



## **PALMPAY CHINA (HOLDINGS) LIMITED**

**中國掌付(集團)有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8047)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012**

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

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

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

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*This announcement, for which the directors of Palmpay China (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* for identification purpose only

## FINANCIAL RESULTS

The board of directors (the “Board”) of Palmpay China (Holdings) Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2012 together with the comparative figures for the corresponding year in 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Turnover</b>	5	<b>28,516</b>	23,786
Cost of services rendered and cost of goods sold		<u>(7,761)</u>	<u>(6,812)</u>
Gross profit		<b>20,755</b>	16,974
Other revenue	5	<b>416</b>	19
Other income	6	<b>5,255</b>	3,954
Selling and distribution costs		<b>(3,819)</b>	(3,145)
Administrative expenses		<b>(62,327)</b>	(76,934)
Other operating expenses		<b>(32,146)</b>	(268,473)
Finance costs	7	<u>–</u>	<u>(117)</u>
<b>Loss before taxation</b>	7	<b>(71,866)</b>	(327,722)
Income tax credit (expenses)	8	<u>229</u>	<u>(1,412)</u>
<b>Loss for the year</b>		<u><b>(71,637)</b></u>	<u>(329,134)</u>
<b>Other comprehensive income (loss) for the year, net of tax:</b>			
Available-for-sale financial assets			
Change in fair value		–	(6,163)
Reclassification adjustment for disposals		<b>15,968</b>	(618)
Exchange differences on consolidation		<u>1,030</u>	<u>5,320</u>
		<u><b>16,998</b></u>	<u>(1,461)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(54,639)</b></u>	<u>(330,595)</u>
<b>Loss attributable to:</b>			
Equity holders of the Company	9	<b>(68,192)</b>	(328,601)
Non-controlling interests		<u>(3,445)</u>	<u>(533)</u>
		<u><b>(71,637)</b></u>	<u>(329,134)</u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		<b>(51,399)</b>	(330,370)
Non-controlling interests		<u>(3,240)</u>	<u>(225)</u>
		<u><b>(54,639)</b></u>	<u>(330,595)</u>
<b>Loss per share</b>	<i>11</i>		<i>(adjusted)</i>
Basic		<b>(HK6.00 cents)</b>	(HK41.94 cents)
Diluted		<u><b>(HK6.00 cents)</b></u>	<u>(HK41.94 cents)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		3,975	5,879
Available-for-sale financial assets		–	389
Intangible assets		800	31,047
Goodwill		40,910	14,308
		<u>45,685</u>	<u>51,623</u>
<b>Current assets</b>			
Inventories		2,541	6,730
Trade and other receivables	12	48,861	49,470
Bank balances and cash		55,041	59,628
		<u>106,443</u>	<u>115,828</u>
<b>Current liabilities</b>			
Trade and other payables	13	19,153	33,164
Tax payable		4,345	5,892
Promissory note		5,000	–
		<u>28,498</u>	<u>39,056</u>
<b>Net current assets</b>		<u>77,945</u>	<u>76,772</u>
<b>Total assets less current liabilities</b>		<u>123,630</u>	<u>128,395</u>
<b>Non-current liabilities</b>			
Promissory note		1,200	4,700
<b>NET ASSETS</b>		<u>122,430</u>	<u>123,695</u>
<b>Capital and reserves</b>			
Share capital		69,039	31,381
Reserves		40,026	88,005
Equity attributable to equity holders of the Company		109,065	119,386
Non-controlling interests		13,365	4,309
<b>TOTAL EQUITY</b>		<u>122,430</u>	<u>123,695</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

