, Palmpay China had the following transactions with related parties:

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
Management fee received from a subsidiary	–	–	302	156

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

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

39. FINANCIAL RISKS AND MANAGEMENT

The Palmpay China Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Palmpay China Group.

(i) Interest rate risk

The Palmpay China Group's exposure to market risk for changes in interest rates relates primarily to the Palmpay China Group's interest-bearing bank borrowings. Currently, the Palmpay China Group does not have a hedging policy. However, the management monitors interest rate exposure and will consider hedging significant bank borrowings should the need arises.

(ii) Foreign currency risk

The Palmpay China Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than Hong Kong dollars. The currencies giving rise to this risk are primarily Renminbi, Euro and United States Dollar.

(iii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Palmpay China Group, resulting in a loss. The Palmpay China Group deals mainly with customers that are of good reputation and strong financial backing. In addition, monitoring of the payment made by the customers is done regularly and reviewed by the management.

(iv) Liquidity risk

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

(v) Fair values

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

C. SUBSEQUENT EVENT

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

On 5 November 2007, Upper Power Limited, a wholly-owned subsidiary of Palmpay China, entered into two agreements to purchase respectively 9% and 15% of the total issued shares of Media Magic Technology Limited. The acquisition of the 24% equity interest in Media Magic Technology Limited was completed on 21 December 2007.

On 11 January 2008, Great Plan Group Limited, a wholly-owned subsidiary of Palmpay China, entered into agreements to sell 100% of the total issued shares of Union Bridge Group Limited.

The financial information of Union Bridge Group Limited and its subsidiaries ("UB Group"), which constitutes a discontinuing operation as pursuant to Rule 7.06 of the GEM Listing Rules, are as follows:

Consolidated results

	Year ended 31 March			Six months ended 30 September	
	2005	**2006**	**2007**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
TURNOVER	–	17,567	104,749	56,042	56,228
COST OF SALES	–	(14,821)	(83,863)	(42,088)	(48,916)
Gross profit	–	2,746	20,886	13,954	7,312
Other revenues	–	109	1,015	549	680
Distribution costs	–	(72)	(1,217)	(624)	(115)
Administrative expenses	–	(1,203)	(12,801)	(7,136)	(6,080)
PROFIT FROM OPERATING ACTIVITIES	–	1,580	7,883	6,743	1,797
Loss of disposals of property, plant and equipment	–	–	–	–	(89)
Finance costs	–	(654)	(6,192)	(3,018)	(3,132)
PROFIT/(LOSS) BEFORE TAX	–	926	1,691	3,725	(1,424)
Tax	–	85	(716)	(745)	(387)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	–	1,011	975	2,980	(1,811)

Consolidated balance sheet

	As at 31 March			As at 30 September
	2005	**2006**	**2007**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
NON-CURRENT ASSETS				
Property, plant and equipment	–	19,780	34,853	33,156
Intangible assets	–	11,054	13,275	14,384
Total non-current assets	–	30,834	48,128	47,540
CURRENT ASSETS				
Inventories	–	20,857	38,484	53,255
Accounts receivable	–	28,515	18,763	15,412
Prepayments, deposits and other receivables	–	5,196	6,867	7,756
Financial assets at fair value through profit or loss	–	2,325	–	–
Derivative financial instruments	–	–	–	3,111
Due from group companies	–	–	115	115
Tax recoverable	–	2	64	18
Pledged time deposits	–	11,238	14,260	11,269
Cash and cash equivalents	–	1,185	818	304
Total current assets	–	69,318	79,371	91,240
CURRENT LIABILITIES				
Accounts payable	–	10,259	20,051	33,449
Interest-bearing bank borrowings	–	62,281	64,517	59,700
Current portion of finance lease payables	–	2,368	2,778	2,487
Other loans	–	1,134	1,044	1,024
Accruals and other payables	–	1,726	6,620	12,349
Due to group companies	–	–	6,000	6,000
Tax payable	–	124	212	277
Total current liabilities	–	77,892	101,222	115,286
NET CURRENT LIABILITIES	–	(8,574)	(21,851)	(24,046)
TOTAL ASSETS LESS CURRENT LIABILITIES	–	22,260	26,277	23,494

	As at 31 March			As at 30 September
	2005	2006	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(audited)
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	–	1,045	1,153	704
Finance lease payables	–	2,592	4,005	3,191
Provision for long service payment	–	171	171	171
Deferred tax liabilities	–	988	1,412	1,539
Total non-current liabilities	–	4,796	6,741	5,605
Net assets	–	17,464	19,536	17,889

Consolidated cash flow

	Year ended 31 March			Six months ended 30 September	
	2005	2006	2007	2006	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Operating cash flows	–	1,495	18,698	593	8,717
Investing cash flows	–	(4,181)	(15,728)	(12,209)	(2,395)
Financing cash flows	–	4,643	(6,555)	9,700	(7,134)
Total cash flows	–	1,957	(3,585)	(1,916)	(812)

