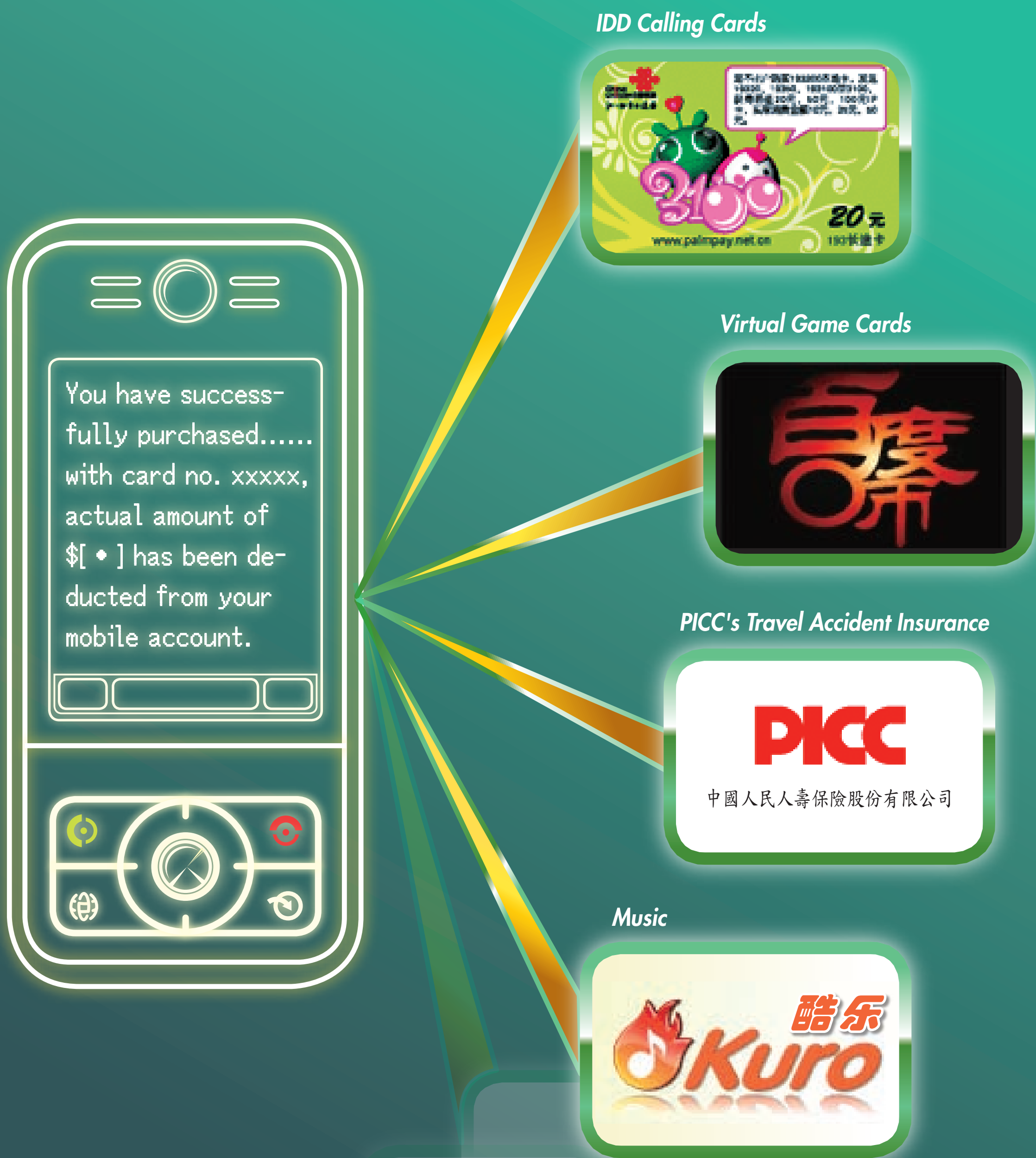
PALMPAY CHINA (HOLDINGS) LIMITED
中國掌付(集團)有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8047

Palmpay China (Holdings) Limited



08-09 Annual 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 other than companies listed on 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.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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 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: (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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Hsu Tung Sheng *(Chairman)*
Yuan Shengjun *(Chief executive officer)*
Chan Francis Ping Kuen *(Deputy Chairman)*
Chan Hin Wing, James
Hsu Tung Chi

Independent Non-executive Directors
Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Kai Wing

COMPANY SECRETARY

Law Ho Ming *ACCA, CPA*

COMPLIANCE OFFICER

Chan Francis Ping Kuen

AUTHORISED REPRESENTATIVES

Chan Francis Ping Kuen
Law Ho Ming

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Yeung Kam Yan
Chan Kai Wing

AUDITORS

Vision A. S. Limited

LEGAL ADVISER

Michael Li & Co.

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1601, 16/F.,
Ruttonjee House, Ruttonjee Centre,
11 Duddell Street, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

5/F., Suite 2, HuayuanShoufu Tower,
No. 18 Anwaixibinghe Rd.,
Dongcheng District, Beijing,
China, 100011

SHARE REGISTRARS AND TRANSFER OFFICERS

Principal registrar
The Bank of Bermuda Limited
Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11,
Bermuda

Branch registrar
Tricor Tengis Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Hong Kong

WEBSITE

www.palmpaychina.com
www.palmpay.net.cn

STOCK CODE

8047

Chairman's Statement

On behalf of the board of directors (the "Board"), we hereby present the Annual Report of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2009 to our shareholders.

OVERVIEW

The financial year ended 31 March 2009 marks the beginning of a new era of the Group. Established as one of the leading providers of mobile payment gateway in the PRC, the Group's business maintained strong growth during the year and achieved 55.5% increase of turnover as compared to the previous year. In compliment with the disposal of the unprofitable business, the Group has improved from its past loss-making position and net profit attributable to equity holders of the Company of approximately HK$20,063,000 was recorded during the year. With the further acquisition of the balance of 25% shareholding interest in the mobile payment gateway business during the year and subsequently completed on 16 June 2009, the financial benefits of such business will be wholly accounted for by the Group.

BUSINESS OVERVIEW

The Group is principally engaged in the provision of mobile payment gateway services in the PRC. The Group is authorized by China Unicom Limited (中國聯通股份有限公司) ("China Unicom 中國聯通"), on an exclusive basis, for the provision of the Group's mobile payment gateway system to the subscribers of China Unicom (中國聯通) in 15 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 phones.

Despite the occurrence of certain unprecedented events in the PRC during the year, the mobile payment gateway business maintained significant growth during the year and achieved 55.5% increase of turnover as compared to the previous year. With the established business relationship with China Unicom and the solid customer base in the 15 major provinces and municipal cities in the PRC, the Board is of the view that the mobile payment gateway business will continue to make significant and stable profit contribution to the Group in the foreseeable future.

The entire telecommunication industry has been focus on the development of 3G and such market is expected to take into shape in six months to a year time. With the increasing adoption of 3G at rapid rate in the PRC, mobile payment gateway for downloading 3G contents, i.e. music entertainment contents and others, will be of high demand.

In an effort to enhance this existing payment gateway platform in view of the upcoming 3G age, the Group has developed an online payment gateway platform based on the Near Field Communication Technology ("NFC"). Such technology is already widely adopted globally and will also become one of the most important payment tools in the very near future in the PRC. The online payment gateway platform, which is based on the NFC technology and developed by the Group, is already in the final testing stage and is expected to be fully operational in the last quarter of 2009.

The Group is in the process of finalizing with its on-line payment gateway strategic partners in the PRC, a leading commercial bank, which has developed the largest Internet banking platform in the PRC and two telecommunication providers for the development of online payment gateway platform.

PROSPECTS

The Group is optimistic about its prospects for the coming years owing to the steady growth of the economic environment, growing consumption power and the rapid development of 3G mobile telecommunication in the PRC.

While the existing mobile payment gateway business will continue to make stable and significant profit contribution, the Group has deployed significant efforts and resources to transform its payment gateway into new dimensions which will integrate with the 3G world in the PRC. With its established mobile payment gateway coupled with the introduction of its web-based NFC payment gateway, the Group is well positioned to benefit from the development of the 3G in the PRC, especially the downloading of audio/video contents, in near-medium term.

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

Hsu Tung Sheng
Chairman

Hong Kong, 29 June 2009

Management Discussion and Analysis

BUSINESS REVIEW

General

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FINANCIAL REVIEW

Results

The Group recorded an increase of approximately 55.5% in its turnover from the continuing operation for the year ended 31 March 2009 to approximately HK$56.8 million as compared to approximately HK$36.5 million in the previous year. It was mainly attributable to the significant increase of 40.0% of turnover of the provision of mobile payment gateway business.

The Group recorded an increase in gross profit of approximately 4.9% to HK$50.3 million in the current year as compared to approximately HK$48.0 million in the previous year mainly due to the increased contribution from turnover of the provision of mobile payment gateway services and the higher gross profit margin of such business.

During the year, Media Magic Group recorded a net profit after tax of approximately HK$36.4 million, which fulfilled the guaranteed profit guaranteed by Mr. Hsu Tung Chi and Mr. Pang Hong Tao of HK$33 million for the acquisition of 24% shareholding interest in Media Magic in December 2007.

Net profit attributable to equity holders of the Company for the year amounted to approximately HK$20.1 million (2008: net loss of approximately HK$18.8 million).

Liquidity, financial resources and capital structure

As at 31 March 2009, the Group had total assets of approximately HK$292.5 million (2008: approximately HK$313.0 million), including net cash and bank balances of approximately HK$10.0 million (2008: approximately HK$31.8 million).

For the year ended 31 March 2009, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2008: Nil). There was no charge on the Group's assets as at 31 March 2009 (2008: Nil).

