



Palmpay

anytime, anywhere, anything

Palmpay China (Holdings) Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 8047)

Interim Report 2011-2012

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

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This report, 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 report 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 report misleading.

HIGHLIGHTS

For the six months ended 30 September 2011

- the turnover of the Group was approximately HK\$12,178,000 as compared to the turnover of approximately HK\$17,092,000 recorded in the corresponding period last year.
- the loss of the Group was approximately HK\$2,371,000 (2010: profit of approximately HK\$7,015,000).
- the loss attributable to equity holders of the Company was approximately HK\$5,101,000 (2010: profit of approximately HK\$7,015,000).
- the directors do not recommend the payment of an interim dividend (2010: Nil).
- the loss per share of the Company was approximately HK0.77 cents (2010: earnings of approximately HK1.30 cents (restated)).

FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2011 together with the comparative unaudited figures for the corresponding periods in 2010 respectively as follows:

Consolidated Statement of Comprehensive Income (Unaudited)

For the three months and six months ended 30 September 2011

| | Notes | Six months ended 30 September | | Three months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Turnover | 3 | 12,178 | 17,092 | 3,519 | 7,468 |
| Cost of services rendered and cost of goods sold | | (3,801) | (5,304) | (1,189) | (2,749) |
| Gross profit | | 8,377 | 11,788 | 2,330 | 4,719 |
| Other revenue | 3 | 26 | 3,797 | 16 | 2,652 |
| Selling and distribution costs | | (1,964) | (1,657) | (1,006) | (861) |
| Administrative expenses | | (7,583) | (6,370) | (3,986) | (3,348) |
| Finance costs | | (5) | (116) | (1) | (78) |
| (Loss)/Profit before taxation | 5 | (1,149) | 7,442 | (2,647) | 3,084 |
| Income tax expenses | 6 | (1,222) | (427) | (337) | (42) |
| (Loss)/Profit for the period | | (2,371) | 7,015 | (2,984) | 3,042 |

Consolidated Statement of Comprehensive Income (Unaudited) (continued)

For the three months and six months ended 30 September 2011

| | Notes | Six months ended 30 September | | Three months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Other comprehensive income for the periods, net of tax | | | | | |
| Exchange differences on consolidation | | 852 | 1,345 | 763 | 682 |
| Total comprehensive (loss)/income for the period | | (1,519) | 8,360 | (2,221) | 3,724 |
| (Loss)/Profit for the period attributable to: | | | | | |
| Equity holders of Company | | (5,101) | 7,015 | (3,536) | 3,042 |
| Non-controlling interests | | 2,730 | – | 552 | – |
| | | (2,371) | 7,015 | (2,984) | 3,042 |
| Total comprehensive (loss)/income attributable to: | | | | | |
| Equity holders of the Company | | (4,370) | 8,360 | (2,894) | 3,724 |
| Non-controlling interests | | 2,851 | – | 673 | – |
| | | (1,519) | 8,360 | (2,221) | 3,724 |
| Dividends | 8 | – | – | – | – |
| (Loss)/Earnings per share | 7 | | (restated) | | (restated) |
| – Basic (cent) | | (0.77) | 1.30 | (0.51) | 0.57 |
| – Diluted (cent) | | (0.77) | 1.30 | (0.51) | 0.56 |

Consolidated Statement of Financial Position (Unaudited)

At 30 September 2011

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|-------------------------------------|---|---|
| <i>Note</i> | | |
| Non-current assets | | |
| Property, plant and equipment | 5,253 | 5,879 |
| Available-for-sale financial assets | 389 | 389 |
| Intangible assets | 31,250 | 31,047 |
| Goodwill | 14,308 | 14,308 |
| | 51,200 | 51,623 |
| Current assets | | |
| Inventories | 7,806 | 6,730 |
| Trade and other receivables | 53,393 | 49,470 |
| Bank balances and cash | 81,854 | 59,628 |
| | 143,053 | 115,828 |
| Current liabilities | | |
| Trade and other payables | 30,214 | 33,164 |
| Tax payable | 7,058 | 5,892 |
| | 37,272 | 39,056 |

Consolidated Statement of Financial Position (Unaudited) (continued)