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Palmpay China Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,
Vision A. S. Limited
Certified Public Accountants
Hong Kong

Cheung Man Yau, Timothy
Practising Certificate No.: P01417

1. INDEBTEDNESS

Borrowings

As at the close of business on 31 December 2007 being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$194,710,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables (Unsecured)	16,969
Amount due to a shareholder of subsidiaries (Unsecured)	17,078
Interest-bearing bank borrowings (Secured)	75,079
Finance lease payables (Secured)	2,367
	111,493
Non-current liabilities	
Interest-bearing bank borrowings (Secured)	370
Finance lease payables (Secured)	3,290
Convertible notes (Unsecured)	2,757
Others payable (Unsecured)	76,800
	83,217
Total borrowings	194,710

Securities and guarantees

(i) Bank borrowings

As at 31 December 2007, the Group had been granted banking facilities of HK$95,341,000 by local bankers of which HK$75,449,000 were utilised.

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

(ii) Finance leases

At as 31 December 2007, the Group had obligations under finance leases totaling HK$5,657,000 of which HK$2,367,000 will be due within one year. The net book value of the assets held under finance leases amounted to approximately HK$10,572,000.

Contingent liabilities

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

Commitments

(i) Operating lease commitments

As at 31 December 2007, the Group had operating lease commitments of approximately HK$24,042,000 in respect of rental premises.

(ii) Capital Commitments

As at 31 December 2007, the Group had capital commitments of approximately HK$310,000 in respect of acquisition of property, plant and equipment.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 December 2007, 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.

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

2. WORKING CAPITAL

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

3. MATERIAL ADVERSE CHANGE

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

B.I.
To Know Your Strength Better

B. I. Appraisals Limited
保柏國際評估有限公司
Registered Professional Surveyors, Valuers & Property Consultants
Unit 1301, 13th Floor, Tung Wai Commercial Building,
Nos. 109-111 Gloucester Road, Wanchai, Hong Kong
Tel: (852) 2127 7762 Fax: (852) 2137 9876
Email: info@biappraisals.com.hk
Website: www.bisurveyors.com.hk

20 February 2008

The Directors
Palmpay China (Holdings) Limited
Unit 1601, 16th Floor
Ruttonjee House, Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Dear Sirs,

In accordance with the instructions from Palmpay China (Holdings) Limited (hereinafter referred to as the "Company") for us to value the property interests in the properties held and leased/licensed by Union Bridge Group Limited and/or its subsidiaries (hereinafter together referred to as "Union Bridge Group") in Hong Kong and in the People's Republic of China (the "PRC") as listed in the attached summary of values, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of such property interests as at 31 December 2007 (hereinafter referred to as the "Date of Valuation"). It is our understanding that this valuation document is to be used for public disclosure purpose.

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuation, lists out the assumptions and the title investigation we have made in the course of our valuations, and states the limiting conditions.

BASIS OF VALUATION

Our valuation of the property interest in each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the property interests on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the property interests are to be offered for sale at the same time as a portfolio.

Our valuations have been prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In arriving at our opinion of value of the property interest in Group I, which is held and occupied by Union Bridge Group, we have adopted the Direct Comparison Approach assuming such property is capable of being sold in the existing state with the benefit of immediate vacant possession. Comparison based on prices realized on actual sales or offerings of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of the property interest in order to arrive at a fair comparison of value.

The property interests in Groups II and III, which are leased/licensed by Union Bridge Group in Hong Kong and in the PRC, are considered to have no commercial value due either to the short-term nature of the leases or the prohibition against assignment or subletting or otherwise due to the lack of substantial profit rents.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the property interests are sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the values of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the property interests and no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

In valuing the property interests in the properties located in Hong Kong, the Government Leases of which have expired on or before 30 June 1997, we have taken into account the provisions contained in the Basic Law of Hong Kong and the New Territories Leases (Extension) Ordinance that such leases have been extended without any payment of additional premium until 30 June 2047 and that an annual rent equivalent to three per cent. of the rateable value of the properties will be charged from the date of extension.

Other specific assumptions for each of the properties, if any, have been stated in the notes of the valuation certificate for the respective properties.

TITLE INVESTIGATION

We have conducted land searches at Tsuen Wan New Territories Land Registry for those properties located in Hong Kong. However, we have not examined the original documents to verify ownership and to ascertain the existence of any amendments that do not appear on the copies available to us.

For the property located in the PRC, we have been provided by Union Bridge Group with extract copies of documents in relation to the title to the property interest such property. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. In the course of our valuations, we have relied on the advice given by Union Bridge Group and the legal opinion prepared by Fujian Minjiang Law Firm, the Company's legal adviser on PRC law (hereinafter referred to as the "PRC Legal Adviser"), regarding the title to the property interest and the interest of Union Bridge Group in such property.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made nor have any tests been carried out on any of the building services provided in the properties. We are, therefore, not able to report that the properties are free from rot, infestation or any other structural defects.