As at 31 March 2009, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2008: Nil). The Group had no bank borrowings as at 31 March 2009 (2008: Nil).

Most of the transactions of the Group are denominated in Hong Kong Dollars ("HKD") and Renminbi ("RMB"). The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2009, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Segment information

The revenue of the Group comprises the provision of mobile payment gateways services and diversified mobile value-added services. The sales of internet appliances and related products, trading and manufacturing electronic devices and components, design and engineering services were discontinued last year.

Revenue from mobile payment gateways services increase by approximately HK$14.6 million and approximately 40.0%. Revenue from the diversified mobile valued-added services was approximately HK$5.7 million during the year.

Management Discussion and Analysis

As to the geographical segments, sale of the Group generated in Asia & Middle East market was approximately HK$57 million during the year ended 31 March 2009. (2008: approximately HK$68 million in Asia & Middle East, approximately HK$8 million in USA, approximately HK$38 million in UK and approximately HK$28 million in Europe)

Please also refer to note 6 to the financial statements in this annual report for details of segment information.

New products and services

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

Significant investments

Other than investment in ordinary and preference shares of a company, the Group did not have any significant investment during the year (2008: Nil).

Please also refer to note 17 to the financial statements in this annual report for details of investment.

Material acquisitions or disposals of subsidiaries and affiliated companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Future plans for material investments and expected source of funding

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2009. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liability as at 31 March 2009.

Employees and remuneration policies

As at 31 March 2009, the Group had 51 (2008: 51) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$5.4 million for the year ended 31 March 2009 (2008: approximately HK$16.8 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC. 70,000,000 share options have been granted to directors, employees and business associates during the year.

Directors and Senior Management

EXECUTIVE DIRECTORS

Hsu Tung Sheng, aged 43 was appointed as an executive director and chief executive officer on 2 October 2007 and redesignated as chairman of the Company on 1 June 2009. Mr. Hsu holds a bachelor's degree in law from the National Chengchi University (Taiwan) (國立政治大學(台灣)) Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu used to be consultant of Toyota Tsusho Corporation ("Toyota Tsusho") and participated in numerous large investment projects for Toyota Tsusho. Mr. Hsu has built up a good relationship with enterprises in Japan. Mr. Hsu is currently a consultant and the president of two companies in the PRC, both of which are principally engaged in the information technology industry. Mr. Hsu is responsible for marketing, management function and business operation of Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Yuan Shengjun, aged 37, was appointed as an executive director and chief executive officer on 1 June 2009. Mr. Yuan holds a double degree of law and economics from the Renmin University (人民大學) of the People's Republic of China ("PRC"). Mr. Yuan has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Yuan is responsible for management function and business operation of Media Magic Technology Limited and its subsidiaries which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Chan Francis Ping Kuen, aged 50, the executive director and deputy chairman of the Company, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22 May 2007. He is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on main board of the Stock Exchange.

Hsu Tung Chi, aged 40, was appointed as an executive director on 12 March 2008. Mr. Hsu holds a bachelor's degree in Economics from Fu Jen Catholic University (輔仁大學) in Taiwan. Mr. Hsu has over 10 years' experience in advisory on management, operation and strategic planning. Mr. Hsu is responsible for the management function and business operation of Media Magic Group which are currently principally engaged in the provision of mobile payment gateway services in the PRC.

Chan Hin Wing, James, aged 60, the executive director and chief executive officer of the Company on 1 June 2009, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 35 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kwok Chi Sun, Vincent, aged 46, who was also appointed as an audit committee member, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited and China Digital Licensing (Group) Limited, the former four named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM.

Yeung Kam Yan, aged 56, who was also appointed as an audit committee member, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 8 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Chan Kai Wing, aged 37, who was also appointed as an audit committee member, holds a Master's degree in Electrical Engineering from Cornell University, and a Bachelor's degree in Electrical Engineering and Computer Sciences (with highest distinction) from the University of Wisconsin-Madison. Mr. Chan is a veteran in the technology industry with more than 14 years of entrepreneurship, management of major corporate activities and professional services experience.

SENIOR MANAGEMENT

Law Ho Ming, is the Company Secretary and Authorised Representative of the Company. He is an associate member of the Association of Chartered Certified Accountants and also a member of the Hong Kong Institute of Certified Public Accountants. He holds a degree of Bachelor of Arts in Accountancy. He was first appointed as an assistant financial controller of the Company in May 2006.

Report of the Directors

The directors herein present their annual report and the audited financial statements of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements in this annual report.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 6 to the financial statements in this annual report.

RESULTS AND DIVIDENDS

The Group's consolidated profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements in this annual report on pages 31 to 98.

The directors do not recommend the payment of any dividend during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the five years ended 31 March 2009 and of the assets, liabilities and minority interests of the Group as at 31 March 2009, 2008, 2007, 2006 and 2005.

Report of the Directors

Consolidated results

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**56,810**	142,363	110,074	42,474	38,864
Profit/(Loss) before income tax	**29,737**	(6,468)	(5,966)	(8,013)	(25,110)
Tax	**(1,043)**	(2,544)	(2,652)	353	1,841
Profit/(Loss) for the year	**28,694**	(9,012)	(8,618)	(7,660)	(23,269)
Attributable to:					
Equity holders of the Company	**20,063**	(18,751)	(9,117)	(7,649)	(23,143)
Minority interests	**8,631**	9,739	499	(11)	(126)
	28,694	(9,012)	(8,618)	(7,660)	(23,269)

Consolidated assets and liabilities and minority interests

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**292,488**	312,961	216,949	127,170	29,935
Total liabilities	**(27,414)**	(94,246)	(124,021)	(106,140)	(11,118)
Minority interests	**(16,088)**	(6,850)	(4,567)	(1,988)	(1,999)
	248,986	211,865	88,361	19,042	16,818

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in note 25 to the financial statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisitions and disposals of subsidiaries and investments during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 35 of the annual report and in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for cash distribution and/or distribution in specie amounted to zero (2008: Nil), as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account with a balance of approximately HK$181,041,000 as at 31 March 2009 (2008: HK$179,624,000).

POST BALANCE SHEET EVENTS

On 26 February 2009, Upper Power Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire additional 25% of the total issued shares of Media Magic Technology Limited. The acquisition of the 25% equity interest in Media Magic Technology Limited was completed on 16 June 2009. Further details of the transaction are also set out in a circular of the Company dated 27 May 2009.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers accounted for 74% (2008: 56%) of the total turnover for the year. Turnover made to the largest customer included therein accounted for 24% (2008: 20%) of the total turnover for the year.

During the year, the Group did not have any purchase.

During the year ended 31 March 2008, purchases from the Group's five largest suppliers accounted for 26% of the total purchases. Purchases from the Group's largest supplier included therein accounted for 11% of the total purchases.

As far as the directors are aware, neither the directors of the Company, any of their associates nor any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chan Francis Ping Kuen	
Mr. Chan Hin Wing, James	
Mr. Hsu Tung Sheng	
Mr. Hsu Tung Chi	
Mr. Yuan Shengjun	(Appointed on 1 June 2009)

Non-executive director:

Dr. Ho Hoi Lap	(Resigned on 1 June 2009)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent	
Mr. Yeung Kam Yan	
Mr. Chan Kai Wing	(Appointed on 1 May 2008)
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)

In accordance with Bye-law of the Company and the Appendix 15 of the GEM Listing Rules, Chan Francis Ping Kuen, Chan Hin Wing, James, Hsu Tung Sheng, Hsu Tung Chi, Kwok Chi Sun, Vincent, Yeung Kam Yan and Chan Kai Wing will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election; meanwhile, Yuan Shengjun shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and considered them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 and 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

Report of the Directors

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

As at 31 March 2009, 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) Interest in shares:

Name of director	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Hsu Tung Chi *(Note 1)*	Beneficial	130,576,183(L)	8.34%
Hsu Tung Sheng	Beneficial	900,000(L)	0.06%
Ho Hoi Lap	Beneficial	2,544,000(L)	0.16%

(L) denotes Long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") is interested in 65,074,000 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. The Company has made the adjustment to the convertible bonds in accordance with the bonus issue approved by the shareholders of the Company on 1 August 2008. The numbers of convertible bonds are adjusted to 2,620,087 and 62,882,096 respectively. As at 31 March 2009, Mr. Hsu has not converted any convertible bonds.

(ii) **Interest in share options:**

Name of director	**Number of share options outstanding**	**Approximate percentage of issued share capital**
Hsu Tung Sheng	3,840,000#	0.25%
	11,000,000^	0.70%
Hsu Tung Chi	3,840,000#	0.25%
	11,000,000^	0.70%
Ho Hoi Lap	13,200,000*	0.84%
Chan Hin Wing, James	3,840,000#	0.25%
	11,000,000^	0.70%
Chan Francis Ping Kuen	13,200,000*	0.84%
	2,160,000#	0.14%
	13,000,000^	0.83%

* The exercise price of the share options is HK$0.4333 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$0.3875 per share with exercise period commencing from 21 December 2007 and ending on 20 December 2017.

^ The exercise price of the share options is HK$0.106 per share with the exercise period commencing from 1 December 2008 and ending on 30 November 2013.