At 30 September 2011

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|---|--|--|
| Net current assets | 105,781 | 76,772 |
| Total assets less current liabilities | 156,981 | 128,395 |
| Non-current liabilities | | |
| Promissory note | 4,700 | 4,700 |
| NET ASSETS | 152,281 | 123,695 |
| Capital and reserves | | |
| Share capital | 62,763 | 31,381 |
| Reserves | 82,358 | 88,005 |
| Equity attributable to equity holders of the Company | 145,121 | 119,386 |
| Non-controlling interests | 7,160 | 4,309 |
| TOTAL EQUITY | 152,281 | 123,695 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2011

| | Reserves | | | | | | | | | | | | | |
|--|---|--|--|---|--|---|--|--|--|---|---|--------------------------------------|----------------------------------|--------------------------------------|
| | Issued share capital (Unaudited) HK\$'000 | Share premium (Unaudited) HK\$'000 | Contributed surplus (Unaudited) HK\$'000 | Exchange reserve (Unaudited) HK\$'000 | Convertible notes reserve (Unaudited) HK\$'000 | Employee share-based payment reserve (Unaudited) HK\$'000 | Warrant reserve (Unaudited) HK\$'000 | Available-for-sale financial assets reserve (Unaudited) HK\$'000 | Statutory reserve (Unaudited) HK\$'000 | Retained profits/ losses (Unaudited) HK\$'000 | Total reserves (Unaudited) HK\$'000 | Non-controlling interests | | |
| | | | | | | | | | | | | Sub-total (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 | |
| | | | | | | | | | | | | | | Sub-total (Unaudited) 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 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 7,015 | 7,015 | 7,015 | - | 7,015 |
| Other comprehensive income | - | - | - | 1,345 | - | - | - | - | - | - | 1,345 | 1,345 | - | 1,345 |
| Total comprehensive income for the period | - | - | - | 1,345 | - | - | - | - | - | 7,015 | 8,360 | 8,360 | - | 8,360 |
| Issue of consideration shares | 10,350 | 26,715 | - | - | - | - | - | - | - | - | 26,715 | 37,065 | - | 37,065 |
| Issue of unlisted warrants | - | - | - | - | - | - | 621 | - | - | - | 621 | 621 | - | 621 |
| Exercise of unlisted warrants | 6,350 | 17,145 | - | - | - | - | (381) | - | - | - | 16,764 | 23,114 | - | 23,114 |
| At 30 September 2010 | 134,311 | 104,230 | 145,126 | 4,730 | 443 | 2,923 | 240 | (9,187) | 1,037 | 38,103 | 287,645 | 421,956 | - | 421,956 |
| At 1 April 2011 | 31,381 | 135,870 | 252,576 | 8,397 | - | 2,785 | 240 | (15,968) | 2,421 | (288,316) | 88,005 | 119,386 | 4,309 | 123,695 |
| Loss for the period | - | - | - | - | - | - | - | - | - | (5,101) | (5,101) | (5,101) | 2,730 | (2,371) |
| Other comprehensive income | - | - | - | 731 | - | - | - | - | - | - | 731 | 731 | 121 | 852 |
| Total comprehensive income (loss) for the period | - | - | - | 731 | - | - | - | - | - | (5,101) | (4,370) | (4,370) | 2,851 | (1,519) |
| Issue of new shares upon open offer | 31,382 | (1,277) | - | - | - | - | - | - | - | - | (1,277) | 30,105 | - | 30,105 |
| At 30 September 2011 | 62,763 | 134,593 | 252,576 | 9,128 | - | 2,785 | 240 | (15,968) | 2,421 | (303,417) | 82,358 | 145,121 | 7,160 | 152,281 |

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 September 2011

| | Six months ended 30 September 2011 (Unaudited) HK\$'000 | Six months ended 30 September 2010 (Unaudited) HK\$'000 |
|--|--|--|
| NET CASH USED IN OPERATING ACTIVITIES | (8,712) | (2,613) |
| INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (36) | (577) |
| Purchase of intangible assets | – | (3,403) |
| Disposal of available for sale investments | – | 3,939 |
| Interest received | 17 | 4 |
| NET USED IN INVESTING ACTIVITIES | (19) | (37) |
| FINANCING ACTIVITIES | | |
| Redemption of convertible bonds | – | (3,083) |
| Proceeds from issue of shares | 30,105 | 60,560 |
| Proceeds from issue of warrants | – | 240 |
| NET CASH FROM FINANCING ACTIVITIES | 30,105 | 57,717 |

CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED) (continued)

For the six months ended 30 September 2011

| | Six months ended 30 September 2011 (Unaudited) HK\$'000 | Six months ended 30 September 2010 (Unaudited) HK\$'000 |
|--|--|--|
| INCREASE IN CASH AND CASH EQUIVALENTS | 21,374 | 55,067 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 59,628 | 21,500 |
| | 81,002 | 76,567 |
| Effect of foreign exchange rate changes, net | 852 | 1,345 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 81,854 | 77,912 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 81,854 | 77,912 |

Notes to the Financial Statements

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 Companies Act 1981 of Bermuda. 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, 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 services and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment.

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 accounting policy adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2011.

3. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the period is as follow:

| | Six months ended 30 September | | Three months ended 30 September | |
|------------------------------------|----------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Rendering of services | - | 17,092 | - | 7,468 |
| Sale of goods | 12,178 | - | 3,519 | - |
| Turnover | 12,178 | 17,092 | 3,519 | 7,468 |
| Reversal of bad and doubtful debts | - | 3,793 | - | 2,650 |
| Interest income | 17 | 4 | 15 | 2 |
| Sundry income | 9 | - | 1 | - |
| Other revenue | 26 | 3,797 | 16 | 2,652 |
| Total turnover and revenue | 12,204 | 20,889 | 3,535 | 10,120 |

Notes to the Financial Statements

4. SEGMENT INFORMATION

(a) Business segments

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

For the six months ended 30 September

| | Payment gateway business | | Telecommunication optic fiber business | | Consolidated | |
|---------------------------------------|--------------------------|-------------------------|--|-------------------------|-------------------------|-------------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Segment revenue | | | | | | |
| Sale / Services to external customers | - | 17,092 | 12,178 | - | 12,178 | 17,092 |
| Segment results | (4,664) | 10,641 | 6,693 | - | 2,029 | 10,641 |
| Unallocated income | | | | | 19 | 104 |
| Unallocated expenses | | | | | (3,197) | (3,187) |
| Unallocated finance costs | | | | | - | (116) |
| (Loss)/Profit before taxation | | | | | (1,149) | 7,442 |
| Income tax expenses | | | | | (1,222) | (427) |
| (Loss)/Profit for the year | | | | | (2,371) | 7,015 |

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

At 30 September 2011

| | Payment gateway business | | Telecommunication optic fiber business | | Consolidated | |
|----------------------------------|---------------------------------|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 |
| Assets and liabilities | | | | | | |
| Segment assets | 68,415 | 384,661 | 44,672 | - | 113,087 | 384,661 |
| Unallocated assets | | | | | 81,166 | 72,575 |
| Consolidated total assets | | | | | 194,253 | 457,236 |
| Segment liabilities | 24,800 | 34,929 | 12,120 | - | 36,920 | 34,929 |
| Unallocated liabilities | | | | | 5,052 | 351 |
| Consolidated total liabilities | | | | | 41,972 | 35,280 |
| Other segment information | | | | | | |
| Depreciation | | | | | | |
| - Segment | 258 | 2,346 | 191 | - | 449 | 2,346 |
| - Unallocated | | | | | - | - |
| | | | | | 449 | 2,364 |
| Capital expenditure | | | | | | |
| - Segment | - | 559 | 36 | - | 36 | 559 |
| - Unallocated | | | | | - | - |
| | | | | | 36 | 559 |

(b) Geographical segment

The Group's revenue and results are substantially derived from the PRC and its operating assets and liabilities are also based in the PRC.

Notes to the Financial Statements

5. (LOSS)/PROFIT BEFORE TAXATION

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

| | Six months ended 30 September | | Three months ended 30 September | |
|--|----------------------------------|-------------|------------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Depreciation of property, plant and equipment | 449 | 2,364 | 216 | 1,987 |

6. TAXATION

Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purposes for the period (2010: Nil).