We have not conducted detail on-site measurements to verify the site and floor areas of the properties but have assumed that the areas shown on the documents and official site and floor plans furnished to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Union Bridge Group and are therefore approximations only.

Moreover, we have not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any redevelopment.

We have relied to a considerable extent on the information provided by Union Bridge Group and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy information, site and floor areas and all other relevant matters in the identification of the properties in which Union Bridge Group has valid interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by Union Bridge Group. We were also advised by Union Bridge Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation report are in Hong Kong dollars (HK$). The exchange rate adopted in our valuations is HK$1=RMB0.95 which was approximately the prevailing exchange rate as at the Date of Valuation. There has been no significant fluctuation in the exchange rate between the Date of Valuation and the date of this report.

We hereby confirm that we have neither present nor prospective interests in the Company, Union Bridge Group, the properties or the values reported herein.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
B.I. APPRAISALS LIMITED

William C. K. Sham
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
MRICS, MHKIS, MCIREA
Executive Director

Note: Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

Property	Market value in existing state as at 31 December 2007
Group I – Property interest held and occupied by Union Bridge Group in Hong Kong	
1. Units 1805 and 1806 on 18th Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	HK$11,500,000
Group II – Property interest licensed and occupied by Union Bridge Group in Hong Kong	
2. Car Parking Space No. P91 and No. P94 on Upper Ground Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	No commercial value
Group III – Property interest rented and occupied by Union Bridge Group in the PRC	
3. The industrial complex located in Xianxi Industrial Park, Zhenan Road – Shangjiao Section, Changan Town, Dongguan, Guangdong Province, the PRC	No commercial value
Total:	**HK$11,500,000**

Group I – Property interest held and occupied by Union Bridge Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2007
1.	Units 1805 and 1806 on 18th Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong 8689/944862nd undivided parts or shares of and in Lot No. 937 in Demarcation District No. 450	Riley House is a 25-storey industrial building completed in about 1992. The property comprises two adjoining units on the 18th floor of the subject building. The total gross floor area of the property is approximately 1,142.60 sq.m. (12,299 sq.ft.). Lot No. 937 in Demarcation District No. 450 is held under New Grant No. 4185 for a term of 99 years commenced from 1 July 1898, less the last three days thereof. The said lease term has been statutorily extended until 30 June 2047. The Government Rent for the subject lot is HK$900 per annum.	The property is currently occupied by Union Bridge Group for office, workshop and storage purposes.	HK$11,500,000

Notes:

(1) The registered owner of the property is Popbridge Industrial Limited by two assignments vide Memorial No. TW1163606 and TW1163607 both dated 1 August 1997.

(2) We have been advised by the Company that Popbridge Industrial Limited is a wholly owned subsidiary of Union Bridge Group.

(3) The property is subject to a Mortgage to secure general banking facilities in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. TW1163608 dated 1 August 1997.

Group II – Property interest licensed and occupied by Union Bridge Group in Hong Kong

Property	Description and tenancy particulars	Market value in existing state as at 31 December 2007
2. Car Parking Space No. P91 and No. P94 on Upper Ground Floor, Riley House, No. 88 Lei Muk Road, Kwai Chung, New Territories, Hong Kong	Riley House is a 25-storey industrial building completed in about 1992. The property comprises two covered private car/van parking spaces on the upper ground floor of the subject building. The property is licensed to Union Bridge Group for parking of motor vehicles at a licence fee of $5,400 per month commencing from 1 July 2003.	No commercial value

Notes:

(1) The registered owner of the property is China Resources Enterprises, Limited, which is an independent third party of Union Bridge Group.

(2) The licence can be terminated by either party to the said licence by giving not less than one month's notice in writing to the other party.

Group III – Property interest rented and occupied by Union Bridge Group in the PRC

Property	Description and tenancy particulars	Market value in existing state as at 31 December 2007
3. The industrial complex located in Xianxi Industrial Park, Zhenan Road – Shangjiao Section, Changan Town, Dongguan City, Guangdong Province, the PRC	The property comprises an industrial complex erected on a roughly trapezium shaped site with a site area of approximately 8,648.10 sq.m. (93,088 sq.ft.) located within Xianxi Industrial Park, Zhenan Road – Shangjiao Section, Changan Town, Dongguan City. The subject industrial complex is formed by two blocks of 3-storey industrial building, two blocks of 6-storey dormitory building, and three blocks of 1-storey ancillary structures for guardhouse and electricity generation uses. All buildings and structures appear to be completed in about 2006. The total gross floor area of the property is approximately 16,304.00 sq.m. (175,496 sq.ft.). The property is leased to Union Bridge Group for a term of 12 years from 1 May 2006 to 30 April 2018. The current rent is RMB168,566 per month. The property is currently occupied by Union Bridge Group for office, workshop, dormitory purposes.	No commercial value

Notes:

(1) Pursuant to the certification issued by東莞市長安鎮咸西澤榮股份經濟合作社(Dongguan City Changan Town Xianxi Zerong Holding Economic Cooperation Community, hereinafter referred to as "Xianxi Zerong"), which is an independent third party of Union Bridge Group, the land on which the property is standing is held by Xianxi Zerong.