Save as disclosed above, as at 31 March 2009, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, at no time since the 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 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 or fellow 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2009, 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	351,354,000(L)	22.43%
Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	351,354,000(L)	22.43%
	Beneficial	11,208,000(L)	0.72%
	Deemed	1,200,000(L)	0.08%
Chan Yiu Kan, Katie *(Note 1)*	Deemed	362,562,000(L)	23.15%
	Beneficial	1,200,000(L)	0.08%
Big Well Investments Limited *(Note 2)*	Beneficial owner	267,304,635(L)	17.07%
Chong Tin Lung *(Note 2)*	Interests in controlled corporation	267,304,635(L)	17.07%
Lo Yee Man *(Note 2)*	Deemed	267,304,635(L)	17.07%
Pang Hong Tao *(Note 3)*	Beneficial	210,751,639(L)	13.45%
Wang Jing *(Note 3)*	Deemed	210,751,639(L)	13.45%

(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 351,354,000 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 1,200,000 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 351,354,000 shares held by Starryland Profits Limited and 11,208,000 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. After the bonus issue adjustment, the number of non-listed warrants is adjusted to 267,304,635. 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 267,304,635 shares as well.

3. Mr. Pang Hong Tao ("Mr. Pang") is interested in 101,581,333 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. After the bonus issue adjustment, the number of convertible bonds are adjusted to 4,366,812 and 104,803,494 respectively. As at the Latest Practicable Date, Mr. Pang has not converted any convertible bonds. Ms. Wang Jing is deemed to be interested in 101,581,333 shares and 109,170,306 convertible bonds of the Company by virtue of her being the spouse of Mr. Pang.

Save as disclosed above, as at 31 March 2009, 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.

Report of the Directors

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:

Grantee	At 1 April 2008	Adjustment for bonus issue of the Company's shares	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors									
Chan Hin Wing James	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Chan Francis Ping Kuen	11,000,000	2,200,000	–	–	13,200,000	14 August 2007	HK$0.520	HK$0.4333*	14 August 2007 to 13 August 2017
	1,800,000	360,000	–	–	2,160,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	13,000,000	–	13,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Hsu Tung Sheng	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Hsu Tung Chi	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Ho Hoi Lap	11,000,000	2,200,000	–	–	13,200,000	14 August 2007	HK$0.520	HK$0.4333*	14 August 2007 to 13 August 2017
Sub-total	33,400,000	6,680,000	46,000,000	–	86,080,000				

Grantee	At 1 April 2008	Adjustment for bonus issue of the Company's shares	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Other employees									
In aggregate	19,000,000	3,800,000	–	–	22,800,000	17 December 2007	HK$0.440	HK$0.3775*	17 December 2007 to 16 December 2017
	6,400,000	1,280,000	–	–	7,680,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	24,000,000	–	24,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Consultants									
In aggregate	20,000,000	4,000,000	–	–	24,000,000	17 December 2007	HK$0.440	HK$0.3775*	17 December 2007 to 16 December 2017
Sub-total	45,400,000	9,080,000	24,000,000	–	78,480,000				
Total	78,800,000	15,760,000	70,000,000	–	164,560,000				

* *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 during the year.*

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

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The Scheme became effective on 1 November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CONTINUING CONNECTED TRANSACTION

On 15 June 2007, the Company entered into an agreement with Multi Channel Technology Limited ("Multi Channel") (a non-wholly owned subsidiary of the Company) to conditionally grant Multi Channel a revolving facility by way of Revolving Facility Letter of up to a maximum amount of HK$22 million at any time during the period commencing from the date of the Revolving Facility Letter and ending on 31 March 2010.

The foresaid continuing connected transaction has been reviewed by independent non-executive directors. The independent non-executive directors confirmed that the continuing connected transaction set out in above was entered into:

1. in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties; and

3. in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the above transactions.

Save as disclosed herein were no other transactions required to be disclosed as connected transactions and/or continuing connected transactions in accordance with the requirements of the GEM Listing Rule.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2009 except that no nomination committee of the Board is established.

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. During the year, the Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, who resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing. During the year, the audit committee held four meetings to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 31 March 2009 have been reviewed by the 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.

AUDITORS

The consolidated financial statements for the year ended 31 March 2009 have been audited by Vision A. S. Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Chan Francis Ping Kuen
Executive Director

Hong Kong
29 June 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Subject to the deviation as disclosed in this report, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the period under review.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2009.

BOARD OF DIRECTORS AND BOARD MEETINGS

The Board members for the year ended 31 March 2009 were:

Executive directors:

Mr. Chan Francis Ping Kuen	
Mr. Chan Hin Wing, James	
Mr. Hsu Tung Sheng	
Mr. Hsu Tung Chi	
Mr. Yuan Shengjun	(Appointed on 1 June 2009)

Non-executive director:

Dr. Ho Hoi Lap	(Resigned on 1 June 2009)

Independent non-executive directors:

Mr. Kwok Chi Sun, Vincent	
Mr. Yeung Kam Yan	
Mr. Chan Kai Wing	(Appointed on 1 May 2008)
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The directors' biographical information is set out on pages 9 and 10 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company appointed three independent non executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice. Every director should be subject to retirement by rotation at least once every three years.

Pursuant to the requirements of the GEM Listing Rules, the Company has received written confirmation from each independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent.

The Board held a full board meeting for each quarter.

Details of the attendance of the meetings of the Board are as follows:

Directors		**Attendance**
Mr. Chan Francis Ping Kuen		4/4
Mr. Chan Hin Wing, James		4/4
Mr. Hsu Tung Sheng		4/4
Mr. Hsu Tung Chi		4/4
Mr. Yuan Shengjun	(Appointed on 1 June 2009)	0/4
Dr. Ho Hoi Lap	(Resigned on 1 June 2009)	4/4
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	4/4
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	0/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Chairman and Chief Executive Officer

The roles of Chairman and chief executive officer of the Company are segregated and are not exercised by the same individual, the chairman is responsible for leading the Board in formulating overall strategies of the Company, while the chief executive office is to manage the operation of the Group's business.

Corporate Governance Report

Non-executive Director

Code provision A.4.1 provides that non-executive director should be appointed for a specific term and subject to re-election. The Company's non-executive director has been appointed for specific term and subject to re-election. The non-executive director, Dr. Ho Hoi Lap resigned on 1 June 2009.

Remuneration of Directors

The remuneration committee was established in January 2006 with written terms of reference in compliance with the code provision. The remuneration committee consists of four members, of which three are independent non-executive directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, who resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing, and one is executive director being Mr. Chan Francis Ping Kuen. The chairman of the committee is Mr. Kwok Chi Sun, Vincent.

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.

During the period under review, a meeting of the remuneration committee was held in February 2009. Details of the attendance of the meeting of the remuneration committee are as follows:

Members		**Attendance**
Mr. Chan Francis Ping Kuen		1/1
Mr. Kwok Chi Sun, Vincent		1/1
Mr. Yeung Kam Yan		1/1
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	1/1
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	0/1

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.

Auditors' Remuneration

The Company has appointed Vision A. S. Limited as the auditors of the Group (the "Auditors"). The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors performed the work of statutory audit for the year ended 31 March 2009 and involved non-audit assignment of the Group. The Auditors received approximately HK$300,000 and HK$120,000 for audit service and non-audit services respectively.

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Chan Wing Chiu, who resigned on 1 May 2008 and was replaced by Mr. Chan Kai Wing, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members		**Attendance**
Mr. Kwok Chi Sun, Vincent		4/4
Mr. Yeung Kam Yan		4/4
Mr. Chan Kai Wing	(Appointed on 1 May 2008)	4/4
Mr. Chan Wing Chiu	(Resigned on 1 May 2008)	0/4

The Group's unaudited quarterly and interim results and annual audited results for the year ended 31 March 2009 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Internal Control

The board is responsible for maintaining the Group's internal controls and for reviewing the effectiveness of these controls. Internal control systems are designed to meet the particular needs of the Group and the risk to which it is exposed,

In consideration of the size of the Group, the Board does not consider to establish an internal audit team at present. However, the key control procedures established by the Group are day-to-day supervision of the business by the executive directors, supported by the managers responsible for the operation and the key division support functions of finance, information system and human resources. Key elements of internal controls described below have been in place throughout the year under review:

– procedures for the approval of capital expenditure and payments;

– regular financial information provided to management for reviewing the Group's performance;

– clearly defined management structure and lines of responsibility.

Corporate Governance Report

Directors' and Auditors' Responsibility for the Financial Statements

The directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditors' responsibilities are set out in the Auditors' Report.

Independent Auditor's Report

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

Room A, 15th Floor,
Fortis Tower,
77-79 Gloucester Road,
Wanchai, Hong Kong

To the members of
PALMPAY CHINA (HOLDINGS) LIMITED
中國掌付（集團）有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Palmpay China (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 98, which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Vision A. S. Limited
Certified Public Accountants
Hong Kong, 29 June 2009

Cheung Man Yau, Timothy
Practising Certificate No.: P01417

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
TURNOVER	7		
Continuing operation		**56,810**	36,523
Discontinued operations		**–**	105,840
		56,810	142,363
Cost of sales		**(6,483)**	(94,391)
Gross profit		**50,327**	47,972
Other revenues and gains	7	**859**	3,519
Distribution costs		**(4,116)**	(4,076)
Administrative expenses		**(17,191)**	(29,594)
Loss on disposal of subsidiaries, net		**–**	(17,975)
Finance costs	8	**(142)**	(6,314)
PROFIT/(LOSS) BEFORE TAX	9		
Continuing operation		**29,737**	(5,351)
Discontinued operations	13	–	(1,117)
		29,737	(6,468)
Tax	11		
Continuing operation		**(1,043)**	(2,170)
Discontinued operations		**–**	(374)
		(1,043)	(2,544)
PROFIT/(LOSS) FOR THE YEAR			
Continuing operation		**28,694**	(7,521)
Discontinued operations	13	**–**	(1,491)
		28,694	(9,012)