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 period based on existing legislation, interpretations and practises in respect thereof.

| | Six months ended 30 September | | Three months ended 30 September | |
|-----------------------------------|----------------------------------|-------------|------------------------------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current tax – other jurisdictions | 1,222 | 427 | 337 | 42 |
| Tax charge for the period | 1,222 | 427 | 337 | 42 |

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2010: Nil).

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders of the Company for the three months and six months ended 30 September 2011 of approximately HK\$3,536,000 and HK\$5,101,000 respectively (three months and six months ended 30 September 2010: unaudited net profit of approximately HK\$3,042,000 and HK\$7,015,000 respectively) and the weighted average number of 699,692,677 and 665,375,293 ordinary shares of the Company respectively (three months and six months ended 30 September 2010: 537,247,829 (restated) and 531,474,058 (restated) shares respectively).

Diluted (loss)/earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and six months ended 30 September 2011, diluted loss per share is not presented as the unlisted warrants have anti-dilutive effects on the basic loss per share.

The weighted average number of ordinary shares for calculating basic and diluted earnings per share for the three months and six months ended 30 September 2010 has been restated as a result of the share consolidation by the Company.

Notes to the Financial Statements

7. (LOSS)/EARNINGS PER SHARE *(continued)*

| | Six months ended 30 September | | Three months ended 30 September | |
|---|----------------------------------|--|------------------------------------|--|
| | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 <i>Restated</i> | 2011 (Unaudited) HK\$'000 | 2010 (Unaudited) HK\$'000 <i>Restated</i> |
| (Loss)/Profit used to determine diluted (loss)/earnings per share | (5,101) | 7,015 | (3,536) | 3,042 |
| Weighted average number of ordinary shares in issue | 665,375,293 | 531,474,058 | 699,692,677 | 537,247,829 |
| Adjustment for the effects of all dilutive potential shares | - | 2,421,666 | - | 3,470,847 |
| Weighted average number of ordinary shares of diluted (loss)/earnings per share | 665,375,293 | 533,895,724 | 699,692,677 | 540,718,676 |
| Diluted (loss)/earnings per share | (0.77 cents) | 1.30 cents | (0.51 cents) | 0.56 cents |

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

9. TRADE AND OTHER RECEIVABLES

| | | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Trade receivables from third parties | (i) | 96,516 | 94,251 |
| Allowance for bad and doubtful debts | (ii) | (56,750) | (56,066) |
| | | 39,766 | 38,185 |
| Other receivables | | | |
| Prepayments, deposits and other receivables | | 13,604 | 11,262 |
| Due from non-controlling interests | (iii) | 23 | 23 |
| | | 53,393 | 49,470 |

(i) 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:

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|----------------|--|--|
| 1 – 90 days | 2,828 | 7,688 |
| 91 – 180 days | 10,251 | 10,927 |
| 181 – 270 days | 3,218 | 3,213 |
| 271 – 365 days | 6,982 | 5,239 |
| Over 1 year | 16,487 | 11,118 |
| | 39,766 | 38,185 |

Notes to the Financial Statements

9. TRADE AND OTHER RECEIVABLES (continued)

(ii) Allowance for bad and doubtful debts

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|-----------------------------------|--|--|
| At beginning of reporting period | 56,066 | 6,606 |
| Increase in allowance | – | 47,908 |
| Exchange realignment | 684 | 1,552 |
| | <hr/> | <hr/> |
| At end of reporting period | 56,750 | 56,066 |

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$36,938,000 (31 March 2011: HK\$30,497,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality.

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|-------------------------|--|--|
| 1 – 90 days past due | 10,251 | 10,927 |
| 91 – 180 days past due | 3,218 | 3,213 |
| 181 – 270 days past due | 6,982 | 5,239 |
| 271 – 365 days past due | 2,064 | 11,118 |
| Over 1 year past due | 14,423 | – |
| | <hr/> | <hr/> |
| | 36,938 | 30,497 |

(iii) Due from non-controlling interests

The amounts due are unsecured, interest-free and have no fixed repayment term.