	Attributable to equity holders of the Company													
	Reserves												Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Exchange reserve	Convertible bonds reserve	Employee share-based payment reserve	Warrant reserve	Available-for-sale financial assets reserve	Statutory reserve	Accumulated profits (losses)	Total reserves	Subtotal		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2010	117,611	60,370	145,126	3,385	443	2,923	-	(9,187)	1,037	31,088	235,185	352,796	-	352,796
Loss for the year	-	-	-	-	-	-	-	-	-	(328,601)	(328,601)	(328,601)	(533)	(329,134)
<b>Other comprehensive income (loss)</b>														
Available-for-sale financial assets														
- Change in fair value	-	-	-	-	-	-	-	(6,163)	-	-	(6,163)	(6,163)	-	(6,163)
- Reclassification adjustments for disposals	-	-	-	-	-	-	-	(618)	-	-	(618)	(618)	-	(618)
Exchange difference on consolidation	-	-	-	5,012	-	-	-	-	-	-	5,012	5,012	308	5,320
Total comprehensive income (loss) for the year	-	-	-	5,012	-	-	-	(6,781)	-	(328,601)	(330,370)	(330,370)	(225)	(330,595)
<b>Transaction with owners</b>														
Issue of shares upon private placing	10,350	27,945	-	-	-	-	-	-	-	-	27,945	38,295	-	38,295
Issue of unlisted warrants	-	-	-	-	-	-	621	-	-	-	621	621	-	621
Exercise of unlisted warrants	6,350	15,915	-	-	-	-	(381)	-	-	-	15,534	21,884	-	21,884
Redemption of convertible bonds	-	-	-	-	(443)	-	-	-	-	443	-	-	-	-
Share consolidation and capital reduction	(107,450)	-	107,450	-	-	-	-	-	-	-	107,450	-	-	-
Issue of consideration shares	4,520	31,640	-	-	-	-	-	-	-	-	31,640	36,160	-	36,160
Forfeit of share options	-	-	-	-	-	(138)	-	-	-	138	-	-	-	-
Transfer of statutory reserve	-	-	-	-	-	-	-	-	1,384	(1,384)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	4,534	4,534
	(86,230)	75,500	107,450	-	(443)	(138)	240	-	1,384	(803)	183,190	96,960	4,534	101,494
At 31 March 2011	<u>31,381</u>	<u>135,870</u>	<u>252,576</u>	<u>8,397</u>	<u>-</u>	<u>2,785</u>	<u>240</u>	<u>(15,968)</u>	<u>2,421</u>	<u>(298,316)</u>	<u>88,005</u>	<u>119,386</u>	<u>4,309</u>	<u>123,695</u>
At 1 April 2011	31,381	135,870	252,576	8,397	-	2,785	240	(15,968)	2,421	(298,316)	88,005	119,386	4,309	123,695
Loss for the year	-	-	-	-	-	-	-	-	-	(68,192)	(68,192)	(68,192)	(3,445)	(71,637)
<b>Other comprehensive income</b>														
Reclassification adjustment for disposals of available-for-sale financial assets	-	-	-	-	-	-	-	15,968	-	-	15,968	15,968	-	15,968
Exchange difference on consolidation	-	-	-	825	-	-	-	-	-	-	825	825	205	1,030
Total comprehensive income (loss) for the year	-	-	-	825	-	-	-	15,968	-	(68,192)	(51,399)	(51,399)	(3,240)	(54,639)
<b>Transaction with owners</b>														
Issue of shares upon open offer	31,383	(1,686)	-	-	-	-	-	-	-	-	(1,686)	29,697	-	29,697
Issue of consideration shares	6,275	5,522	-	-	-	-	-	-	-	-	5,522	11,797	-	11,797
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,846	2,846
Cancellation of share options	-	-	-	-	-	(2,303)	-	-	-	2,303	-	-	-	-
Forfeit of share options	-	-	-	-	-	(482)	-	-	-	482	-	-	-	-
Disposal of subsidiaries	-	-	-	(416)	-	-	-	-	-	-	(416)	(416)	9,450	9,034
Transfer of statutory reserve	-	-	-	-	-	-	-	-	643	(643)	-	-	-	-
	37,658	3,836	-	(416)	-	(2,785)	-	-	643	2,142	3,420	41,078	12,296	53,374
At 31 March 2012	<u>69,039</u>	<u>139,706</u>	<u>252,576</u>	<u>8,806</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>-</u>	<u>3,064</u>	<u>(364,366)</u>	<u>40,026</u>	<u>109,065</u>	<u>13,365</u>	<u>122,430</u>