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ATTRIBUTABLE TO:			
Equity holders of the Company		**20,063**	(18,751)
Minority interests		**8,631**	9,739
PROFIT/(LOSS) FOR THE YEAR		**28,694**	(9,012)
DIVIDENDS	*14*	**–**	–
EARNINGS/(LOSS) PER SHARE (2008: restated)	*15*		
From continuing and discontinued operations			
– basic (HK cent)		**1.29**	(1.36)*
– diluted (HK cent)		**1.28**	N/A
From continuing operation			
– basic (HK cent)		**1.29**	(1.25)*
– diluted (HK cent)		**1.28**	N/A

* Restated

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**15,436**	16,045
Available-for-sale investments	17	**26,323**	–
Intangible assets	19	**156,360**	232,931
Total non-current assets		**198,119**	248,976
CURRENT ASSETS			
Trade receivables	20	**45,907**	28,739
Prepayments, deposits and other receivables		**38,477**	3,494
Cash and cash equivalents		**9,985**	31,752
Total current assets		**94,369**	63,985
CURRENT LIABILITIES			
Accruals and other payables		**21,139**	12,589
Due to a director	21	**446**	253
Tax payable		**2,896**	1,813
Total current liabilities		**24,481**	14,655
NET CURRENT ASSETS		**69,888**	49,330
TOTAL ASSETS LESS CURRENT LIABILITIES		**268,007**	298,306
NON-CURRENT LIABILITIES			
Convertible notes	22	**2,933**	2,791
Other payables	23	**–**	76,800
Total non-current liabilities		**2,933**	79,591
Net assets		**265,074**	218,715

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Issued capital	*25(a)*	**78,318**	64,117
Reserves		**170,668**	147,748
		248,986	211,865
Minority interests		**16,088**	6,850
		265,074	218,715

Chan Francis Ping Kuen
Director

Chan Hin Wing James
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Attributable to equity holders of the Company											
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Available-for-sale investments reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	48,471	57,163	6,015	1,205	–	2,480	–	–	(26,973)	88,361	4,567	92,928
Issue of shares under placing – *note 25 (a) (i)*	5,500	46,200	–	–	–	–	–	–	–	51,700	–	51,700
Recognition of equity-settled share-based payment – *note 26*	–	–	–	–	–	3,736	–	–	–	3,736	–	3,736
Share options exercised – *note 25 (a) (ii)*	1,977	12,763	–	–	–	(2,480)	–	–	–	12,260	–	12,260
Issue of consideration shares – *note 25 (a) (iii)*	8,169	65,351	–	–	–	–	–	–	–	73,520	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	–	–	(1,853)	–	(1,853)
Issue of warrants – *note 25 (c)*	–	–	–	–	–	–	1,561	–	–	1,561	–	1,561
Warrant issue expenses	–	–	–	–	–	–	(221)	–	–	(221)	–	(221)
Issue of convertible notes – *note 22*	–	–	–	–	443	–	–	–	–	443	–	443
Acquired on acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	(5,469)	(5,469)
Disposal of subsidiaries	–	–	–	(2,518)	–	–	–	–	–	(2,518)	(1,987)	(4,505)
Exchange realignment	–	–	–	3,627	–	–	–	–	–	3,627	–	3,627
Net loss for the year	–	–	–	–	–	–	–	–	(18,751)	(18,751)	9,739	(9,012)
At 31 March 2008 and at 1 April 2008	64,117	179,624	6,015	2,314	443	3,736	1,340	–	(45,724)	211,865	6,850	218,715
Partial disposal of subsidiaries – *note 29*	–	–	–	–	–	–	–	–	–	–	505	505
Issue of consideration shares – *note 25 (a) (iv)*	1,148	14,470	–	–	–	–	–	–	–	15,618	–	15,618
Issue of bonus shares – *note 25 (a) (v)*	13,053	(13,053)	–	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payment – *note 26*	–	–	–	–	–	2,272	–	–	–	2,272	–	2,272
Change in fair value of available-for-sale investments – *note 17*	–	–	–	–	–	–	–	(1,734)	–	(1,734)	–	(1,734)
Exchange realignment	–	–	–	902	–	–	–	–	–	902	102	1,004
Net profit for the year	–	–	–	–	–	–	–	–	20,063	20,063	8,631	28,694
At 31 March 2009	78,318	181,041	6,015	3,216	443	6,008	1,340	(1,734)	(25,661)	248,986	16,088	265,074

Consolidated Cash Flow Statement

Year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before tax:		
Continuing operation	**29,737**	(5,351)
Discontinued operations	**–**	(1,117)
	29,737	(6,468)
Adjustments for:		
Interest income	**(155)**	(2,809)
Finance costs	**142**	6,314
Impairment allowances for bad and doubtful debts	**2,389**	54
Depreciation of property, plant and equipment	**4,108**	7,228
Property, plant and equipment written off	**144**	–
Amortisation of product development costs	**–**	2,035
Loss on disposal of property, plant and equipment	**–**	100
Share-based payments	**2,272**	3,736
Gain arising from fair value change of derivative financial instruments	**–**	(146)
Loss on partial disposal of subsidiaries, net	**55**	–
Loss on disposal of subsidiary's loan	**–**	1,500
Loss on disposal of subsidiaries, net	**–**	17,975
Operating cash flows before movements in working capital	**38,692**	29,519
Increase in inventories	**–**	(16,139)
Increase in trade receivables	**(19,557)**	(17,652)
Increase in prepayments, deposits and other receivables	**(34,983)**	(4,448)
Increase in trade payables	**–**	8,941
Increase in accruals and other payables	**8,550**	8,863
Increase in amount due to a director	**193**	253
Cash generated from/(used in) operations	**(7,105)**	9,337
Hong Kong profits tax paid	**–**	(580)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**(7,105)**	8,757

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Interest received	**155**	2,809
Proceeds from disposal of items of property, plant and equipment	–	13
Proceeds from disposal of subsidiary's loan	–	4,500
Increase in derivative financial instruments	–	(3,080)
Acquisition of subsidiaries	–	(50,983)
Disposal of subsidiaries	–	37,191
Partial disposal of subsidiaries	**450**	–
Decrease in pledged time deposits	–	2,951
Purchases of items of property, plant and equipment	**(3,295)**	(13,583)
Purchases of available-for-sale investments	**(12,439)**	–
Expenditure on product development	–	(4,141)
NET CASH USED IN INVESTING ACTIVITIES	**(15,129)**	(24,323)
FINANCING ACTIVITIES		
Interest paid	–	(6,280)
Repayment of obligation under finance leases	–	(1,972)
Net proceeds from issue of shares	–	62,107
Net proceeds from issue of warrant	–	1,340
Repayment of bank loans	–	(3,261)
Repayment of bank export and import loan	–	(3,532)
Repayment of promissory notes	–	(6,158)
Repayment of other loans	–	(40)
NET CASH FROM FINANCING ACTIVITIES	–	42,204
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(22,234)**	26,638
Cash and cash equivalents at beginning of year	**31,752**	4,677
Effect of foreign exchange rate changes, net	**467**	437
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,985**	31,752
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**9,985**	31,752

Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment in subsidiaries	*18*	**–**	–
Total non-current assets		**–**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables		**73**	–
Due from subsidiaries	*18*	**228,804**	270,002
Cash and cash equivalents		**6,740**	30,713
Total current assets		**235,617**	300,715
CURRENT LIABILITIES			
Accruals and other payables		**465**	766
Due to a subsidiary	*18*	**984**	–
Total current liabilities		**1,449**	766
NET CURRENT ASSETS		**234,168**	299,949
TOTAL ASSETS LESS CURRENT LIABILITIES		**234,168**	299,949
NON-CURRENT LIABILITIES			
Convertible notes	*22*	**2,933**	2,791
Other payables	*23*	**–**	76,800
Total non-current liabilities		**2,933**	79,591
Net assets		**231,235**	220,358
EQUITY			
Issued capital	*25(a)*	**78,318**	64,117
Reserves	*27*	**152,917**	156,241
		231,235	220,358

Chan Francis Ping Kuen
Director

Chan Hin Wing James
Director

Notes to the Financial Statements

31 March 2009

1. GENERAL INFORMATION

Palmpay China (Holdings) Limited (the "Company") was incorporated in Bermuda on 7 June 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 November 2001. Details of the group reorganisation are set out in the Company's prospectus dated 24 October 2001.

The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The Company's principal activity has not changed during the year and consisted of investment holding. Details of the principal activities of its subsidiaries are set out in note 18 to the financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new interpretations and amendments ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial statements of the year.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3.1. Impact of Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

3.1. Impact of Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(Continued)*

HK(IFRIC) – Int 9 and HKSA 39 Amendments	Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives[6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[5]

Apart from the above, the HKICPA has in October 2008, issued *Improvement to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

In addition improvement to HKFRSs were issued in May 2009 by HKICPA which contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC) – Int 9 and HK(IFRIC) – Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
6 Effective for annual periods ending on or after 30 June 2009

* Improvement to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements included the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories and financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly controlled entity;

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2%
Tooling	20%
Leasehold improvement	Over the remaining lease terms
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicles	10%-20%
Plant and machinery	10%-20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the asset.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Technical know-how

Technical know-how with indefinite useful lives is tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contracts that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment and other financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss, of which interest income is included in net gains or losses.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including bank and other borrowings, trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as fair value through profit or loss, of which the interest expense is included in net gains or losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments which contain both a liability component and an equity component. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expenses recognised in the income statement is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to retained profits.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existed liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from provision of mobile payment gateway services and diversified mobile valued-added services are recognised, when services are rendered;

(b) revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) revenue from provision of computer network setup service is recognised when the customer accepts the delivery and that the system is operating satisfactorily;

(d) revenue from provision of design and engineering services is recognised, when services are rendered;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Equity-settled share-based payment transactions

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employee is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 26. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2009 and the details are given in note 19.

