



Palmpay

anytime, anywhere, anything

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

First Quarterly Report 2012-2013

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

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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 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 three months ended 30 June 2012

- the turnover of the Group was approximately HK\$13,235,000 as compared to the turnover of approximately HK\$8,659,000 recorded in the corresponding period last year.
- the profit of the Group was approximately HK\$1,702,000 (2011: profit approximately HK\$613,000).
- the loss attributable to equity holders of the Company was approximately HK\$1,061,000 (2011: loss approximately HK\$1,565,000).
- the directors do not recommend the payment of any dividend (2011: Nil).
- the loss per share of the Company was approximately HK0.07 cents (2011: loss approximately HK0.17 cents (adjusted)).

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 ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Notes	Three months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	3	13,235	8,659
Cost of services rendered and cost of goods sold		(3,175)	(2,612)
Gross profit		10,060	6,047
Other revenue	3	32	10
Selling and distribution costs		(1,489)	(958)
Administrative expenses		(5,195)	(3,597)
Finance costs		(3)	(4)
Profit before taxation		3,405	1,498
Income tax expenses	4	(1,703)	(885)
Profit for the period		1,702	613

Condensed Consolidated Statement of Comprehensive Income (Unaudited) *(continued)*

		Three months ended	
		30 June	
		2012	2011
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	Other comprehensive income for the period, net of tax		
	Exchange differences on consolidation	–	89
	Total comprehensive income for the period	1,702	702
	(Loss) Profit attributable to:		
	Equity holders of the Company	(1,061)	(1,565)
	Non-controlling interests	2,763	2,178
		1,702	613
	Total comprehensive (loss) income attributable to:		
	Equity holders of the Company	(1,061)	(1,476)
	Non-controlling interests	2,763	2,178
		1,702	702
	Dividends	7	–
			(adjusted)
	Loss per share		
	– Basic (cent)	5	(0.17)
	– Diluted (cent)	N/A	N/A

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 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 optimal optical fibers, telecommunications, electric power network systems and equipment, the provision of energy management business, and the provision of integrated solutions for lightning electromagnetic pulse protection 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 accounting policy adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2012.

Notes to the Financial Statements

3. TURNOVER AND REVENUE

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

	Three months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Rending of services	3,805	–
Sale of goods	9,430	8,659
Turnover	13,235	8,659
Interest income	32	10
Other revenue	32	10
Total turnover and revenue	13,267	8,669

4. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the period (2011: 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.

	Three months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax – other jurisdictions	1,703	885
Tax charge for the period	1,703	885

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2011: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 June 2012 is based on the unaudited net loss attributable to equity holders of the Company of approximately HK\$1,061,000 (2011: loss approximately HK\$1,565,000) and the weighted average number of 1,528,625,799 (2011: 902,684,517 (adjusted)) ordinary shares of the Company.

The number of shares for the purpose of calculating basic loss for the year ended 30 June 2011 has been adjusted to reflect the open offer of shares completed in September 2011.

Notes to the Financial Statements

Diluted 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 ended 30 June 2012 and 2011, diluted loss per share is not presented as the unlisted warrants have anti-dilutive effects on the basic loss per share.

6. RESERVES

	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Employee share-based payment reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Available-for-sale investment reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Retained profits/ losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2011	135,870	252,576	8,397	2,785	240	(15,968)	2,421	(298,316)	88,005	4,309	92,314
Profit (loss) for the period	-	-	-	-	-	-	-	(1,565)	(1,565)	2,178	613
Other comprehensive income											
Exchange difference on consolidation	-	-	89	-	-	-	-	-	89	-	89
Total comprehensive income (loss) for the period	-	-	89	-	-	-	-	(1,565)	(1,476)	2,178	702
At 30 June 2011	135,870	252,576	8,486	2,785	240	(15,968)	2,421	(299,881)	86,529	6,487	93,016
At 1 April 2012	139,706	252,576	8,806	-	240	-	3,064	(364,366)	40,026	13,365	53,391
Profit (loss) for the period	-	-	-	-	-	-	-	(1,061)	(1,061)	2,763	1,702
Other comprehensive income											
Exchange difference on consolidation	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	(1,061)	(1,061)	2,763	1,702
Issue of consideration share	23,805	-	-	-	-	-	-	-	23,805	-	23,805
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(2,658)	(2,658)
At 30 June 2012	163,511	252,576	8,806	-	240	-	3,064	(365,427)	62,770	13,470	76,240

7. DIVIDENDS

The directors do not propose the payment of any dividend for the three months ended 30 June 2012 (2011: Nil).

8. EVENTS AFTER THE REPORTING PERIOD

On 12 July 2012, the Company entered into four warrant subscription agreements to issue an aggregate 270,000,000 warrants in cash at the warrant issue price of HK\$0.005 per warrant. The warrant holders can subscribe the Company's shares at the subscription price of HK\$0.085 per share for a period of three years commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company. The net proceeds from warrant subscriptions will be applied for business development of the existing business of the Group and for future potential investment opportunity and general working capital of the Group.

