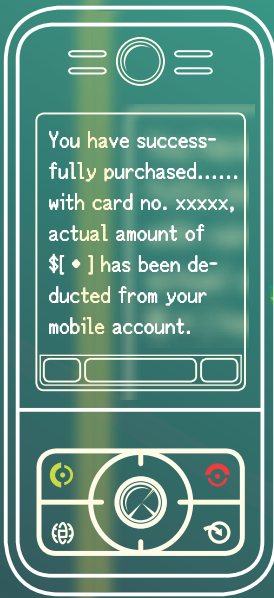


PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8047



IDD Calling Cards



Virtual Game Cards



PICC's Travel Accident Insurance



Music



08-09 First Quarterly Report

*For identification purpose only

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 than other companies listed on the 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

For the three months ended 30 June 2008

- the turnover of the Group was approximately HK\$13,077,000 as compared to the turnover of approximately HK\$31,919,000 recorded in the corresponding period last year.
- the profit attributable to equity holders of the Company was approximately HK\$3,902,000 (2007: approximately HK\$1,710,000).
- the directors do not recommend the payment of any dividend (2007: Nil).
- the earnings per share of the Company was approximately HK0.30 cents (2007: approximately HK0.16 cents).

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 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

Unaudited Consolidated Income Statement

		Three months ended	
		30 June	
		2008	2007
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	13,077	31,919
Cost of sales		(1,820)	(20,910)
Gross profit		11,257	11,009
Other revenue		48	924
Distribution costs		(1,517)	(186)
Administrative expenses		(2,448)	(5,711)
Profit from operating activities		7,340	6,036
Finance costs		(35)	(1,800)
Profit before income tax		7,305	4,236
Income tax	4	(2,076)	(716)
Profit for the period		5,229	3,520
Attributable to:			
Equity holders of the Company		3,902	1,710
Minority interests		1,327	1,810
Dividends	7	-	-
Earnings per share			
– Basic (cent)	5	0.30	0.16
– Diluted (cent)		N/A	0.16

Notes to the Financial Statements

31 March 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the GEM.

The Group is principally engaged in the provision of mobile payment gateway services.

2. BASIS OF PRESENTATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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. They have been prepared under the historical cost convention, except for available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss, which have been measured at fair value and promissory notes which have been measured at amortised cost. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2008.

3. TURNOVER

Turnover represents the net invoiced value of services rendered. All significant intra-group transactions have been eliminated on consolidation.

	Three months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Trading and manufacturing of		
electronic devices and components	–	25,774
Design and engineering services	–	434
Mobile payment gateway services	13,077	5,711
	13,077	31,919

4. INCOME TAX

Hong Kong profits tax has not been provided (2007: 17.5%) as there was no assessable income in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2007: Nil).

Notes to the Financial Statements

31 March 2008

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2008 was based on the unaudited net profit attributable to equity holders of the Company of approximately HK\$3,902,000 (2007: approximately HK\$1,710,000) and the weighted average number of 1,290,001,160 (2007: 1,068,886,951) ordinary shares of the Company.

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 2008, the Company had three categories of dilutive potential ordinary shares: share options, warrants and convertible bonds.

	Three months ended	
	30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit used to determine diluted earnings per share	3,902	1,710
Weighted average number of ordinary shares in issue	1,290,001,160	1,068,886,951
Adjustments for assumed exercise of share options, warrants and convertible bonds	-	11,953,125
Weighted average number of ordinary shares of diluted earnings per share	1,290,001,160	1,080,840,076
	2008	2007
Diluted earnings per share	N/A	HK0.16 cents

No diluted earnings per share had been presented for the three months ended 30 June 2008 as the exercise price of the Company's share options, warrants and convertible bonds was higher than the average market price for the share.