Notes:

## 1. CORPORATE INFORMATION

Palmpay China (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Bermuda Companies Act of 1981. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the provision of payment gateway business, and manufacturing and trading of products related to optical fibers, telecommunications, electric power network systems and equipment, and the provision of energy management business.

## 2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2011 consolidated financial statements except for the adoption of certain new / revised HKFRSs effective from the current year that are relevant to the Group as detailed in note 3 to the consolidated financial statements.

## 3. ADOPTION OF NEW/REVISED HKFRSs

### HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- (a) a government that has control, joint control or significant influence over the reporting entity; and
- (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

### Improvements to HKFRSs 2010 – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

## Amendments to HKFRS 3 (Revised) *Business Combinations*

The amendments clarify the transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3 (Revised) and specify that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award. They also clarify that only the entity with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interests at fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

## Amendments to HKAS 1 (Revised): *Presentation of Financial Statements: Clarification of statement of changes in equity*

The amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group has decided to continue presenting the reconciliation on the face of the statement of changes in equity.

The adoption of the improvements does not have a significant impact to the Group.

## **Future changes in HKFRSs**

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs that are relevant to the Group and are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 7	<i>Disclosures – Transfers of Financial Assets</i> <sup>1</sup> <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>4</sup> <i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> <sup>6</sup>
Amendments to HKAS 12	<i>Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
Amendments to HKAS 1 (Revised)	<i>Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
Amendments to HKAS 32	<i>Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>5</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>6</sup>
Annual Improvements Projects	<i>Annual Improvements 2009 – 2011 Cycle</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

The directors are in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

#### **4. SEGMENTAL INFORMATION**

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following three reporting segments. No operating segments have been aggregated to form the following reporting segments:

- Payment gateway segment which provides e-payment services;
- Telecommunication optic fiber segment which manufactures and trades products related to optimal optical fibers, electric power network systems and equipment and provides associated services; and
- Energy management segment which provides energy and other resources management and conservation system and integrated solutions.

##### **(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all allocated assets with the exception of available-for-sale financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales / service activities of the individual segments.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2012 and 2011 is set out below.