The completion of the warrant subscription took place on 26 July 2012. Details of the transactions have been set out in the announcement of the Company dated 12 July 2012, 20 July 2012 and 26 July 2012.

On 12 July 2012, the Company announced that a special resolution would be proposed at the annual general meeting to approve the change English name of the Company from "Palmpay China (Holdings) Limited" to "China Neng Xiao Technology (Group) Limited" and upon the change of the Company's English name becoming effective, the Company's new Chinese name "中國能效科技(集團)有限公司" will be adopted to replace "中國掌付(集團)有限公司" for identification purposes only

REVIEW AND PROSPECT

OPERATIONAL REVIEW

Business and Operation Review

Following the completion of the rationalization of its business model in the previous financial year, the Group recorded a profit of approximately HK\$1,702,000 during the period. The optic fiber business continued to grow and recorded a profit of approximately HK\$4,830,000. The electromagnetic pulse protection business also contributed a profit of approximately HK\$2,051,000 to the Group.

During the period, the optic fiber business has continued to achieve breakthrough on the business relationships with China Mobile with direct contractual agreements is expected to enter into for the provision of fiber and maintenance services in Sichuan (四川), Anhui (安徽), Jiangxi (江西) and Yunnan (雲南) in the coming quarter.

The electromagnetic pulse protection business has already commenced to contribute profit to the Group following its acquisition in May 2012. During the period, contractual works have already commenced for Liaoning (遼寧) Stated-Owned electricity enterprises and China Unicom in Shanxi (山西), Anhui (安徽) and Tianjin (天津).

Leveraging on the existing connections and infrastructure of the Group in the telecommunication industry, the Group is in a strategic position to capitalize on the high emphasis of the PRC Government on the creation of a nation-wide green energy/environment (expected of the injection of RMB100 Billion in the related areas in 2012) in which telecommunication operators are among one of the largest consumers of resources/energy conservation products in the PRC. The Group is already in advanced negotiation stage for provision of such products to China Unicom in several provinces in the PRC is in the process of tending three contracts in relation to such business for China Unicom in Jilin (吉林), Guizhou (貴州) and two of the same for China Telecom in Jiangsu (江蘇).

FINANCIAL REVIEW

For the period ended 30 June 2012, the Group recorded a turnover of approximately HK\$13,235,000 (2011: approximately HK\$8,659,000) of which approximately HK\$9,430,000 was contributed from its telecommunications optic fiber business. The energy management business and integrated solutions for lightning electromagnetic pulse protection business also recorded a turnover of approximately HK\$390,000 and approximately HK\$2,831,000 respectively. The turnover of the payment gateways services was approximately HK\$584,000.

During the period, the Group's net profit increased from approximately HK\$613,000 of previous corresponding period to approximately HK\$1,702,000. Net loss attributable to equity holders of the Company for the period amounted to approximately HK\$1,061,000 (2011: net loss of approximately HK\$1,565,000). The administrative expenses increased by approximately 44% as compared to the previous corresponding period mainly to the consolidation of the energy management business and integrated solutions for lighting electromagnetic pulse protection business.

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

As at 30 June 2012, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the 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)	0.86%

(L) denotes long position

Save as disclosed above, as at 30 June 2012, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors to be notified to the Company and the Stock Exchange.

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

As at 30 June 2012, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited (Note 1)	Beneficial	346,404,682(L)	20.07%
Lau Kim Hung, Jack (Note 1)	Interests in controlled corporation	346,404,682(L)	20.07%
	Beneficial	4,483,200(L)	0.26%
	Deemed	1,480,000(L)	0.09%
Chan Yiu Kan, Katie (Note 1)	Deemed	350,887,882(L)	20.33%
	Beneficial	1,480,000(L)	0.09%
Brilliant Bloom Investments Limited (Note 2)	Beneficial	345,000,000(L)	19.99%
Ng Yui Wah Sonny (Note 2)	Interests in controlled corporation	345,000,000(L)	19.99%

(L) denotes long position

Note:

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 346,404,682 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 1,480,000 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 346,404,682 shares held by Starryland Profits Limited and 4,483,200 shares held by Mr. Lau.

2. Brilliant Bloom Investments Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Ng Yui Wah Sonny ("Mr. Ng"). Mr. Ng is deemed to be interested in 345,000,000 shares held by Brilliant Bloom Investments Limited.

Save as disclosed above, as at 30 June 2012, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "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 director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

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

During the three months ended 30 June 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata 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 June 2012, 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 June 2012.

NOMINATION COMMITTEE

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. 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. The unaudited financial statements of the Group for the period ended 30 June 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.

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

Hong Kong, 13 August 2012

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.