Impairment of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

6. SEGMENTAL INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The mobile payment gateway services segment provides e-payment services;
- The diversified mobile valued-added services segment provides software development services;
- The internet appliances segment provides internet appliances and related products;
- The electronic devices and components segment provides power devices, magnetic and printed circuit board assembly; and
- The design and engineering services segment provides design of power devices, magnetic and printed circuit board assembly.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

6. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments

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

	Continuing operation				Discontinued operations							
	Mobile payment gateway services		Diversified mobile valued-added services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER	**51,143**	36,523	**5,667**	–	**–**	–	**–**	104,116	**–**	1,724	**56,810**	142,363
RESULTS												
Segment results	**44,660**	33,331	**5,667**	–	**–**	–	**–**	15,299	**–**	(658)	**50,327**	47,972
Other revenues and gains											**859**	3,519
Distribution costs											**(4,116)**	(4,076)
Administrative expenses											**(17,191)**	(29,594)
Loss on disposal of subsidiaries, net											**–**	(17,975)
Finance costs											**(142)**	(6,314)
Profit/(loss) before tax											**29,737**	(6,468)
Tax											**(1,043)**	(2,544)
Profit/(loss) for the year											**28,694**	(9,012)

6. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Continuing operation				Discontinued operations							
	Mobile payment gateway services		Diversified mobile valued-added services		Internet appliances and related products		Electronic devices and components		Design and engineering services		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
BALANCE SHEET												
ASSETS												
Segment assets	**56,026**	45,823	**5,680**	–	**–**	–	**–**	–	**–**	–	**61,706**	45,823
Unallocated assets											**230,782**	267,138
Total assets											**292,488**	312,961
LIABILITIES												
Segment liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated liabilities											**27,414**	94,246
Total liabilities											**27,414**	94,246
Other segment information:												
Depreciation	**3,916**	2,211	**–**	28	**–**	3,529	**–**	–	**–**	–	**3,916**	5,768
Depreciation – unallocated											**192**	1,460
Capital expenditure – unallocated											**3,295**	13,583

6. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical segments

A summary of the geographical segments as at 31 March 2009 is set out as follows:

	Asia and Middle East		United States of America ("USA")		United Kingdom ("UK")		Europe		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover:										
Continuing operation	**56,810**	36,523	**–**	–	**–**	–	**–**	–	**56,810**	36,523
Discontinued operations	**–**	31,440	**–**	7,998	**–**	38,691	**–**	27,711	**–**	105,840
External turnover	**56,810**	67,963	**–**	7,998	**–**	38,691	**–**	27,711	**56,810**	142,363
Capital expenditure	**3,295**	13,583	**–**	–	**–**	–	**–**	–	**3,295**	13,583
Assets:										
Segment assets	**292,488**	312,961	**–**	–	**–**	–	**–**	–	**292,488**	312,961

7. TURNOVER, OTHER REVENUES AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered for the year.

An analysis of the Group's turnover, other revenues and gains for the year is as follows:

	2009	2008
	HK$'000	HK$'000
TURNOVER		
CONTINUING OPERATION		
Mobile payment gateway services	**51,143**	36,523
Diversified mobile value-added services	**5,667**	–
	56,810	36,523
DISCONTINUED OPERATIONS		
Trading and manufacturing of electronic devices and components	**–**	104,116
Design and engineering services	**–**	1,724
	–	105,840
	56,810	142,363
OTHER REVENUES AND GAINS		
Interest income	**155**	2,809
Exchange gains, net	**–**	215
Gain arising from fair value change of derivative financial instruments	**–**	146
Dividend income	**702**	–
Sundry income	**2**	349
	859	3,519

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank overdrafts, bills and loans wholly repayable within five years	–	5,366
Finance leases	–	372
Convertible notes	142	34
Promissory notes repayable within five years	–	542
	142	6,314

9. PROFIT/(LOSS) BEFORE TAX

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

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	309	680
Amortisation of product development costs	–	2,035
Cost of inventories sold	–	91,199
Cost of services rendered	6,483	3,192
Depreciation of property, plant and equipment	4,108	7,228
Property, plant and equipment written off	144	–
Loss on disposal of property, plant and equipment	–	100
Exchange losses, net	38	–
Minimum lease payments under operating leases on land and buildings	933	1,214
Loss on partial disposal of subsidiaries, net	55	–
Loss on disposal of subsidiaries, net	–	17,975
Staff costs (excluding directors' remuneration)		
Salaries and allowances	4,230	14,792
Pension scheme contributions	353	406
Share-based payments	779	1,619
Loss of disposal of subsidiary's loan	–	1,500
Impairment allowances for bad and doubtful debts	2,389	54

During the year, no staff costs and directors' remuneration (2008: HK$3,742,000) in relation to research and development are capitalised in "product development costs".

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES

(a) Details of directors' remuneration disclosed pursuant to the Rules Governing the Listing Rules of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2009	2008
	HK$'000	HK$'000
Independent non-executive directors:		
Fees	**300**	275
Salaries, allowances and benefits in kind	**–**	–
Pension scheme contributions	**6**	5
Share-based payments	**–**	813
	306	1,093
Executive directors:		
Salaries, allowances and benefits in kind	**1,086**	1,909
Pension scheme contributions	**24**	26
Share-based payments	**1,493**	1,304
	2,603	3,239
	2,909	4,332

The remuneration of the directors of the Company fell within the following bands:

	Number of directors	
	2009	2008
Emolument band		
Nil to HK$1,000,000	**9**	9
HK$1,000,001 to HK$2,000,000	**–**	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office (2008: Nil).

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(Continued)*

(b) The emolument of each director of the Company for the year is set out below:

	2009					2008
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contri-butions HK$'000	Share-based payments HK$'000	Total HK$'000	Total HK$'000
Executive directors						
Chan Hin Wing James	–	120	6	357	483	264
Hsu Tung Chi (appointed on 12 March 2008)	–	423	6	357	786	193
Hsu Tung Sheng (appointed on 2 October 2007)	–	423	6	357	786	540
Chan Francis Ping Kuen (appointed on 22 May 2007)	–	120	6	422	548	999
Lo Ka Tong (resigned on 12 March 2008)	–	–	–	–	–	1,225
Wan Kin Chung (resigned on 24 August 2007)	–	–	–	–	–	–
Cheng Kwong Chung (resigned on 11 July 2007)	–	–	–	–	–	–
Wong Tak Shing (resigned on 22 May 2007)	–	–	–	–	–	18
Sub-total	–	1,086	24	1,493	2,603	3,239
Non-executive directors						
Kwok Chi Sun Vincent	60	–	–	–	60	60
Yeung Kam Yan	60	–	–	–	60	60
Chan Kai Wing (appointed on 1 May 2008)	55	–	–	–	55	–
Ho Hoi Lap (appointed on 15 June 2007 and resigned on 1 June 2009)	120	–	6	–	126	913
Chan Wing Chiu (resigned on 1 May 2008)	5	–	–	–	5	60
Sub-total	300	–	6	–	306	1,093
Total	300	1,086	30	1,493	2,909	4,332

10. DIRECTORS' REMUNERATION AND SENIOR EXECUTIVES *(Continued)*

(c) The five highest paid employees during the year included three (2008: one) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining two (2008: four), non-director, highest paid employees are set out as follows:

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,126**	2,292
Pension scheme contributions	**12**	46
	1,138	2,338

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

	Number of employee	
	2009	2008
Emolument band		
Nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$2,000,000	**–**	1

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2008: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2008: Nil).

11. TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred a tax loss for the year. In prior year, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The amount of tax in the consolidated income statement represents:

	2009	2008
	HK$'000	HK$'000
Current year provision		
Hong Kong	**–**	429
PRC	**2,677**	1,721
Under/(overprovision) in prior years		
Hong Kong	**–**	–
PRC	**(1,634)**	223
Deferred tax – *note 24*	**–**	171
Tax charge for the year	**1,043**	2,544
Attributable to:		
Continuing operation	**1,043**	2,170
Discontinued operations – *note 13*	**–**	374
	1,043	2,544

There are no material unprovided deferred tax assets and liabilities at the year end date.

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2009	2008
	HK$'000	HK$'000
Profit/(loss) before tax	**29,737**	(6,468)
Tax at the statutory rate of 16.5% (2008: 17.5%)	**4,906**	(1,132)
Effect of different tax rates in other jurisdictions	**2,979**	2,143
Expenses not deductible for tax	**881**	6,323
Income not subject to tax	**(530)**	(981)
Temporary differences not recognised	**–**	(793)
Tax losses not recognised	**688**	850
Under/(overprovision) in the prior years	**(1,634)**	223
Tax rebate	**–**	(75)
Tax concession	**(6,247)**	(4,014)
Tax charge at effective rate	**1,043**	2,544

Details of movement of the Group's deferred tax are set out in note 24 to the financial statements.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2009 dealt with in the financial statements of the Company was HK$7,013,000 (2008: HK$25,396,000).

13. DISCONTINUED OPERATIONS

On 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, which subsidiaries are principally engaged in trading of internet appliances and related products.

Besides, on 11 January 2008, Great Plan Group Limited, a wholly-owned subsidiary of the Company, entered into agreements to dispose of its entire equity interest in Union Bridge Group Limited, which subsidiaries are principally engaged in trading and manufacturing of electronic devices and components, and design and engineering services. The disposal of the entire interest in Union Bridge Group Limited and its subsidiaries was completed on 12 March 2008.