6. RESERVES

	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Convertible notes reserve (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Warrant reserve (Unaudited) HK\$'000	Retained profits/ losses (accumulated) (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2007	57,163	6,015	1,205	-	2,480	-	(26,973)	39,890	4,567	44,457
Issue of shares under the placing	46,200	-	-	-	-	-	-	46,200	-	46,200
Share issue expenses	(1,853)	-	-	-	-	-	-	(1,853)	-	(1,853)
Exercise of share options	1,871	-	-	-	(363)	-	-	1,508	-	1,508
Arising on consolidation of subsidiaries	-	-	89	-	-	-	-	89	92	181
Net profit for the period	-	-	-	-	-	-	1,710	1,710	1,810	3,520
At 30 June 2007	103,381	6,015	1,294	-	2,117	-	(25,263)	87,544	6,469	94,013
At 1 April 2008	179,624	6,015	2,314	443	3,736	1,340	(45,724)	147,748	6,850	154,598
Issue of consideration shares	14,470	-	-	-	-	-	-	14,470	-	14,470
Exchange realignment	-	-	(807)	-	-	-	-	(807)	-	(807)
Net profit for the period	-	-	-	-	-	-	3,902	3,902	1,327	5,229
At 30 June 2008	194,094	6,015	1,507	443	3,736	1,340	(41,822)	165,313	8,177	173,490

7. DIVIDENDS

The directors do not propose the payment of any dividend for the three months ended 30 June 2008 (2007: Nil).

REVIEW AND PROSPECT

Overview

First quarter of the financial year ending 2009 marks the beginning of a new era of the Group. The Group has transformed itself to become one of the leading providers of mobile payment gateway in the PRC with high profitability and strong growth. Net profit of approximately HK\$3,902,000 was recorded for the period. Since the cessation of the electronic devices business in March 2008, the Group has established a strong financial position and with all the bank borrowings have been cleared.

Financial review

For the period, the Group recorded turnover of approximately HK\$13,077,000, which represents revenue from its mobile payment gateway business and an increase of approximately 129% compared to the previous corresponding period. Such substantial increase was in line with the significant growth of the mobile payment gateway business.

The gross profit margin of the Group increased from approximately 34% in the previous corresponding period to approximately 86% in the current period, which was mainly due to change of focus of the Group to higher gross profit margin sector of mobile payment gateway business.

During the period, the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$3,902,000, representing 128% increase as compared to approximately HK\$1,710,000 in the previous corresponding period. Administrative expenses decreased by approximately 57% compared to the previous corresponding period as a result of the cessation of the design and engineering services business and the electronic devices business in March 2008.

Operation review

The Group is authorized by China Unicom (中國聯通), on an exclusive basis, for the provision of the Company's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in over 20 major provinces/municipal cities in the PRC through which a variety of virtual and service products, including the IP Cards of China Unicom (中國聯通), virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) could be purchased by the subscribers of China Unicom (中國聯通) through mobile phone.

The Group has already penetrated its mobile payment gateway business into 12 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Chongqing (重慶), Jilin (吉林), Guangxi (廣西), Hunan (湖南), Hubei (湖北), Heilongjiang (黑龍江), Shaanxi (陝西), Guizhou (貴州), Gansu (甘肅) and Inner Mongolia (內蒙), of which, Shanghai (上海), Liaoning (遼寧), Jilin (吉林) and Guangxi (廣西) have been in full operation for over a year. It is expected that operation of the Group's business will commence in other major provinces and municipal cities in the PRC such as Guangdong (廣東), Sichuan (四川) and Shandong (山東), etc. after the Beijing Olympic Games. In addition to the sale of IP cards, virtual game cards, accident insurance products, the Company will launch additional virtual and service products which include entertainment products, educational and information products from the Group's strategic partners, such as China Unicom NewSpace (聯通新時訊), kuro.cn (酷樂), as well as an electronic magazine and an e-learning business.

During the period, the overall performance of the Group was far below the estimation of the Board because the Group's business was significantly affected by the occurrence of several events in the PRC. The restructuring of the telecommunication industry has retarded commencement of the Group's business in new provinces and municipal cities and the launching of new virtual and service products onto the Group's mobile payment gateway. Completion of such restructuring process was prolonged by the earthquake of Sichuan (四川). Moreover, in view of the Beijing Olympic Games, stringent restrictions have been imposed on the marketing and promotion activities of the telecommunication and Internet industries. Such restrictions have hindered the growth of sale of virtual products and services conducted through the mobile payment gateway of the Group.