	Payment gateway business		Telecommunication optic fiber business		Energy management business		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Segment revenue</b>								
Sale / Services to external customers	<u>3,981</u>	<u>17,510</u>	<u>22,197</u>	<u>6,276</u>	<u>2,338</u>	<u>–</u>	<u>28,516</u>	<u>23,786</u>
<b>Segment results</b>	<u>(59,033)</u>	<u>(282,677)</u>	<u>12,016</u>	<u>(37,884)</u>	<u>(425)</u>	<u>–</u>	<u>(47,442)</u>	<u>(320,561)</u>
Unallocated income							430	1,530
Unallocated expenses							(24,854)	(8,574)
Unallocated finance costs							–	(117)
<b>Loss before taxation</b>							<u>(71,866)</u>	<u>(327,722)</u>
Income tax credit (expenses)							<u>229</u>	<u>(1,412)</u>
<b>Loss for the year</b>							<u>(71,637)</u>	<u>(329,134)</u>
<b>Assets and liabilities</b>								
Segment assets	<u>5,388</u>	<u>67,533</u>	<u>49,523</u>	<u>41,118</u>	<u>33,928</u>	<u>–</u>	<u>88,839</u>	<u>108,651</u>
Unallocated assets							<u>63,289</u>	<u>58,800</u>
Consolidated total assets							<u>152,128</u>	<u>167,451</u>
Segment liabilities	<u>4,221</u>	<u>18,655</u>	<u>13,166</u>	<u>8,929</u>	<u>2,547</u>	<u>–</u>	<u>19,934</u>	<u>27,584</u>
Unallocated liabilities							<u>9,764</u>	<u>16,172</u>
Consolidated total liabilities							<u>29,698</u>	<u>43,756</u>
<b>Other segment information</b>								
Depreciation	<u>967</u>	<u>5,041</u>	<u>393</u>	<u>300</u>	<u>31</u>	<u>–</u>	<u>1,391</u>	<u>5,341</u>
Capital expenditure	<u>883</u>	<u>5,158</u>	<u>70</u>	<u>3,375</u>	<u>347</u>	<u>–</u>	<u>1,300</u>	<u>8,533</u>
Goodwill – additions	<u>–</u>	<u>–</u>	<u>567</u>	<u>56,308</u>	<u>26,035</u>	<u>–</u>	<u>26,602</u>	<u>56,308</u>
Impairment loss of goodwill	<u>–</u>	<u>209,627</u>	<u>–</u>	<u>42,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>251,627</u>
Impairment loss of intangible assets	<u>30,695</u>	<u>11,176</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>30,695</u>	<u>11,176</u>
Impairment loss of property, plant and equipment	<u>1,451</u>	<u>5,670</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,451</u>	<u>5,670</u>
Write-down of inventories	<u>5,778</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,778</u>	<u>–</u>
Research and development costs	<u>–</u>	<u>12,200</u>	<u>95</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>95</u>	<u>12,200</u>
Allowance for bad and doubtful debts	<u>20,760</u>	<u>48,282</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,760</u>	<u>48,282</u>



**(b) Geographical information**

The Group's operations are primarily derived from external customers based in the PRC and all segment assets are located in the PRC. Accordingly, no geographical information is presented in accordance with HKFRS 8: *Operating Segments*.

**(c) Information about major customers**

For the year ended 31 March 2012, one customer (*2011: five customers*) that individually accounted for over 10% of total revenue of the Group as set out below:

	Payment gateway business		Telecommunication optic fiber business		Energy management business		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	-	4,303	-	-	-	-	-	4,303
Customer B	-	6,170	-	-	-	-	-	6,170
Customer C	-	4,471	-	-	-	-	-	4,471
Customer D	-	-	22,197	3,502	-	-	22,197	3,502
Customer E	-	-	-	2,774	-	-	-	2,774
	<u>-</u>	<u>14,944</u>	<u>22,197</u>	<u>6,276</u>	<u>-</u>	<u>-</u>	<u>22,197</u>	<u>21,220</u>

## 5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Rendering of services	6,319	17,510
Sale of goods	<u>22,197</u>	<u>6,276</u>
<b>Turnover</b>	<u><b>28,516</b></u>	<u>23,786</u>
Interest income	<u>416</u>	<u>19</u>
<b>Other revenue</b>	<u><b>416</b></u>	<u>19</u>
<b>Total turnover and revenue</b>	<u><b>28,932</b></u>	<u><b>23,805</b></u>

## 6. OTHER INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Gain on disposal of available-for-sale financial assets	–	1,523
Gain on disposal of subsidiaries	935	–
Write-back of other payables	19	2,431
Overprovision of staff social welfare	936	–
Overprovision of business tax	3,047	–
Subsidy income for research and development	308	–
Sundry income	<u>10</u>	<u>–</u>
	<u><b>5,255</b></u>	<u><b>3,954</b></u>

