



**Palmpay**

*anytime, anywhere, anything*

**PALMPAY CHINA (HOLDINGS) LIMITED**

中國掌付(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code : 8047)

Interim Report 2010-2011

\* 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 the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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

## HIGHLIGHTS

For the six months ended 30 September 2010,

- the turnover of the Group was approximately HK\$17,092,000 as compared to the turnover of approximately HK\$23,513,000 recorded in the corresponding period.
- the profit attributable to equity holders of the Company was approximately HK\$7,015,000 (2009: HK\$9,341,000).
- the directors do not recommend the payment of an interim dividend (2009: Nil).
- the earnings per share of the Company was approximately HK0.26 cents (2009: HK0.51 cents).

## FINANCIAL RESULTS

The board of directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 September 2010 together with the comparative unaudited figures for the corresponding periods in 2009 respectively as follows:

### Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the three months and six months ended 30 September 2010

	Notes	Six months ended 30 September		Three months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	3	17,092	23,513	7,468	10,395
Cost of services rendered		<u>(5,304)</u>	(2,667)	<u>(2,749)</u>	(1,284)
Gross profit		11,788	20,846	4,719	9,111
Other revenue	3	3,797	352	2,652	176
Distribution costs		(1,657)	(1,595)	(861)	(769)
Administrative expenses		(6,370)	(7,118)	(3,348)	(4,007)
Finance costs		<u>(116)</u>	(270)	<u>(78)</u>	(233)
Profit before taxation	5	7,442	12,215	3,084	4,278
Income tax expenses	6	<u>(427)</u>	(1,211)	<u>(42)</u>	(534)
Profit for the period		<u>7,015</u>	11,004	<u>3,042</u>	3,744

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

For the three months and six months ended 30 September 2010

	Notes	Six months ended 30 September		Three months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Other comprehensive income					
Exchange differences					
arising on translation		1,345	221	682	10
Total comprehensive income					
for the period		8,360	11,225	3,724	3,754
Profit for the period attributable to:					
Equity holders of the Company		7,015	9,341	3,042	4,193
Minority interests		–	1,663	–	(449)
		7,015	11,004	3,042	3,744
Total comprehensive income					
attributable to:					
Equity holders of the Company		8,360	9,504	3,724	4,199
Minority interests		–	1,721	–	(445)
		8,360	11,225	3,724	3,754
Dividends	8	–	–	–	–
Earnings per share	7				
– Basic (cent)		0.26	0.51	0.11	0.21
– Diluted (cent)		0.26	0.50	0.11	0.20

## Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 September 2010

	<b>As at 30 September 2010 (Unaudited)</b>	<b>As at 31 March 2010 (Audited)</b>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	10,562	12,349
Available-for-sale financial assets	6,552	18,870
Intangible assets	39,264	35,861
Goodwill	209,627	209,627
	<b>266,005</b>	<b>276,707</b>
<b>Current assets</b>		
Inventories	4,536	3,684
Trade and other receivables	108,783	90,789
Restricted deposits	–	2,399
Bank balances and cash	77,912	19,101
	<b>191,231</b>	<b>115,973</b>
<b>Current liabilities</b>		
Accruals and other payables	31,057	32,161
Tax payable	4,223	4,640
Convertible bonds	–	3,083
	<b>35,280</b>	<b>39,884</b>

## Condensed Consolidated Statement of Financial Position (Unaudited) *(continued)*

As at 30 September 2010

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
<i>Notes</i>		
<b>Net current assets</b>	<b>155,951</b>	76,089
<b>NET ASSETS</b>	<b>421,956</b>	352,796
<b>Capital and reserves</b>		
Share capital	134,311	117,611
Reserves	287,645	235,185
Equity attributable to equity holders of the Company	421,956	352,796
Minority interests	-	-
<b>TOTAL EQUITY</b>	<b>421,956</b>	352,796