13. DISCONTINUED OPERATIONS *(Continued)*

The operating result associated with the business of trading of internet appliances and related products, trading and manufacturing of electronic devices and components, and design and engineering services for the year and gain on disposal of subsidiaries related to the discontinued operations are presented below:

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	*7*	–	105,840
Cost of sales		–	(91,199)
Gross profit		–	14,641
Other revenues and gains		–	1,107
Distribution costs		–	(241)
Administrative expenses		–	(10,886)
Finance costs		–	(5,738)
LOSS BEFORE TAX		–	(1,117)
Tax	*11*	–	(374)
LOSS FOR THE YEAR		–	(1,491)

The net cash flows incurred by the disposed group are as follows:

	2009 **HK$'000**	2008 HK$'000
Operating activities	–	25,403
Investing activities	–	(5,134)
Financing activities	–	(14,543)
Net cash inflow	–	5,726

14. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year (2008: Nil).

15. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
	HK$'000	HK$'000
For continuing and discontinued operations		
Profit/(loss) attributable to equity holders of the Company	**20,063**	(18,751)
For continuing operation		
Profit/(loss) attributable to equity holders of the Company	**20,063**	(17,260)

	Number of shares	
	2009	2008
		(Restated)
Weighted average number of ordinary shares in issuing during the year	**1,561,920,415**	1,375,959,930

For the year ended 31 March 2009, the calculation of diluted earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$20,063,000 and the weighted average of 1,565,340,170 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

For the year ended 31 March 2008, diluted loss per share is not presented as the convertible notes and share options had anti-dilutive effects on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Tooling HK$'000	Leasehold improve-ment HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
At 1 April 2007	5,083	1,444	7,284	589	9,701	9	22,503	46,613
Additions	–	272	200	85	12,567	438	21	13,583
Disposals	–	–	(484)	–	(25)	–	–	(509)
Disposal of subsidiaries	(5,083)	(1,741)	(7,113)	(666)	(5,320)	(447)	(23,790)	(44,160)
Exchange realignment	–	25	745	86	1,340	–	1,266	3,462
At 31 March 2008 and at 1 April 2008	–	–	632	94	18,263	–	–	18,989
Additions	–	–	–	–	3,295	–	–	3,295
Written off	–	–	(463)	–	–	–	–	(463)
Exchange realignment	–	–	13	2	397	–	–	412
31 March 2009	–	–	182	96	21,955	–	–	22,233
Accumulated depreciation								
At 1 April 2007	244	280	1,492	197	1,731	9	2,838	6,791
Charge for the year	204	326	923	79	2,977	54	2,665	7,228
Written back on disposals	–	–	(393)	–	(3)	–	–	(396)
Disposal of subsidiaries	(448)	(623)	(2,077)	(324)	(2,303)	(63)	(6,056)	(11,894)
Exchange realignment	–	17	280	62	303	–	553	1,215
At 31 March 2008 and at 1 April 2008	–	–	225	14	2,705	–	–	2,944
Charge for the year	–	–	181	18	3,909	–	–	4,108
Written off	–	–	(319)	–	–	–	–	(319)
Exchange realignment	–	–	4	1	59	–	–	64
At 31 March 2009	–	–	91	33	6,673	–	–	6,797
Net book value								
At 31 March 2009	–	–	91	63	15,282	–	–	15,436
At 31 March 2008	–	–	407	80	15,558	–	–	16,045

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity investments, at fair value	**26,323**	–

During the year, the change in fair value of the Group's available-for-sale investments recognised directly in equity amounted to HK$1,734,000 (2008: Nil).

The fair values of unlisted available-for-sale equity investments have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet and the related changes in fair values, which are recorded in the consolidated equity, are reasonable, and that they are the most appropriate values at the balance sheet date.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**228,804**	270,002
Due to a subsidiary	**(984)**	–
	227,820	270,002

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment except the amount due from a subsidiary of HK$18,600,000 is interest-bearing. The carrying amounts of these amounts due from/to its subsidiaries approximate their fair values.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Upper Power Limited	British Virgin Islands/Hong Kong	US$1	100%	–	Investment holding
Great Plan Group Limited	British Virgin Islands/Hong Kong	US$1	–	55%	Investment holding
Victory Tech Limited *	Hong Kong	HK$1	–	55%	Investment holding
Beijing Hu Lian Hui Zhong Technology Company Limited ** 北京互聯匯眾科技有限公司	The People's Republic of China	HK$4,000,000	–	55%	Dormant
Beaming Investments Limited	British Virgin Islands/Hong Kong	US$1	–	100%	Investment holding
Media Magic Technology Limited	British Virgin Islands/Hong Kong	US$55,556	–	75%	Investment holding and provision of diversified mobile value-added services
Multi Channel Technology Limited	Hong Kong	HK$100	–	75%	Investment holding
PalmPay Technology Co. Ltd. ** 北京互聯視通科技有限公司	The People's Republic of China	RMB21,000,000	–	75%	Provision of mobile payment gateway services

* *The company was incorporated during the year.*

** *English translation of company names are for identification purpose only.*

19. INTANGIBLE ASSETS

Group

	Goodwill	Product development costs	Technical know-how	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
At 1 April 2007	37,841	15,579	9,614	63,034
Arising on acquisition of additional interest in subsidiaries	199,034	–	–	199,034
Additions	–	4,141	–	4,141
Exchange realignment	–	–	925	925
Disposal of subsidiaries	(14,483)	(19,720)	–	(34,203)
At 31 March 2008 and at 1 April 2008	222,392	–	10,539	232,931
Adjustments to measurement for acquisitions in prior year *(note iv)*	(76,800)	–	–	(76,800)
Exchange realignment	–	–	229	229
At 31 March 2009	145,592	–	10,768	156,360
Accumulated amortisation				
At 1 April 2007	–	2,304	–	2,304
Charge for the year	–	2,035	–	2,035
Disposal of subsidiaries	–	(4,339)	–	(4,339)
At 31 March 2008, at 1 April 2008 and at 31 March 2009	–	–	–	–
Net book value				
At 31 March 2009	145,592	–	10,768	156,360
At 31 March 2008	222,392	–	10,539	232,931

19. INTANGIBLE ASSETS *(Continued)*

Notes:

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

	Group	
	2009	2008
	HK$'000	HK$'000
Mobile payment gateway services	**145,592**	222,392

As at 31 March 2009, these CGU are the provision of mobile payment gateway services in the People's Republic of China. The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on the financial budgets covering a five-year period for CGU as approved by the directors.

Key assumptions used for value-in-use calculations:

	Mobile payment gateway services
	2009
	%
Average growth rate	**16**
Discount rate	**12**

The directors believe that the possible changes in any of these assumptions would not cause the aggregate carrying amount of goodwill to exceed the recoverable amount.

At 31 March 2009, the directors of the Group are of the opinion that there is no impairment of goodwill.

(ii) Product development costs are amortised on a straight-line basis over its estimated useful life of five years.

(iii) The technical know-how, named 通用消息服務系統技術, is a newly developed technology from Short Message Sub-Gateway Services. The technical know-how is treated as having an indefinite useful life because, in the opinion of the directors, there is no foreseeable limit to the period over which the technical know-how may be used to generate cash flows to the Group. Technical know-how with indefinite useful lives is tested for impairment annually and is not amortised. The recoverable amounts of the technical know-how have been determined on the basis of value-in-use calculations. Its recoverable amounts are based on certain similar key assumptions set out in note (i). Since the recoverable amounts of the CGU exceed its carrying amounts based on value-in-use calculation, the technical know-how was not impaired during the year.

(iv) The amounts represented the adjustments to the contingent consideration for acquisitions of Media Magic Technology Limited due to the shortfall in respect of the profit guarantee under the agreements of approximately HK$76,800,000.

20. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**48,296**	28,739
Allowance for bad and doubtful debts	**(2,389)**	–
	45,907	28,739

Movement in the allowance for bad and doubtful debts:

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**–**	153
Allowance made during the year	**2,389**	54
Disposal of subsidiaries	**–**	(207)
Balance at end of the year	**2,389**	–

The aged analysis of trade receivables (net of impairment allowances for bad and doubtful debts) at the balance sheet date is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**6,771**	4,490
31 – 60 days	**4,868**	4,453
61 – 90 days	**4,509**	4,722
91 – 120 days	**5,431**	3,971
Over 120 days	**24,328**	11,103
	45,907	28,739

Included in the Group's trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2009	2008
	HK$'000	HK$'000
Renminbi	**44,007**	28,739

21. DUE TO A DIRECTOR

The amount is unsecured, interest-free and has no fixed terms of repayment.

22. CONVERTIBLE NOTES

On 21 December 2007, the Company issued the convertible notes in the principal amount of HK$3,200,000. These notes were interest free. The Company shall repay such principal amount outstanding under the convertible notes in the principal amount to the holders of convertible notes on the respective maturity dates of the convertible notes. The holders of convertible notes will have the right to convert the whole or any part of the principal amount of the convertible notes into shares at any time and from time to time at conversion price of HK$0.55 except for the convertible note which is subject to achievement of the profit guarantee under the sale and purchase agreements in respect of the audited consolidated net profit after tax and exceptional items of Media Magic Technology Limited and its subsidiaries for the year ended 31 March 2009 which will not be less than HK$33,000,000. After the bonus issue on 12 August 2008, the conversion price is adjusted to HK$0.458. The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, has been included in the convertible notes reserve.

The fair value of the liability component and the equity conversion component were determined at the date of issuance of the convertible notes based on the discounted rate 5% per annum.

By taking the discount rate at 5% per annum, the present value of the liability component is HK$2,791,000 and the difference between the liability component and the face value of the convertible notes, being HK$443,000 is accounted for as a component of equity.