## 7. LOSS BEFORE TAXATION

This is stated after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Finance costs</b>		
Interest on convertible bonds	<u>–</u>	<u>117</u>
<b>Other items</b>		
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	7,369	5,387
Contribution to defined contribution schemes	<u>1,477</u>	<u>1,071</u>
	<u>8,846</u>	<u>6,458</u>
Auditor's remuneration	470	450
Cost of goods sold (including relevant employee benefit expenses and depreciation)	6,895	1,265
Cost of services rendered (including relevant employee benefit expenses and depreciation)	866	5,547
Depreciation of property, plant and equipment	1,391	5,341
Exchange losses, net	105	103
Impairment loss of goodwill*	–	251,627
Impairment loss of intangible assets*	30,695	11,176
Impairment loss of property, plant and equipment*	1,451	5,670
Write-down of inventories	5,778	–
Loss arising on change in fair value of promissory note	300	–
Research and development costs	95	12,200
Operating lease payments for premises	2,197	1,426
Write-off of other receivables	–	1,404
Allowance for bad and doubtful debts		
Trade receivables	20,272	47,908
Other receivables	488	374
Loss on disposal of available-for-sale financial assets	<u>15,815</u>	<u>–</u>

\* *Included in other operating expenses.*

## 8. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 March 2012 and 2011.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
PRC enterprise income tax		
Current year	(3,779)	(1,412)
Overprovision in prior years	<u>4,008</u>	<u>–</u>
<b>Income tax credit (expense) for the year</b>	<b><u>229</u></b>	<b><u>(1,412)</u></b>
<b>Reconciliation of effective tax rate</b>		
	2012 %	2011 %
Applicable tax rate	(22.2)	(18.3)
Effect of tax concession	0.3	0.4
Non-deductible expenses	1.6	13.1
Non-taxable revenue	(0.2)	(0.1)
Unrecognised temporary differences	18.5	4.7
Unrecognised tax losses	7.2	0.5
Overprovision in prior years	(5.6)	–
Others	<u>0.1</u>	<u>0.1</u>
<b>Effective tax rate for the year</b>	<b><u>(0.3)</u></b>	<b><u>0.4</u></b>

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate. The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

## 9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2012 includes a loss of HK\$25,232,000 (2011: HK\$305,137,000) which has been dealt with in the financial statements of the Company.

## 10. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year (2011: Nil).

## 11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2012 HK\$'000	2011 HK\$'000
Loss attributable to equity holders of the Company	<u>(68,192)</u>	<u>(328,601)</u>
	Number of shares	
	2012	2011 (adjusted)
Weighted average number of ordinary shares in issue during the year	<u>1,136,564,465</u>	<u>783,468,190</u>

The number of shares for the purpose of calculating basic loss per share for the years ended 31 March 2012 and 2011 has been adjusted to reflect the open offer of shares completed in September 2011.

For the years ended 31 March 2012 and 2011, diluted loss per share is the same as basic loss per share as the potential ordinary shares issuable under the unlisted warrants and share options have anti-dilutive effects on the basic loss per share.

In May 2012, 345,000,000 ordinary shares were issued as part of consideration for the acquisition of Boomtech Limited ("Boomtech") after the end of the reporting period.

## 12. TRADE AND OTHER RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Trade receivables from third parties</b>	<b>101,223</b>	94,251
Allowance for bad and doubtful debts	<u>(78,249)</u>	<u>(56,066)</u>
	<b>22,974</b>	38,185
<b>Other receivables</b>		
Prepayments	215	114
Deposits	16,072	2,703
Other receivables	9,600	8,445
Due from non-controlling interests	<u>—</u>	<u>23</u>
	<b><u>48,861</u></b>	<b><u>49,470</u></b>

### Aging of trade receivables

The Group normally grants credit term of 90 days to its customers upon the delivery of products or when the services are rendered. The aging of trade receivables (net of allowances of bad and doubtful debts) based on invoice date is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
1 – 90 days	253	7,688
91 – 180 days	9,570	10,927
181 – 270 days	12,898	3,213
271 – 365 days	3	5,239
Over 1 year	<u>250</u>	<u>11,118</u>
	<b><u>22,974</u></b>	<b><u>38,185</u></b>

### 13. TRADE AND OTHER PAYABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade payables	2,949	792
Accruals	3,942	4,122
Other tax payables	3,217	6,125
Other payables	7,152	10,059
Due to non-controlling interests	–	4,050
Due to a shareholder	–	675
Due to directors	1,893	7,341
	<u>19,153</u>	<u>33,164</u>

At the end of the reporting period, based on the invoice dates, most of the trade payables fall into the ageing band of three to six months.