(2) Pursuant to the lease agreement entered into amongst Xianxi Zerong, 名橋電業有限公司(Popbridge Manufacturing Limited) and東莞市長安鎮咸西社區居民委員會外經辦公室(Dongguan City Changan Town Xianxi Community Resident Committee Foreign Economic Office) on 21 April 2006, the property was leased by Xianxi Zerong to Popbridge Manufacturing Limited for a term of 12 years from 1 May 2006 to 30 April 2018 at a rent of RMB168,566 per month.

(3) Pursuant to the supplementary lease agreement entered into amongst Dongguan Popbridge Electronic Co., Limited, Popbridge Manufacturing Limited, Xianxi Zerong and Dongguan City Changan Town Xianxi Community Resident Committee Foreign Economic Office on 20 December 2007, Dongguan Popbridge Electronic Co., Limited is entitled to use the property during the term of the lease.

(4) The opinion of the PRC Legal Adviser is summarized as follows:

a) Pursuant to the declaration and guarantee issued as well as documents provided by Xianxi Zerong, the property is held by Xianxi Zerong. Xianxi Zerong has the qualification and capacity to sign the relevant lease agreement; and is entitled to lease the property to Dongguan Popbridge Electronic Co., Limited (the Lessee").

b) The lease agreement and its supplementary agreement are valid and legal binding.

c) Though the leasing of the property was not registered in the relevant property administration department, the validity of the lease agreement and its supplementary agreement.

d) The lease agreement is not subject to any onerous or unusual promise, clause, condition or restriction; and all its clauses are not in violation of the existing PRC laws, regulations and guideline documents.

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

20 February 2008

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

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed disposal of Union Bridge Group Limited and its subsidiaries (collectively referred as the "UB Group"), might have affected the financial information of the Group, for inclusion as Appendix IV to the circular of the Company dated 20 February 2008 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 122 to 130 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group as at 30 September 2007 or any future date; or
- the financial results and cash flows of the Remaining Group for the period ended 30 September 2007 or for any future periods.

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 REMAINING GROUP

The following unaudited pro forma consolidated balance sheet of the Remaining Group has been prepared based on the audited consolidated balance sheet of the Group as at 30 September 2007, extracted from the audited financial information of the Group as set out in Appendix I to this circular.

The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the proposed disposal of UB Group at a consideration of HK$10,500,000 which shall be satisfied by cash ("the Disposal").

The accompanying unaudited pro forma financial information of the Remaining 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 Remaining Group, it may not give a true picture of the actual financial position or results of the Remaining Group's operations that would have been attained had the Disposal actually occurred on 30 September 2007 or any future period. Further, the accompanying unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group's future financial position or results of operations.

The following unaudited pro forma consolidated income statement and cash flow statement of the Remaining Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the period ended 30 September 2007, extracted from the audited financial information of the Group as set out in Appendix I to this circular, assuming that the UB Group had been disposed of as at 1 April 2007.

This unaudited pro forma consolidated income statement and cash flow statement have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial results of the Remaining Group had the Disposal been completed as at 1 April 2007, or at any future date.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with the Accountants' Report of the Group as set out in Appendix I and other financial information included elsewhere in this Circular.

Unaudited pro forma consolidated balance sheet of the Remaining Group as at 30 September 2007

	The Group as at 30 September 2007	Pro forma adjustments for disposal				Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)					*(Note 8)*
NON-CURRENT ASSETS						
Property, plant and equipment	43,560	(33,156)	*(4)*			10,404
Intangible assets	62,010	(14,384)	*(4)*	(14,483)	*(9)*	33,143
Total non-current assets	105,570					43,547
CURRENT ASSETS						
Inventories	53,255	(53,255)	*(4)*			–
Accounts receivable	26,793	(15,412)	*(4)*			11,381
Prepayments, deposits and other receivables	12,176	(7,756)	*(4)*	6,000	*(4), (10)*	10,420
Derivative financial instruments	3,111	(3,111)	*(4)*			–
Tax recoverable	18	(18)	*(4)*			–
Pledged time deposits	11,269	(11,269)	*(4)*			–
Cash and cash equivalents	93,690	(304)	*(4)*	10,500	*(5)*	103,886
Total current assets	200,312					125,687
CURRENT LIABILITIES						
Accounts payable	33,449	(33,449)	*(4)*			–
Interest-bearing bank borrowings	59,700	(59,700)	*(4)*			–
Current portion of finance lease payables	2,487	(2,487)	*(4)*			–
Other loans	1,024	(1,024)	*(4)*			–
Accruals and other payables	23,879	(12,349)	*(4)*	115	*(4), (10)*	11,645
Due to a shareholder of a subsidiary	16,439					16,439
Tax payable	2,895	(277)	*(4)*			2,618
Total current liabilities	139,873					30,702
NET CURRENT ASSETS	60,439					94,985
TOTAL ASSETS LESS CURRENT LIABILITIES	166,009					138,532
NON-CURRENT LIABILITIES						
Interest-bearing bank borrowings	704	(704)	*(4)*			–
Finance lease payables	3,191	(3,191)	*(4)*			–
Provision for long service payment	171	(171)	*(4)*			–
Deferred tax liabilities	1,539	(1,539)	*(4)*			–