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 September 2010

	Issued share capital	Share premium	Contributed surplus	Exchange reserve	Employee convertible share-based		Available for sale		Retained profits/losses		Minority interests	Total	
					notes reserve	payment reserve	Warrant reserve	investments reserve	Statutory reserve	(Accumulated losses)			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2009	78,318	181,041	6,015	3,216	443	6,008	1,340	(1,734)	-	(25,661)	248,986	16,088	265,074
Issue of consideration shares	11,818	14,182	-	-	-	-	-	-	-	-	26,000	-	26,000
Exercise of share options	250	443	-	-	-	(163)	-	-	-	-	530	-	530
Issue of convertible notes	-	-	-	-	5,362	-	-	-	-	-	5,362	-	5,362
Conversion of convertible notes	13,359	21,373	-	-	(3,775)	-	-	-	-	-	30,957	-	30,957
Issue of warrants	-	-	-	-	-	-	750	-	-	-	750	-	750
Acquired on acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18,301)	(18,301)
Share premium reduction	-	(181,041)	139,111	-	-	-	-	-	-	41,930	-	-	-
Total comprehensive income for the period	-	-	-	163	-	-	-	-	-	9,341	9,504	1,721	11,225
At 30 September 2009	103,745	35,998	145,126	3,379	2,030	5,845	2,090	(1,734)	-	25,610	322,089	(492)	321,597
At 1 April 2010	117,611	60,370	145,126	3,365	443	2,923	-	(9,187)	1,037	31,088	352,796	-	352,796
Issue of consideration shares	10,350	26,715	-	-	-	-	-	-	-	-	37,065	-	37,065
Issue of unlisted warrants	-	-	-	-	-	-	621	-	-	-	621	-	621
Exercise of unlisted warrants	6,350	17,145	-	-	-	-	(381)	-	-	-	23,114	-	23,114
Total comprehensive income for the period	-	-	-	1,345	-	-	-	-	-	7,015	8,360	-	8,360
At 30 September 2010	134,311	104,230	145,126	4,730	443	2,923	240	(9,187)	1,037	38,103	421,956	-	421,956



## Condensed Consolidated Statement of Cash Flow (Unaudited)

For the six months ended 30 September 2010

	<b>Six months ended 30 September 2010 (Unaudited) HK\$'000</b>	Six months ended 30 September 2009 (Unaudited) HK\$'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	<u>(2,613)</u>	<u>9,785</u>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(577)	–
Proceeds from disposal of property, plant and equipment	–	1,673
Purchase of intangible assets	(3,403)	(6,506)
Acquisition of additional interest in subsidiaries	–	(7,000)
Disposal of available for sale investments	3,939	–
Interest received	<u>4</u>	<u>–</u>
NET USED IN INVESTING ACTIVITIES	<u>(37)</u>	<u>(11,833)</u>

## Condensed Consolidated Statement of Cash Flow (Unaudited) (continued)

For the six months ended 30 September 2010

	<b>Six months ended 30 September 2010 (Unaudited) HK\$'000</b>	Six months ended 30 September 2009 (Unaudited) HK\$'000
FINANCING ACTIVITIES		
Redemption of convertible bonds	(3,083)	–
Proceeds from issue of shares	60,560	530
Proceeds from issue of warrants	240	750
NET CASH FROM FINANCING ACTIVITIES	<u>57,717</u>	1,280
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	55,067	(768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>21,500</u>	9,985
	76,567	9,217
Effect of foreign exchange rate changes	<u>1,345</u>	220
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>77,912</u>	9,437
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>77,912</u>	9,437

# Notes to the Financial Statements

Notes:

## 1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of payment gateway services.

## 2. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those set out in the annual financial statements for the year ended 31 March 2010. The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company.

### 3. TURNOVER AND REVENUE

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

	Six months ended 30 September		Three months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	Payment gateway services	17,092	23,513	7,468
Turnover	17,092	23,513	7,468	10,395
Reversal of bad and doubtful debts	3,793	–	2,650	–
Dividend income	–	351	–	176
Interest income	4	1	2	–
Other revenue	3,797	352	2,652	176
Total turnover and revenue	20,889	23,865	10,120	10,571

### 4. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

#### (a) Business segment

Throughout the six months ended 30 September 2009 and 2010, the Group has been operating in a single business segment, i.e. the provision of mobile payment gateway services.

#### (b) Geographical segment

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

# Notes to the Financial Statements

## 5. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging the following:

	Six months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation of property, plant and equipment	<b>2,364</b>	1,272	<b>1,987</b>	1,070

## 6. TAXATION

Hong Kong Profit Tax has not been provided as the Group incurred a loss for taxation purposes for the period (2009: Nil).

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

	Six months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax – other jurisdictions	<b>427</b>	1,211	<b>42</b>	534
Tax charge for the period	<b>427</b>	1,211	<b>42</b>	534

Deferred tax had not been provided for the Group because the Group had no significant temporary differences at the balance sheet date (2009: Nil).

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited net profit attributable to equity holders of the Company for the three months and six months ended 30 September 2010 of approximately HK\$3,042,000 and HK\$7,015,000 respectively (three months and six months ended 30 September 2009: unaudited net profit of approximately HK\$4,193,000 and HK\$9,341,000 respectively) and the weighted average number of 2,686,239,143 and 2,657,370,291 ordinary shares of the Company respectively (three months and six months ended 30 September 2009: 2,044,844,682 and 1,826,945,740 shares respectively).

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the three months and six months ended 30 September 2010, the Company had three categories of dilutive potential ordinary shares: share options, warrants and convertible bonds.