The amounts due to directors are unsecured, interest-free and have no fixed repayment term. The amounts due to non-controlling interests and shareholder as at 31 March 2011 were released from the consolidated financial statements resulting from the disposal of subsidiaries at the end of the reporting period.

### 14. EVENTS AFTER THE REPORTING PERIOD

In May 2012, a promissory note with a nominal value of HK\$5,000,000 relating to the acquisition of 50.1% equity interest in China Optic Communication Technology Limited in February 2011 was early redeemed. The promissory note is interest-free and repayable on 17 February 2013, which has been classified as current liabilities at the end of the reporting period.

In May 2012, Power Chance Holdings Limited, a wholly-owned subsidiary of the Company, acquired 55% equity interest in Boomtech at a total consideration of HK\$77,305,000. The principal activities of Boomtech Limited and its subsidiaries are the provision of integrated solutions for lightning electromagnetic pulse protection and its related engineering design, construction and technical services in the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONAL REVIEW

#### Business and Operation Review

During the year, the Group has completed the rationalization of its business model. The Group recorded a loss of approximately HK\$71.6 million, which are mainly due to one-off impairment provision, written off of trade and other receivable and stock in relation to the unpromising payment by deduction business of approximately HK\$57.2 million and one-off loss on disposal of investment of approximately HK\$15.8 million. Whilst the optic fiber business continued to grow and recorded a profit of approximately HK\$12.0 million during the year, the foundation of the telecommunication enhancement business in the PRC (the “Business”) has laid down through acquisitions of related businesses during the year.

The optic fiber business recorded a full year turnover of approximately HK\$22.2 million during the year as compared to HK\$6.3 million in the previous financial year. The Group has achieved breakthrough on the business relationships with China Unicom and China Telecom through which direct contractual agreements will be entered into for the provision of fiber and maintenance services in the PRC.

The Group acquired the resources/energy conservation business during the year, which is a forerunner in the industry. It was awarded “2010 China Association of Communications Enterprises Energy Management Innovation Award” “2010年中國通信行業協會節能管理創新一等獎”. During the year, the Group has secured contract of over HK\$4.8 million of the related business in eight provinces. The Group is currently in negotiation of contracts of over HK\$12.0 million of the related business in five provinces in the PRC.

In recent years, the PRC Government has put high emphasis to create a nation-wide green energy/environment. It plans to inject close to RMB100 Billion in the area of resources /energy conservations in the PRC during 2012 with tax benefits granted to participants. Telecommunication operators are among one of the largest consumers of resources/energy in the PRC. Leveraging on the existing connections and infrastructure of the Group, the Group has commenced to engage in the provision of resources/energy conservation products to telecommunication operators in the PRC. The Group is in advanced negotiation stage for provision of such products to China Unicom in several provinces in the PRC.

In January 2012, the Group entered into a contractual agreement for the purchase of the electronic pulse management business, which holds Class C qualification in lightening protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質). Such acquisition was subsequently completed in May 2012. The business contracts that the Group has entered into has developed and expanded from five provinces / municipal cities in 2010 to as at now over nine provinces / municipal cities with China Unicom in Hubei (湖北), Tianjin (天津), Anhui (安徽), Shanxi (山西), Jilin (吉林) Guangdong (廣東) and national enterprises.

The Group raised over HK\$30.0 million by way of open offer in September 2011 which has strengthened the financial position of the Company and facilitated its future investments.

## **PROSPECTS**

With the completion of the rationalization process, the Group is well facilitated to commence a new era of the Business. To further extend the scope of the Business, the Group will continue to look for investment opportunities in the related operations particularly in the area of one-stop solution/provider of resources/energy conservation products, which will generate significant profitability in medium to long term.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and contribution to the Group and to those who have supported us. We will continue to make our best efforts in developing our businesses to produce good economic results and better return for our shareholders.