	The Group as at 30 September 2007			Pro forma adjustments for disposal		Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)					*(Note 8)*
Total non-current liabilities	5,605					–
Net assets	160,404					138,532
Equity						
Issued capital	55,948					55,948
Reserves	98,690			(1,260)	*(4)*	76,818
				(20,612)	*(3)*	
	154,638					132,766
Minority interests	5,766					5,766
Total equity	160,404					138,532

Unaudited pro forma consolidated income statement of the Remaining Group for the period ended 30 September 2007

	The Group for the period ended 30 September 2007	Pro forma adjustments for disposal				Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)					*(Note 7)*
TURNOVER	69,890	(56,228)	*(2)*			13,662
COST OF SALES	(48,916)	48,916	*(2)*			–
Gross profit	20,974					13,662
Other revenues	2,185	(680)	*(2)*			1,505
Distribution costs	(2,196)	115	*(2)*			(2,081)
Administrative expenses	(11,741)	6,080	*(2)*			(5,661)
PROFIT FROM OPERATING ACTIVITIES	9,222					7,425
Gain/(Loss) on disposal of subsidiaries	2,854			(1,811)	*(11)*	(19,569)
				(20,612)	*(3)*	
Loss of disposals of property, plant and equipment	(89)	89	*(2)*			–
Finance costs	(3,674)	3,132	*(2)*			(542)
PROFIT/(LOSS) BEFORE TAX	8,313					(12,686)
Tax	(3,442)	387	*(2)*			(3,055)
PROFIT/(LOSS) FOR THE PERIOD	4,871					(15,741)

Unaudited pro forma consolidated cash flow statement of the Remaining Group for the period ended 30 September 2007

	The Group for the period ended 30 September 2007	Pro forma adjustments for disposal				Remaining Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)					*(Note 7)*
CASH FLOW FROM OPERATING ACTIVITIES						
Profit/(Loss) before tax	8,313	1,424	*(6)*	(22,423)	*(3), (11)*	(12,686)
Adjustments for:						
Depreciation	3,248	(2,605)	*(6)*			643
Amortisation of product development costs	1,072	(1,072)	*(6)*			–
Loss on disposals of property, plant and equipment	89	(89)	*(6)*			–
Gain arising from fair value change of derivative financial instruments	(31)	31	*(6)*			–
Share-based payments	813					813
Interest expenses	3,674	(3,132)	*(6)*			542
Interest income	(1,742)	237	*(6)*			(1,505)
Loss/(Gain) on disposal of subsidiaries	(2,854)			22,423	*(3), (11)*	19,569
Operating cash flows before movements in working capital	12,582					7,376
Increase in inventories	(14,771)	14,771	*(6)*			–
Increase in accounts receivable	(5,037)	(3,353)	*(6)*			(8,390)
Increase in prepayments, deposits and other receivables	(4,707)	(5,233)	*(6)*			(9,940)
Increase in accounts payable	13,362	(13,362)	*(6)*			–
Increase in accruals and other payables	18,607	385	*(6)*			18,992
Cash generated from operations	20,036					8,038
Interest paid	(3,674)	3,132	*(6)*			(542)
Hong Kong profits tax paid	(149)	149	*(6)*			–
Net cash inflow from operating activities	16,213	(8,717)				7,496
CASH FLOW FROM INVESTING ACTIVITIES						
Interest received	1,742	(237)	*(6)*			1,505
Sales proceeds from disposal of property, plant and equipment	11	(11)	*(6)*			–
Increase in derivative financial instruments	(3,080)	3,080	*(6)*			–
Proceeds from disposal of subsidiaries	149			10,500	*(5)*	9,831
				(818)	*(6)*	
Decrease in pledged time deposits	2,991	(2,991)	*(6)*			–
Purchases of property, plant and equipment	(6,390)	373	*(6)*			(6,017)
Product development costs paid	(2,181)	2,181	*(6)*			–
Net cash inflow/(outflow) from investing activities	(6,758)	2,395				5,319