The convertible notes recognised in the balance sheet of the Group and the Company are calculated as follows:

	Group and Company
	HK$'000
Liability component at 1 April 2007	–
Face value of convertible notes at the date of issue	3,200
Interest expense	34
Amount classified as equity component	(443)
Liability component at 31 March 2008 and at 1 April 2008	2,791
Interest expense	142
Liability component at 31 March 2009	2,933

23. OTHER PAYABLES

	Group 2009 HK$'000	Group 2008 HK$'000
Other payables	–	76,800

Other payables represented the convertible notes in the principal amount of HK$76,800,000 the Company would issue, if the vendor could fulfill the earn out amount requirements. As the earn out amount was not achieved for the year ended 31 March 2009, the amount was reversed against the goodwill (note 19).

24. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the jurisdiction in which the Group operates.

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

Group

	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Product develop-ment costs** HK$'000	**Allowance for inventories** HK$'000	**Total** HK$'000
At 1 April 2007	(1,201)	2,186	(2,322)	355	(982)
Credit/(charge) to income statement – *note 11*	(166)	215	(369)	149	(171)
Exchange realignment	–	18	–	–	18
Disposal of subsidiaries	1,367	(2,419)	2,691	(504)	1,135
At 31 March 2008, at 1 April 2008 and at 31 March 2009	–	–	–	–	–

As at 31 March 2009, the Group had estimated unused tax losses of approximately HK$5,101,000 (2008: approximately HK$7,709,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset was recognised during the year (2008: Nil) due to the unpredictability of future profit streams.

The Company has no significant unprovided deferred tax for the year and at the balance sheet date.

25. SHARE CAPITAL AND RESERVES

(a) Share capital

	2009	2008
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2008: 2,000,000,000) ordinary shares of HK$0.05 each	200,000	100,000
Issued and fully paid:		
1,566,375,508 (2008: 1,282,345,278) ordinary shares of HK$0.05 each	78,318	64,117

Pursuant to an ordinary resolution passed on 1 August 2008, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of 2,000,000,000 additional shares of HK$0.05 each, ranking pari passu in all respects with the existing share capital of the Company.

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

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 April 2007		969,417,500	48,471	57,163	105,634
Issue of shares under placing	*(i)*	110,000,000	5,500	46,200	51,700
Share options exercised	*(ii)*	39,550,000	1,977	12,763	14,740
Issue of consideration shares	*(iii)*	163,377,778	8,169	65,351	73,520
Share issue expenses		–	–	(1,853)	(1,853)
At 31 March 2008 and at 1 April 2008		1,282,345,278	64,117	179,624	243,741
Issue of consideration shares	*(iv)*	22,967,646	1,148	14,470	15,618
Issue of bonus shares	*(v)*	261,062,584	13,053	(13,053)	–
At 31 March 2009		1,566,375,508	78,318	181,041	259,359

25. SHARE CAPITAL AND RESERVES *(Continued)*

(a) Share capital *(Continued)*

Notes:

(i) On 12 April 2007, the Company entered into a placing agreement to place 110,000,000 new shares to not less than six placees at the placing price of HK$0.47 per share. The placing was completed on 23 April 2007.

(ii) During the year ended 31 March 2008, the subscription rights attaching to 39,550,000 share options were exercised at subscription price of HK$0.31 per share, resulting in the issuance of 39,550,000 ordinary shares of HK$0.05 each for a total cash consideration before expenses of HK$12,260,500.

(iii) On 5 November 2007, the Company entered into sale and purchase agreements to acquire 13,333 shares of Media Magic Technology Limited at a consideration of HK$203,520,000, which was satisfied by cash of HK$50,000,000, the allotment and issue of 163,377,778 ordinary shares of the Company of HK$0.45 each in the amount of HK$73,520,000 and by the issue of convertible notes in the principal amount of HK$80,000,000. Further details of the sale and purchase agreements were also set out in a circular of the Company dated 3 December 2007. The transactions were completed on 21 December 2007.

(iv) On 30 May 2008, the Company completed the share exchange agreement, pursuant to which, the Company had agreed to purchase 2,000,000 ordinary shares of iPeer Multimedia at a price of USD1 per iPeer Multimedia's share, which had been settled by the allotment and issuance of 22,967,646 new shares of the Company at a price of HK$0.68 per share as the consideration.

(v) On 25 June 2008, the Company proposed to make a bonus issue of share on the basis of one new ordinary share of HK$0.05, credited as fully paid, for every five existing shares held by the shareholders of the Company. The transaction was completed on 12 August 2008.

(b) Share options

Details of the Company's share option scheme and share options issued under the scheme are set out in note 26 to the financial statements.

(c) Warrants

On 11 September 2007, the Company completed the private placing of 223,000,000 non-listed warrants at an issue price of HK$0.007 per warrant. The warrant holder can subscribe for one new share at the subscription of HK$0.543 per share within a period of 30 months from the date of issue of warrants. After the bonus issue on 12 August 2008, the number of non-listed warrants is adjusted to 267,304,635 and the subscription price is adjusted to HK$0.453 per share.

25. SHARE CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) Contributed surplus

Contributed surplus of the Group arose as a result of the group reorganisation for the listing of the Company's shares on the GEM and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the group reorganisation, over the nominal value of Company's shares in exchange therefor.

(iii) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

(iv) Convertible notes reserve

Convertible notes reserve represents the value of the non-exercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes set out in note 4.

(v) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4.

(vi) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

(vii) Available-for-sale investments reserve

Available-for-sale investments reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the balance sheet date and is dealt with in accordance with the accounting policies in note 4.

26. SHARE OPTION SCHEME

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

Eligible participants of the Scheme include any employees, consultants, suppliers or customers of the Company and its subsidiaries, including any independent non-executive directors of the Company. The scheme became effective on 1 November 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue at that date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. Any share option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to an eligible participant but may not be exercised after the expiry of 10 years from the date of grant of the share option.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

26. SHARE OPTION SCHEME *(Continued)*

Detail of share options, outstanding during the year, which are all of a call option type, are as follows:

Date of grant	Exercise period	Exercise price	Fair value at grant date
1 December 2008	1 December 2008 to 30 November 2013	HK$0.106	HK$0.0325

The Binomial model has been used to estimate the fair value of the options. The variances and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The following table lists the inputs to the model used for the year ended 31 March 2009:

Share price at grant date (HK$)	0.106
Exercise price (HK$)	0.106
Expected option period	5 years
Expected volatility	63.89%
Dividend yield	Nil
Risk-free interest rate	2.007%
Option type	Call

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Group recognised the total expenses of HK$2,272,000 for the year ended 31 March 2009 (2008: HK$3,736,000) in relation to share options granted by the Company.

26. SHARE OPTION SCHEME *(Continued)*

Movements of the Company's share options held by employees, directors and business associates during the year are:

Grantee	At 1 April 2008	Adjustment for bonus issue of the Company's shares	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Directors									
Chan Hin Wing James	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Chan Francis Ping Kuen	11,000,000	2,200,000	–	–	13,200,000	14 August 2007	HK$0.520	HK$0.4333*	14 August 2007 to 13 August 2017
	1,800,000	360,000	–	–	2,160,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	13,000,000	–	13,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Hsu Tung Sheng	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Hsu Tung Chi	3,200,000	640,000	–	–	3,840,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	11,000,000	–	11,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Ho Hoi Lap	11,000,000	2,200,000	–	–	13,200,000	14 August 2007	HK$0.520	HK$0.4333*	14 August 2007 to 13 August 2017
Sub-total	33,400,000	6,680,000	46,000,000	–	86,080,000				

26. SHARE OPTION SCHEME *(Continued)*

Movements of the Company's share options held by employees, directors and business associates during the year are: *(Continued)*

Grantee	At 1 April 2008	Adjustment for bonus issue of the Company's shares	Granted during the year	Exercised during the year	At 31 March 2009	Date of grant	Share price of the Company at the grant date	Exercise price	Exercise period of share options
Other employees									
In aggregate	19,000,000	3,800,000	–	–	22,800,000	17 December 2007	HK$0.440	HK$0.3775*	17 December 2007 to 16 December 2017
	6,400,000	1,280,000	–	–	7,680,000	21 December 2007	HK$0.465	HK$0.3875*	21 December 2007 to 20 December 2017
	–	–	24,000,000	–	24,000,000	1 December 2008	HK$0.106	HK$0.106	1 December 2008 to 30 November 2013
Consultants									
In aggregate	20,000,000	4,000,000	–	–	24,000,000	17 December 2007	HK$0.440	HK$0.3775*	17 December 2007 to 16 December 2017
Sub-total	45,400,000	9,080,000	24,000,000	–	78,480,000				
Total	78,800,000	15,760,000	70,000,000	–	164,560,000				

* *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 during the year.*

27. RESERVES

Company

	Issued share capital HK$'000	Share premium HK$'000	Contri-buted surplus HK$'000	Conver-tible notes reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 April 2007	48,471	57,163	12,947	–	2,480	–	(9,521)	111,540
Issue of shares under placing – *note 25 (a) (i)*	5,500	46,200	–	–	–	–	–	51,700
Recognition of equity-settled share-based payment – *note 26*	–	–	–	–	3,736	–	–	3,736
Share options exercised – *note 25 (a) (ii)*	1,977	12,763	–	–	(2,480)	–	–	12,260
Issue of consideration shares – *note 25 (a) (iii)*	8,169	65,351	–	–	–	–	–	73,520
Share issue expenses	–	(1,853)	–	–	–	–	–	(1,853)
Issue of warrants – *note 25 (c)*	–	–	–	–	–	1,561	–	1,561
Warrant issue expenses	–	–	–	–	–	(221)	–	(221)
Issue of convertible notes – *note 22*	–	–	–	443	–	–	–	443
Disposal of a subsidiary	–	–	(6,932)	–	–	–	–	(6,932)
Net loss for the year	–	–	–	–	–	–	(25,396)	(25,396)
At 31 March 2008 and at 1 April 2008	64,117	179,624	6,015	443	3,736	1,340	(34,917)	220,358
Issue of consideration shares – *note 25 (a) (iv)*	1,148	14,470	–	–	–	–	–	15,618
Issue of bonus shares – *note 25 (a) (v)*	13,053	(13,053)	–	–	–	–	–	–
Recognition of equity-settled share-based payment – *note 26*	–	–	–	–	2,272	–	–	2,272
Net loss for the year	–	–	–	–	–	–	(7,013)	(7,013)
At 31 March 2009	78,318	181,041	6,015	443	6,008	1,340	(41,930)	231,235

The contributed surplus of the Company arose as a result of the same group reorganisation and represents the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie under certain circumstances.