## **FINANCIAL REVIEW**

### **Results**

The Group recorded an increase of approximately 19.7% in its turnover for the year ended 31 March 2012 to approximately HK\$28.5 million as compared to approximately HK\$23.8 million in the previous year. The increase in turnover was due to the full year contribution from the telecommunication optic fiber business.

The Group recorded an increase in gross profit of approximately 22.4% to approximately HK\$20.8 million in the current year as compared to approximately HK\$17.0 million in the previous year mainly due to the increase in turnover of the telecommunication optic fiber business.

Net loss attributable to equity holders of the Company for the year amounted to approximately HK\$68.2 million (2011 net loss of approximately: HK\$328.6 million). Loss during the year was mainly due to the impairment loss of intangible asset and allowance for bad and doubtful debts amounted approximately HK\$30.7 million and approximately HK\$20.8 million respectively.

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

As at 31 March 2012, the Group had total assets of approximately HK\$152.1 million (2011: HK\$167.5 million), including net cash and bank balances of approximately HK\$55.0 million (2011: HK\$59.6 million).

For the year ended 31 March 2012, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2011: Nil). There was no charge on the Group's assets as at 31 March 2012 (2011: Nil).

As at 31 March 2012, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2011: Nil). The Group had no bank borrowings as at 31 March 2012 (2011: Nil).

### **Exposure to fluctuations in exchange rates and related hedges**

Most of the transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2012, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

### **Charge on Group assets**

As at 31 March 2012, the Group did not have any charge on its assets (2011: Nil).

## **Segment information**

The revenue of the Group comprises the provision of payment gateway business, manufacturing and trading of products related to optical fibers, telecommunications, electric power network systems and equipment and the provision of energy management business.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK\$28.5 million during the year ended 31 March 2012. (2011: HK\$23.8 million in the PRC)

## **New products and services**

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

## **Significant investments**

Other than equity investments in a company, the Group did not have any significant investment during the year (2011: Nil).

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

During the year, the Group has acquired 51% equity interests in Viva Champion Limited and its subsidiaries. Viva Champion Limited and its subsidiaries are principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC which is the forerunner in such industry.

Details of the acquisition are disclosed in the Company's announcements dated 4 October 2011.

Besides, during the year, the Group has disposed 55% equity interests in Great Plan Group Limited and its subsidiaries. Great Plan Group Limited and its subsidiaries are principally engaged in the provision of contactless payment system in the PRC.

Details of the disposal are disclosed in the Company's announcement dated 2 March 2012.

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

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2012. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

## **Contingent liabilities**

The Group had no contingent liability as at 31 March 2012.

## **Employees and remuneration policies**

As at 31 March 2012, the Group had 125 (2011: 79) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK\$8.1 million for the year ended 31 March 2012 (2011: HK\$4.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2012.

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

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2012.

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

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

## **NOMINATION OF DIRECTORS**

A nomination committee has been established with written terms of reference in compliance with the GEM Listing Rules. The nomination committee comprises four members, of which one executive director, namely Mr. Chan Francis Ping Kuen and three independent non-executive directors namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. The chairman of the committee is Mr. Kwok Chi Sun, Vincent. The nomination committee is mainly responsible for

making recommendations to the Board on appointment of directors and succession planning for the directors. The Board took into consideration criteria such as expertise, experience, the market situation and applicable laws and regulations when considering new director appointments.

## **REMUNERATION COMMITTEE**

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

## **AUDIT COMMITTEE**

The Company set up an audit committee on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. During the year, the audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2012 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

## **REVIEW OF FINANCIAL INFORMATION**

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group and the annual report for the year ended 31 March 2012.

## **SCOPE OF WORK OF MAZARS CPA LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2012 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

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

Hong Kong, 28 June 2012

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

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