	The Group for the period ended 30 September 2007 *HK$'000* *(Note 1)*	Pro forma adjustments for disposal *HK$'000*	*Notes*	*HK$'000*	*Notes*	Remaining Group *HK$'000* *(Note 7)*
CASH FLOW FROM FINANCING ACTIVITIES						
Payment of obligations under finance leases	(1,503)	1,503	*(6)*			–
Net proceeds from issue of shares	62,107					62,107
Net proceeds from issue of warrant	1,441					1,441
Repayment of bank loans	(2,150)	2,150	*(6)*			–
Repayment of bank export and import	(3,461)	3,461	*(6)*			–
Repayment of promissory notes	(6,158)					(6,158)
Repayment of other loans	(20)	20	*(6)*			–
Net cash inflow from financing activities	50,256	7,134				57,390
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,711	812		9,682		70,205
Cash and cash equivalents at beginning of year	4,677	28,290	*(6)*			32,967
Effect of foreign exchange rates changes, net	(150)	46	*(6)*			(104)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	64,238					103,068

Notes:

(1) The balances are extracted from the audited financial information of the Group for the period ended 30 September 2007 as set out in Appendix 1 of this Circular.

(2) The adjustments reflect the effect of the Disposal, which represents the elimination of net loss of the UB Group for the six months ended 30 September 2007.

(3) The adjustment reflects the loss of Disposal of the UB Group. It is estimated that, upon Completion, the Group will record a loss on disposal of approximately HK$20,612,000. Such loss is estimated based on the difference between (i) HK$10,500,000 (the aggregate of the First Disposal Consideration and the Second Disposal Consideration) and (ii) the aggregate of (1) HK$16,629,000 (the net assets value of UB Group of approximately HK$17,889,000 after elimination of exchange reserves of approximately HK$1,260,000 based on the audited financial information of the Group for the period ended 30 September 2007); and (2) goodwill which arose from the acquisition of UB Group of approximately HK$14,483,000.

(4) The adjustments relate to the assets and liabilities and exchange reserves of the UB Group assuming the disposal has been taken place on 30 September 2007.

(5) The adjustment reflects the Disposal of UB Group at a consideration of HK$10,500,000 which shall be satisfied by cash.

(6) The adjustments reflect the cash flow effect from the Disposal for the six months ended 30 September 2007.

(7) The unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement of the Remaining Group is prepared based the interim results of the Group for the period ended 30 September 2007 extracted from the accountants' report (as shown in the appendix I to the Circular) in accordance with the GEM Listing Rule 7.31(5). As the Directors confirm that there are no seasonal factors affecting the business carried out by the UB Group, the use of the interim results extracted from the accountants' report will not result in any distortion due to seasonal factors.

(8) The Remaining Group has not accounted for the effect of the acquisition of 24% interests in Media Magic Technology Limited which has been completed on 21 December 2007 and therefore (i) the total asset value of the Remaining Group could be increased by approximately HK$150,575,000 to approximately HK$319,809,000; and (ii) the net asset value of the Remaining Group could be increased by approximately HK$71,053,000 to approximately HK$209,585,000, amongst other financial effects. For details of the financial effects of the acquisition of 24% Media Magic Technology Limited on the Group, please refer to the appendix III to the circular of the Company dated 3 December 2007.

(9) The adjustment reflects to the elimination of goodwill arose from the acquisition of UB Group of HK$14,483,000.

(10) The adjustment reflects to the elimination of intra-group current account balances.

(11) The adjustment reflects to the elimination of net loss of UB Group for the six months ended 30 September 2007 of approximately HK$1,811,000.

1. RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and is not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows.

(i) Interest in Shares:

Name of Director	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Hsu Tung Sheng	Beneficial	2,000,000 (L)	0.16%
Ho Hoi Lap	Beneficial	2,120,000 (L)	0.17%

(L) Long position

(ii) *Interest in share options:*

Name of Director	Number of share options outstanding	Approximate percentage of issued share capital
Hsu Tung Sheng	3,200,000#	0.25%
Ho Hoi Lap	11,000,000*	0.86%
Chan Hin Wing, James	3,200,000#	0.25%
Chan Francis Ping Kuen	11,000,000*	0.86%
	1,800,000#	0.14%

* *The exercise price of the share options is HK$0.52 per Share with exercise period commencing from 14 August 2007 and ending on 13 August 2017.*

\# *The exercise price of the share options is HK$0.465 per Share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which where required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange

(b) Director's interest in assets and/or arrangement

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31 March 2007, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

(c) Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Nature of interests	Number of the Shares held	Approximate percentage of issued share capital
Starryland Profits Limited *(Note 1)*	Beneficial	347,795,000(L)	27.12%
Lau Kim Hung, Jack ("**Mr. Lau**") *(Note 1)*	Interests in controlled corporation	347,795,000(L)	27.12%
	Beneficial	9,340,000(L)	0.73%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	357,135,000(L)	27.85%
Big Well Investments Limited *(Note 2)*	Beneficial owner	223,000,000(L)	17.39%
Chong Tin Lung *(Note 2)*	Interests in controlled corporation	223,000,000(L)	17.39%
Lo Yee Man *(Note 2)*	Deemed	223,000,000(L)	17.39%
Pang Hong Tao *(Note 3)*	Beneficial	196,740,202(L)	15.34%
Wang Jing *(Note 3)*	Deemed	196,740,202(L)	15.34%
Chuang Meng Hua *(Note 4)*	Deemed	135,432,121(L)	10.56%
Hsu Tung Chi *(Note 4)*	Beneficial	135,432,121(L)	10.56%