Despite the aforesaid unfavorable business environment, the business growth of the Group sustained during the period. Turnover from the mobile payment gateway services recorded an increase of approximately 129% and net profit recorded an increase of 128% increase as compared to the previous corresponding period.

With the completion of the restructuring of the telecommunication industry and after the Beijing Olympic Games, the Board anticipates resumption of strong growth of the Group's business in the coming quarters of the financial year ending 2009.

Prospects

In an effort to establish a complete payment gateway solution in the PRC, the Group is developing another advanced form of payment gateway, based on the Near Field Communication Technology ("NFC") developed by Sony, namely Sony FeliCa. The Group has signed agreement with Sony (China) Limited to introduce Sony FeliCa in the PRC. The development of Sony FeliCa will integrate the advantages of credit card business of the banking system with the backbone infrastructure of the major telecommunication operators in the PRC. Sony FeliCa is already widely adopted, for example, NTT DoCoMo and KDDI mobile wallets (NTT DoCoMo and KDDI are two of the largest telecommunication providers in Japan) in Japan, Octopus in Hong Kong and EZ-Link in Singapore.

The Group has entered into a preliminary agreement with China Network Communications Group Corporation (中國網絡通信集團公司) for the introduction and operation of NFC media in Jiangsu (江蘇), the PRC and the trial run of which is expected to commence in the second half of the financial year ending 2009. The Group is in final negotiation stage with China Unicom (中國聯通) for the introduction and operation of Sony FeliCa in two municipal cities and several provinces in the PRC. The Group is also finalising the co-operation arrangements with its strategic partners and other telecommunication conglomerates in the PRC for the introduction and operation of Sony FeliCa in other provinces and municipal cities of the PRC.

With the addition of another advanced form of payment gateway, Sony FeliCa, the commencement of full operations of the Group's business in additional provinces and municipal cities and the launching of new virtual and service products onto the Group's mobile payment gateway after the Beijing Olympic Games, the Board is optimistic that the Group will achieve good performance in the near to medium terms.

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

As at 30 June 2008, 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 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
Hsu Tung Chi (<i>Note 1</i>)	Beneficial	135,107,121(L)	10.35%
Hsu Tung Sheng	Beneficial	2,000,000(L)	0.15%
Ho Hoi Lap	Beneficial	2,120,000(L)	0.16%

(L) denotes long position

Note:

- 1 Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 80,561,667 shares. According to the sale and purchase agreement entered into between Upper Power Limited ("Upper Power"), a wholly-owned subsidiary of the Company and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu on 21 December 2007; subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. As at 30 June 2008, Mr. Hsu has not converted any convertible bonds.

(ii) Interests in share options:

Name of director	Number of share options outstanding	Approximate percentage of issued share capital
Hsu Tung Sheng	3,200,000 [#]	0.25%
Hsu Tung Chi	3,200,000 [#]	0.25%
Ho Hoi Lap	11,000,000 [*]	0.84%
Chan Hin Wing, James	3,200,000 [#]	0.25%
Chan Francis Ping Kuen	11,000,000 [*]	0.84%
	1,800,000 [#]	0.14%

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

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

Save as disclosed above, as at 30 June 2008, 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.

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 year under the scheme were as follows:

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 31/3/2008	Granted during the period	Exercised during the period	Outstanding as at 30/6/2008
Directors							
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.465	3,200,000	-	-	-
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.52	11,000,000	-	-	-
	21/12/2007	21/12/2007 – 20/12/2017	0.465	1,800,000	-	-	-
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.465	3,200,000	-	-	-
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.465	3,200,000	-	-	-
Dr. Ho Hoi Lap	14/08/2007	14/08/2007 – 13/08/2017	0.52	11,000,000	-	-	-
Employees							
	17/12/2007	17/12/2007 – 16/12/2017	0.453	19,000,000	-	-	-
	21/12/2007	21/12/2007 – 20/12/2017	0.465	6,400,000	-	-	-
Consultants							
	17/12/2007	17/12/2007 – 16/12/2017	0.453	20,000,000	-	-	-
				78,800,000	-	-	-