28. BUSINESS COMBINATIONS

On 18 October 2007 and 21 December 2007, the Group acquired additional 4% and 24% equity interest in PalmPay Technology Co. Ltd. and Media Magic Technology Limited, respectively. At the date of acquisition, PalmPay Technology Co. Ltd. and Media Magic Technology Limited had net carrying amounts of approximately HK$5,469,000. An excess of the cost of the further acquisition over the carrying amounts of the net assets acquired of approximately HK$199,034,000 is recognised as goodwill in the consolidated balance sheet.

Details of net assets acquired and goodwill are as follows:

	2009	2008
	HK$'000	HK$'000
Total purchase consideration discharged by:		
– Cash paid	–	50,983
– Shares issued	–	73,520
– Convertible notes – *note (i)*	–	80,000
Total purchase consideration of acquisition	–	204,503
Share of net assets acquired	–	(5,469)
Goodwill	–	199,034

Note:

(i) The Company would issue the convertible notes in the principal amount of HK$76,800,000, if the vendor could fulfill the earn out amount requirements. As the earn out amount was not achieved for the year ended 31 March 2009, the amount was reversed against the goodwill.

29. DISPOSAL OF SUBSIDIARIES

(a) On 17 July 2008, the Group disposed of its entire interest in Beijing Hu Lian Hui Zhong Technology Company Limited, an indirectly wholly-owned subsidiary of the Company, to Victory Tech Limited, an indirectly wholly-owned subsidiary of the Company. The disposal of the subsidiary was completed on 3 September 2008.

	2009 HK$'000
Net assets disposed of	**321**
20% share of net assets disposed of	**64**
Loss on partial disposal of a subsidiary	**(64)**
	–

(b) On 25 July 2008, the Group disposed of a 45% equity interest in a wholly-owned subsidiary company, Great Plan Group Limited, at a consideration of HK$450,000 to an independent third party. The disposal of the subsidiary was completed on 25 July 2008.

	2009 HK$'000
Net assets disposed of	**979**
45% share of net assets disposed of	**441**
Gain on partial disposal of a subsidiary	**9**
Consideration	**450**
Satisfied by:	
Cash	**450**

(c) On 11 January 2008, Great Plan Group Limited, a wholly owned subsidiary of the Company, has entered into two agreements in relation to the disposal of the entire issued share capital of Union Bridge Group Limited for an aggregate consideration of HK$10,500,000. The disposal of the subsidiaries was completed on 12 March 2008.

On 20 April 2007, the Company disposed of its entire interest in Sunny Sky Investments Management Limited, an indirectly wholly-owned subsidiary of the Company, to an independent third party at a consideration of HK$150,000. Moreover, on 29 September 2007, the Company entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Smart Time Development Limited, a directly wholly-owned subsidiary of the Company, at a total consideration of HK$1. The disposal of the subsidiaries was completed on 29 September 2007.

29. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	32,266
Available-for-sale financial assets	150
Intangible assets	29,864
Inventories	54,623
Trade receivables	10,615
Prepayment, deposit and receivables	8,423
Derivative financial instruments	3,226
Tax prepaid	121
Pledged time deposit	11,309
Cash and cash equivalents	1,953
Trade payables	(29,028)
Interest-bearing bank borrowings	(29,770)
Bank overdraft, secured	(28,494)
Finance lease payables	(4,811)
Other loans	(1,004)
Accruals and other payables	(24,116)
Tax payable	(891)
Deferred tax liabilities	(1,135)
Provision for long service payments	(171)
Net asset value	33,130
Exchange fluctuation reserve released on disposal	(2,518)
Minority interests	(1,987)
Loss on disposal	(17,975)
Consideration	10,650
Satisfied by:	
Cash	10,650

29. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2008 HK$'000
Cash consideration	10,650
Cash and bank balances in subsidiaries disposed of	26,541
Net inflow of cash and cash equivalents on disposal	37,191

30. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease commitments which are negotiated for terms from 1 to 5 years.

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

	Group	
	2009 **HK$'000**	2008 HK$'000
Within one year	**1,247**	731
In the second to fifth years, inclusive	**415**	921
	1,662	1,652

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2009 **HK$'000**	2008 HK$'000
Contracted, but not provided for in respect of acquisition of property, plant and equipment	**3,713**	–

32. CONTINGENT LIABILITIES

As at 31 March 2009, the Group and the Company had no significant contingent liabilities (2008: Nil).

33. RELATED PARTY TRANSACTIONS

(a) During the year, the Company had the following transactions with related parties:

		Company	
		2009	2008
	Notes	**HK$'000**	HK$'000
Management fee received from a subsidiary	*(i)*	**–**	199
Loan interest income received from a subsidiary	*(ii)*	**1,239**	–

Notes:

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

(ii) Interest was charged at the best lending rate per annum on the outstanding loan balance.

(b) Disposal of Great Plan Group Limited

During the year, the Company disposed of 100% equity interest in Great Plan Group Limited to Upper Power Limited, a directly wholly-owned subsidiary of the Company, at a consideration of HK$8.

(c) By a revolving facility letter signed between the Company and a subsidiary, the Company agreed to conditionally grant the subsidiary a revolving facility up to a maximum amount of HK$22 million at any time during each of the three financial years ending 31 March 2010.

(d) Disposal of Union Bridge Group Limited

In prior year, the Group disposed of 100% equity interest in Union Bridge Group Limited to Lo Ka Tong, a former executive director of the Company and Cheng Pui Ping, a director of subsidiary of the Company.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Group	
	2009	2008
	HK$'000	HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**94,233**	63,853
Available-for-sale investments	**26,323**	–
	120,556	63,853
Financial liabilities		
Amortised cost	**24,518**	92,433

35. FINANCIAL RISKS AND MANAGEMENT

The Group is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Group's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

(a) Credit risk

The Group's maximum exposure credit risk is represented by the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to trade and other receivables. The management of the Group reviews the recoverable amount regularly at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regards, the management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Credit risk is concentrated to a number of debtors principally located in the PRC. The management has considered the good creditability of the debtors and is of the view that, there is no significant credit risk on these receivables.

35. FINANCIAL RISKS AND MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the consolidated balance sheet date, based on the contracted undiscounted payments, was as follows:

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 March 2009						
Accruals and other payables	**21,139**	**–**	**–**	**–**	**–**	**21,139**
Due to a director	**446**	**–**	**–**	**–**	**–**	**446**
Convertible notes	**–**	**–**	**–**	**2,933**	**–**	**2,933**
	21,585	**–**	**–**	**2,933**	**–**	**24,518**
31 March 2008						
Accruals and other payables	12,589	–	–	76,800	–	89,389
Due to a director	253	–	–	–	–	253
Convertible notes	–	–	–	2,791	–	2,791
	12,842	–	–	79,591	–	92,433

35. FINANCIAL RISKS AND MANAGEMENT *(Continued)*

(c) Market risk

(i) Interest rate risk

The Group's exposure to cash flow interest rate risk mainly arises from the fluctuation of the prevailing market interest rate on the bank balances. However, the management considers the Group's exposure to such interest rate risk is not significant as bank balances are all short-term in nature. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

(ii) Currency risk

The Group has transactional currency exposures. Such exposures arise from sales or cost of sales by operating units in currencies other than the units' functional currency. Approximately 100% (2008: 20%) of the Group's cost of sales are denominated in currencies other than the functional currency of the operating units, whilst approximately 94% (2008: 26%) of sales are denominated in the units' functional currency. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in Renminbi ("RMB") exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
31 March 2009			
RMB	**10**	**3,505**	**3,505**
RMB	**(10)**	**(3,505)**	**(3,505)**

	Increase/ (decrease) in foreign exchange rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000
31 March 2008			
RMB	10	(692)	692
RMB	(10)	692	(692)

35. FINANCIAL RISKS AND MANAGEMENT *(Continued)*

(d) Fair value

The carrying amounts of financial assets and financial liabilities as disclosed under current assets and current liabilities, respectively, approximate their fair values as that are all short term in nature.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The capital structure of the Group consists of debts, cash and cash equivalents and issued share capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No change was made in the objectives, policies or processes during the years ended 31 March 2009 and 2008.

The Group monitors capital using a gearing ratio, which is borrowings divided by the total of borrowings and equity. Borrowings include convertible notes. Equity includes total equity. The gearing ratios as at the balance sheet dates were as follows:

	2009 **HK$'000**	2008 HK$'000
Borrowings:		
Convertible notes – liability components	**2,933**	2,791
Equity:		
Total equity	**265,074**	218,715
Borrowings and equity	**268,007**	221,506
Gearing ratio	**1%**	1%

37. POST BALANCE SHEET EVENTS

On 26 February 2009, Upper Power Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire additional 25% of the total issued shares of Media Magic Technology Limited. The acquisition of the 25% equity interest in Media Magic Technology Limited was completed on 16 June 2009. Further details of the transaction are also set out in a circular of the Company dated 27 May 2009.

38. COMPARATIVE FIGURES

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2009.