(L) Long position

Notes:

1. Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau. By virtue of the SFO, Mr. Lau and Ms. Chan Yiu Kan Katie, being the wife of Mr. Lau, are deemed to be interested in 347,795,000 Shares held by Starryland Profits Limited.

2. Big Well Investment 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. 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 223,000,000 Shares as well.

3. Mr. Pang Hong Tao ("**Mr. Pang**") is interested in 105,831,111 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. 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. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 105,831,111 shares and 90,909,091 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 80,886,667 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 on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. As at the Latest Practicable Date, Mr. Hsu has not converted any convertible bonds. Ms. Chuang Meng Hua is deemed to be interested in 80,886,667 shares and 54,545,454 convertible bonds of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors had entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person had or may have within the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which were or may be material:

(a) the sale and purchase agreement dated 11 January 2006 and entered into with Great Plan Group Limited, a wholly-owned subsidiary of the Company as purchaser and Union Bridge Power Systems Limited as vendor in relation to the acquisition of entire interest in Union Bridge Group Limited for a consideration of HK$32 million;

(b) the placing agreement dated 1 June 2006 and entered into among the Company as the issuer, Quam Securities Company Limited as the placing agent in relation to the placing of 60,000,000 new Shares at HK$0.30 each;

(c) the sale and purchase agreement dated 11 August 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Hsu Tung Sheng, Mr. Mar King Tong, Allise and Mr. Cheung Sai Man as vendors in relation to the acquisition of 11.11% equity interest in Media Magic for a consideration of HK$5 million;

(d) the subscription agreement dated 11 August 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as subscriber and Media Magic as issuer in relation to the subscription of 11.11% equity interest in Media Magic for a consideration of HK$5 million;

(e) the warrant placing agreement dated 12 October 2006 and entered into among the Company as the issuer, Rich Regent Inc., as the subscriber in relation to the subscription of 93,000,000 unlisted warrants of the Company by Rich Regent Inc., at an issue price of HK$0.015 per warrant and subscription price of HK$0.15 per Share;

(f) the sale and purchase agreement dated 16 November 2006 and entered into with Upper Power Limited, a wholly-owned subsidiary of the Company as purchaser and Mr. Hsu Tung Sheng, as vendor in relation to the acquisition of 31% equity interest in Media Magic for a consideration of HK$16.12 million;

(g) the underwriting agreement dated 12 January 2007 and entered into with the Company, Partners Capital Securities Limited in relation to the open offer of 318,472,500 offer Shares at HK$0.06 per offer Share;

(h) the placing agreement dated 12 April 2007 and entered into among the Company as the issuer, Starryland Profits Limited, as vendor and DBS Asia Capital Limited as the placing agent in relation to the placing of 110,000,000 Shares at HK$0.47 per Share of the Company;

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

(j) the sale and purchase agreement dated 15 June 2007 and entered into with Multi Channel Technology Limited, an indirect non-wholly-owned subsidiary of the Company as purchaser and Mr. Yuan Sheng Jun and Ms Gao Xiu Yun as vendors in relation to the acquisition of the entire interest in PalmPay Technology Co. Ltd. for a consideration of RMB9,978,000 (equivalent to approximately HK$10,503,157.90);

(k) the revolving facility letter dated 15 June 2007 and entered into with the Company as lender and Multi Channel Technology Limited, an indirect non-wholly-owned subsidiary of the Company, as borrower in relation to the revolving facility of up to a maximum amount of HK$22,000,000 at any time during the term of the revolving facility for each of the three financial years ending 31 March 2010;

(l) the warrant placing agreement dated 27 August 2007 and entered into among the Company as the issuer, Big Well Investments Limited as the subscriber and Mr. Chong Tin Lung, as the guarantor in relation to the subscription of 223,000,000 unlisted warrants of the Company by Big Well Investments Limited, at an issue price of HK$0.007 per warrant and a subscription price of HK$0.543 per Share;

(m) 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;

(n) 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; and

(o) the Disposal Agreements.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

7. EXPERT'S QUALIFICATION AND CONSENT

1. The following are the respective qualifications of the experts who have been named in this circular or have given their opinions, letters or advice which are contained in this circular:

Name	**Qualification**
B.I. Appraisals Limited ("**B.I. Appraisals**")	Professional valuer
Vision A. S. Limited ("**Vision**")	Certified Public Accountants
Nuada Limited ("**Nuada**")	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities

2. As at the Latest Practicable Date, each of B.I. Appraisals, Vision and Nuada has no shareholding, directly or indirectly, in any member of the Group or any shareholding, directly or indirectly, 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.