10. OPERATING LEASE COMMITMENTS

The Group leases certain premises under operating lease commitments. Leases for premises are negotiated for terms ranging from 1 to 2 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | As at 30 September 2011 (Unaudited) HK\$'000 | As at 31 March 2011 (Audited) HK\$'000 |
|--|--|--|
| Within one year | 990 | 1,564 |
| In the second to fifth years inclusive | - | 263 |
| | 990 | 1,827 |

11. EVENT AFTER THE REPORTING PERIOD

- (i) On 4 October 2011, Beaming Investments Limited, a wholly-owned subsidiary of the Company entered into an agreement in respect of the acquisition and subscription of the equity interest of Viva Champion Limited. Upon completion of reorganization, Viva Champion Limited and its subsidiaries will principally engage 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. Details of the acquisition and subscription are set out in the announcement of the Company dated 4 October 2011.

Notes to the Financial Statements

11. EVENT AFTER THE REPORTING PERIOD *(continued)*

- (ii) On 1 November 2011, Power Chance Holdings Limited, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding in respect of the possible acquisition of certain equity interest of Boomtech Limited. Upon completion of reorganization, Boomtech Limited and its subsidiaries will principally engage in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC. Details of the possible acquisition are set out in the announcement of the Company dated 1 November 2011.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational review

The optic fiber business of the Group (“Optic Business”) has performed well during the period and recorded a turnover of approximately HK\$12,175,000. However, the payment business of the Group was still affected by the adverse market conditions during the period. The Group recorded a loss of approximately HK\$2,371,000 for the six months ended 30 September 2011. The Group continues to explore the new opportunities among the telecommunication operators.

The Group achieved significant breakthroughs on development of its telecommunication related enhancement, maintenance, security and valued-added peripheral business in the PRC (“Telecommunication Enhancement Business”). On 4 October 2011, the Group entered into a legally binding agreement to acquire the business which is engaged in the provision of energy and other resources management, conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators in the PRC (“Resources/Energy Conservation Business”). The Group is the forerunner in such industry in the PRC.

In addition, the Group has entered into a non-legally binding memorandum of understanding on 1 November 2011 for the acquisition of the business of the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services for enterprises, including the telecommunication operators and electricity providers in the PRC (“Electromagnetic Pulse Management Business”).

With the acquisitions of the Resources/Energy Conservation Business and Electromagnetic Pulse Management Business and in complement with the Optic Business, the Group has established a diverse position in the Telecommunication Enhancement Business in the PRC.

Leveraging on the existing connections and expertise of the Group, the Board believed that it has succeeded in building up an extended scope of business in the Telecommunication Enhancement Business. Such Business will be synergized and provide a promising future and generate significant returns to the Group.

Financial review

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK\$12,178,000 from telecommunications optic fiber business. There was no income recorded from the payment gateway services.

During the period, the Group's net loss amounted to approximately HK\$2,371,000 (2010: profit of approximately HK\$7,015,000). Loss attributable to equity holders of the Company was HK\$5,101,000 (2010: profit of approximately HK\$7,015,000).

Liquidity, financial resources and capital structure

As at 30 September 2011, the Group had total assets of approximately HK\$194.3 million (31 March 2011: approximately HK\$167.5 million), including cash and bank balances of approximately HK\$81.9 million (31 March 2011: approximately HK\$59.6 million).

For the period ended 30 September 2011, the Group financed its operations mainly with its own working capital and there were no general banking facilities. There was no charge on the Group's assets as at 30 September 2011 (31 March 2011: Nil).

As at 30 September 2011, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (31 March 2011: Nil). The Group had no bank borrowings as at 30 September 2011 (31 March 2011: Nil).

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

Material acquisitions and disposal of subsidiaries

During the six months ended 30 September 2011, the Group did not have any material acquisition and disposal of subsidiaries.

Contingent liabilities

The Group had no contingent liability as at 30 September 2011 (31 March 2011: Nil).