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

As at 30 June 2008, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executive's interests in shares" 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 (<i>Note 1</i>)	Beneficial	292,795,000(L)	22.43%
Lau Kim Hung, Jack (<i>Note 1</i>)	Interests in controlled corporation	292,795,000(L)	22.43%
	Beneficial	9,340,000(L)	0.72%
	Deemed	1,000,000(L)	0.08%
Chan Yiu Kan, Katie (<i>Note 1</i>)	Deemed	302,135,000(L)	23.15%
	Beneficial	1,000,000(L)	0.08%
Big Well Investments Limited (<i>Note 2</i>)	Beneficial owner	223,000,000(L)	17.08%
Chong Tin Lung (<i>Note 2</i>)	Interests in controlled corporation	223,000,000(L)	17.08%
Lo Yee Man (<i>Note 2</i>)	Deemed	223,000,000(L)	17.08%
Pang Hong Tao (<i>Note 3</i>)	Beneficial	178,590,202(L)	13.68%
Wang Jing (<i>Note 3</i>)	Deemed	178,590,202(L)	13.68%
Hsu Tung Chi (<i>Note 4</i>)	Beneficial	138,307,121(L)	10.60%
Chuang Meng Hua (<i>Note 4</i>)	Deemed	138,307,121(L)	10.60%

(L) denotes long position

Notes:

- 1 Starryland Profits Limited, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“**Mr. Lau**”). Mr. Lau is deemed to be interested in 292,795,000 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 1,000,000 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 292,795,000 shares held by Starryland Profits Limited and 9,340,000 shares held by Mr. Lau.

- 2 Big Well Investments Limited (“**Big Well**”) is a company incorporated in the British Virgin Islands which is a subscriber of 223,000,000 non-listed warrants under the private placing of non-listed warrants as disclosed in the announcements of the Company dated 27 August 2007 and 1 September 2007 conferring rights to Big Well to subscribe for 223,000,000 shares. Big Well is wholly-owned by Mr. Chong Tin Lung and he is therefore deemed to be interested in those shares. By virtue of Ms. Lo Yee Man being the spouse of Mr. Chong Tin Lung, she is also deemed to be interested in those 223,000,000 shares as well.

- 3 Mr. Pang Hong Tao (“**Mr. Pang**”) is interested in 87,681,111 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Pang on 5 November 2007, the Company has allotted 3,636,364 convertible bonds to Mr. Pang on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 87,272,727 convertible bonds to Mr. Pang. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 87,681,111 shares and 90,909,091 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

- 4 Mr. Hsu Tung Chi (“**Mr. Hsu**”) is interested in 80,561,667 shares. According to the sale and purchase agreement entered into between Upper Power and Mr. Hsu on 5 November 2007, the Company has allotted 2,181,818 convertible bonds to Mr. Hsu Tung Chi on 21 December 2007. Subject to fulfillment of certain conditions, the Company will further allot 52,363,636 convertible bonds to Mr. Hsu. Mr. Hsu is also interested in 3,200,000 share options. As at the Latest Practicable Date, Mr. Hsu Tung Chi has not converted any convertible bonds and nor exercised any share options.

Ms. Chuang Meng Hua is deemed to be interested in 80,561,667 shares, 54,545,454 convertible bonds and 3,200,000 share options of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at 30 June 2008, 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 2008, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

COMPETING INTERESTS

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 2008, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

CODE ON CORPORATE GOVERNANCE

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 GEM 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 2008 except that no nomination committee of the Board is established.

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. Chan Kai Wing 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 currently comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing. The financial statements of the Group for the period ended 30 June 2008 have been reviewed by the Committee, which 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, 12 August 2008

As at the date of this report, the executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and Mr. Chan Hin Wing, James. The non-executive Director and the chairman of the Company is Dr. Ho Hoi Lap. The independent non-executive Directors are Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Kai Wing.