3. Each of B.I. Appraisals, Vision and Nuada has given and has not withdrawn its written consent to the issue of the circular, with the inclusion of the reference to its name and/or its opinion in the form and context in which they are included.

4. As at the Latest Practicable Date, each of B.I. Appraisals, Vision and Nuada had no direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Remaining Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Remaining Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

2. The head office and the principal place of business of the Company in Hong Kong is located at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

3. The principal share registrar and transfer office of the Company is The Bank of Bermuda Limited at Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda.

4. The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

5. The company secretary and qualified accountant of the Company is Mr. Law Ho Ming. Mr. Law is currently an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

6. The compliance officer of the Company is Mr. Chan Francis Ping Kuen ("Mr. Chan"). Mr. Chan is an associate member of the Institute of Chartered Accountants in Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan holds directorship in three subsidiaries of the Company.

7. The audit committee of the Company comprises the three independent non-executive Directors, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, and Mr. Chan Wing Chiu. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

   Mr. Kwok Chi Sun, Vincent, aged 45, 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 Kanhan Technologies Group Limited, the former four named companies are listed on the main board of the Stock Exchange while the last named company is listed on GEM.

   Mr. Yeung Kam Yan, aged 55, is a member of the Air & Waste Management Association – Hong Kong Section. Mr. Yeung has over eight years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

   Mr. Chan Wing Chiu, aged 77, holds a bachelor's degree in electrical engineering from the South China University of Guangzhou, the PRC. Mr. Chan has over 48 years of experience in the power supply industry. Mr. Chan had been a power designer for signaling and communication engineering for the Ministry of Railways, the PRC for more than 27 years.

The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

8. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the head office and principal place of business of the Company at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as at the date of this circular up to the date of the SGM:

(i) the memorandum of association of the Company and Bye-Laws;

(ii) the annual reports of the Company for the two years ended 31 March 2007;

(iii) the material contracts referred to in the section headed "Material contracts" in this appendix;

(iv) the written consent referred to in the section headed "Expert's qualification and consent" in this appendix;

(v) the unaudited interim report 2007/08 of the Company for the six month ended 30 September 2007;

(vi) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;

(vii) the letter from Nuada, the text of which is set out on pages 22 to 31 of this circular;

(viii) the accountant's report of the Group, the text of which is set out in Appendix I to this circular;

(ix) the valuation report prepared by B.I. Appraisals, the text of which is set out in Appendix III to this circular;

(x) the letter from Vision in respect of the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular; and

(xi) the following circulars of the Company which has been issued since the date of the latest published audited accounts:

    (a) the circular dated 13 July 2007 in relation to, among other things, a continuing connected transaction involving revolving facility to be granted by the Company and a discloseable and connected transaction involving exercise of option for the acquisition of the equity interests in Palmpay Technology Co. Ltd.;

    (b) the circular dated 3 December 2007 in relation to among other the major and connected transaction involving acquisition of 24% interests in Media Magic Technology Limited; and

    (c) this circular.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8047)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Palmpay China (Holdings) Limited (the "**Company**") to be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 10 March 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution with or without amendments to be taken by way of poll:

ORDINARY RESOLUTION

1. "**THAT**

(a) the disposal agreement dated 11 January 2008 (the "**First Disposal Agreement**") entered into between Great Plan Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company, as vendor and Mr. Lo Ka Tong, as purchaser, in relation to the disposal of 18,750 shares of Union Bridge Group Limited ("**Union Bridge**"), an indirect wholly-owned subsidiary of the Company, representing 50% of the issued share capital of Union Bridge, for an aggregate consideration of HK$5,250,000 (a copy of First Disposal Agreement will be produced to the Meeting marked "A" for the purpose of identification) and the transactions contemplated thereunder be and are thereby approved, confirmed and ratified;

(b) the disposal agreement dated 11 January 2008 (the "**Second Disposal Agreement**", together with the First Disposal Agreement, the "**Disposal Agreements**") entered into between Great Plan Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company, as vendor and Ms. Cheng Pui Ping, as purchaser, in relation to the disposal of 18,750 shares of Union Bridge, an indirect wholly-owned subsidiary of the Company, representing 50% of the issued share capital of Union Bridge, for an aggregate consideration of HK$5,250,000 (a copy of Second Disposal Agreement will be produced to the Meeting marked "B" for the purpose of identification) and the transactions contemplated thereunder be and are thereby approved, confirmed and ratified; and

* *For identification purpose only*

(c) any director of the Company be and is thereby authorised to do all such acts and things and execute all documents which they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Disposal Agreements and the matters contemplated therein".

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

Hong Kong, 20 February 2008

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 of the Company entitled to attend and vote at the meeting convened by the above notice 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 meeting 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 meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.

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