Employees and remuneration policies

As at 30 September 2011, the Group had 84 (31 March 2011: 79) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK\$2,523,000 for the six months ended 30 September 2011, as compared to approximately HK\$2,174,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme for its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in shares:

| Name of director | Nature of interests | Number of the shares held | Approximate percentage of issued share capital |
|-------------------------|----------------------------|----------------------------------|---|
| Yuan Shengjun | Beneficial | 14,804,800(L) | 1.18% |

(L) denotes long position

Save as disclosed above, as at 30 September 2011, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 18 October 2001 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the period under the scheme were as follows:

| Categories of grantees | Date of grant | Exercisable period | Share price of the Company at the grant date HK\$ | Exercise price per share HK\$ | Outstanding as at 31/3/2011 | Granted during the period | Exercised during the period | Cancelled during the period | Outstanding as at 30/09/2011 |
|----------------------------|---------------|-------------------------|--|----------------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|------------------------------|
| Directors | | | | | | | | | |
| Mr. Yuan Shengjun | 21/12/2007 | 21/12/2007 – 20/12/2017 | 0.465 | 0.3875* | 768,000 | - | - | (768,000) | - |
| Mr. Chan Francis Ping Kuen | 14/08/2007 | 14/08/2007 – 13/08/2017 | 0.520 | 0.4333* | 2,640,000 | - | - | (2,640,000) | - |
| | 21/12/2007 | 21/12/2007 – 20/12/2017 | 0.465 | 0.3875* | 432,000 | - | - | (432,000) | - |
| Mr. Hsu Tung Chi | 21/12/2007 | 21/12/2007 – 20/12/2017 | 0.465 | 0.3875* | 768,000 | - | - | (768,000) | - |
| Mr. Chan Hin Wing, James | 21/12/2007 | 21/12/2007 – 20/12/2017 | 0.465 | 0.3875* | 768,000 | - | - | (768,000) | - |
| Employees | 17/12/2007 | 17/12/2007 – 16/12/2017 | 0.440 | 0.3775* | 4,560,000 | - | - | (4,560,000) | - |
| | 21/12/2007 | 21/12/2007 – 20/12/2017 | 0.465 | 0.3875* | 768,000 | - | - | (768,000) | - |
| Consultants | 17/12/2007 | 17/12/2007 – 16/12/2017 | 0.440 | 0.3775* | 4,800,000 | - | - | (4,800,000) | - |
| | | | | | 15,504,000 | - | - | (15,504,000) | - |

* These represented options granted to directors, employees and consultants with exercise prices ranging from HK\$0.453 to HK\$0.52 per share. The exercise price of these share options granted at the price of HK\$0.453, HK\$0.465 and HK\$0.52 per share had been adjusted to HK\$0.3775, HK\$0.3875 and HK\$0.4333 per share respectively for the effect of the bonus issue of the Company's shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2011, other than the interests of directors of the Company as disclosed under the heading “Directors and chief executive’s interests in shares, underlying shares and debentures” above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

| Name | Nature of interests | Number of the shares held | Approximate percentage of issued share capital |
|--|-------------------------------------|---------------------------|--|
| Starryland Profits Limited (<i>Note 1</i>) | Beneficial | 296,404,682(L) | 23.61% |
| Lau Kim Hung, Jack (<i>Note 1</i>) | Interests in controlled corporation | 296,404,682(L) | 23.61% |
| | Beneficial | 4,483,200(L) | 0.36% |
| | Deemed | 480,000(L) | 0.04% |
| Chan Yiu Kan, Katie (<i>Note 1</i>) | Deemed | 300,887,882(L) | 23.97% |
| | Beneficial | 480,000(L) | 0.04% |

(L) denotes long position

Notes:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 296,404,682 shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan, Katie, he is also deemed to be interested in 480,000 shares held by Ms. Chan Yiu Kan, Katie.

Ms. Chan Yiu Kan, Katie, being the spouse of Mr. Lau, is deemed to be interested in 296,404,682 shares held by Starryland Profits Limited and 4,483,200 shares held by Mr. Lau.

Save as disclosed above, as at 30 September 2011, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2011, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN COMPETING INTERESTS

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

PRE-EMPTIVE RIGHT

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period ended 30 September 2011, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

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 period ended 30 September 2011 except that no nomination committee of the Board is established.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

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 (the “Committee”) on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The 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. The unaudited financial statements of the Group for the period ended 30 September 2011 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange requirements, and that adequate disclosures have been made.

By order of the Board
Palmpay China (Holdings) Limited
Yuan Shengjun
Chairman

Hong Kong, 11 November 2011

As at the date of this report, 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.