	Six months ended 30 September		Three months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Profit used to determine diluted earnings per share	<b>7,015,000</b>	9,341,000	<b>3,042,000</b>	4,193,000
Weighted average number of ordinary shares in issue	<b>2,657,370,291</b>	1,826,945,740	<b>2,686,239,143</b>	2,044,844,682
Adjustments for assumed exercise of share options, warrants and convertible bonds	<b>12,108,332</b>	35,789,288	<b>17,354,234</b>	43,708,288
Weighted average number of ordinary shares of diluted earnings per share	<b>2,669,478,623</b>	1,862,735,028	<b>2,703,593,377</b>	2,088,552,970
Diluted earnings per share	<b>0.26 cent</b>	0.50 cent	<b>0.11 cent</b>	0.20 cent

# Notes to the Financial Statements

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

## 9. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	<b>As at 31 March 2010 (Audited) HK\$'000</b>
<b>Trade receivables from third parties</b>	<b>82,584</b>	94,473
Allowance for bad and doubtful debts	<b>(2,889)</b>	(6,606)
	<b>79,695</b>	87,867
<b>Other receivables</b>		
Prepayments, deposits and other receivables	<b>29,088</b>	2,922
	<b>108,783</b>	90,789

## 9. TRADE AND OTHER RECEIVABLES *(continued)*

At the end of the reporting period, the ageing analysis of the trade receivables (net of allowances for bad and doubtful debts) by overdue date is as follows:

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	As at 31 March 2010 (Audited) HK\$'000
Current	<b>12,661</b>	4,541
Less than 3 months past due	<b>1,502</b>	8,941
3 months to 6 months past due	<b>5,650</b>	13,811
6 months to 9 months past due	<b>13,064</b>	14,675
9 months to 1 year past due	<b>13,128</b>	20,546
Over 1 year past due	<b>33,690</b>	25,353
	<b>67,034</b>	83,326
	<b>79,695</b>	87,867



# Notes to the Financial Statements

## 10. OPERATING LEASE COMMITMENTS

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

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

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	<b>As at 31 March 2010 (Audited) HK\$'000</b>
Within one year	–	88
In the second to fifth years inclusive	–	–
	<hr/>	<hr/>
	–	88

## 11. CAPITAL EXPENDITURE COMMITMENTS

	<b>As at 30 September 2010 (Unaudited) HK\$'000</b>	<b>As at 31 March 2010 (Audited) HK\$'000</b>
Contracted but not provided net of deposit paid for acquisition of property, plant and equipment	–	455

## 12. COMPARATIVE FIGURES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW AND PROSPECT

#### Operational review

The Group has achieved the following business progresses amid the on-going adverse changes in the payment industry in the PRC.

#### Payment by deduction business

With the re-alignment of business focus of the Group achieving substantial progress, the Group is now engaged in development and provision of business to business electronic/mobile payment management platform (“Payment Platform”) for service providers of the telecommunication industry in the PRC.

The Group has reached an agreement with a mobile/Internet game developer for development of the Payment Platform in relation to the operation between its customers and the network carriers.

The Group has also entered into agreements with several Internet service providers for the development of Payment Platform in relation to its operation with the telecommunication operators in the PRC.

#### The PalmPay online platform and the related consultancy services

The co-operation with Beijing Huatong Toyota Sales & Services Co. Limited has already commenced during the period. The pilot run of the Toyota online membership system (based on Sony FeliCa, a NFC technology developed by Sony) received positive feedback in Beijing. Such membership system will be expanded to nation-wide in the coming quarters.

The Group has also made inroads on the introduction of PalmPay online platform. During the period, the Group entered into agreements with corporations in the PRC for development of the PalmPay online payment platform and the provision of related consultancy service. First batch of PalmPay online system tools were distributed to these corporations. The Group is in negotiation with these corporations for delivery of additional batches in the coming quarters.

In addition, the Group is in negotiation with a well-known online food and beverage internet portal to develop its membership systems into e-payment platforms with the incorporation of Sony FeliCa in the PRC.

## Financial review

For the period ended 30 September 2010, the Group recorded a turnover of approximately HK\$17,092,000 (2009: approximately HK\$23,513,000) from its payment gateway business. The decrease was due to the adverse change in PRC.

During the period, the Group's net profit and profit attributable to equity holders of the Company decreased from approximately HK\$11,004,000 and HK\$9,341,000 of previous corresponding period to approximately HK\$7,015,000 and HK\$7,015,000 respectively. The administrative expenses decreased by approximately 11% as compared to the previous corresponding period mainly due to the effective cost control during this period.

## Liquidity, financial resources and capital structure

As at 30 September 2010, the Group had total assets of approximately HK\$457.2 million (31 March 2010: approximately HK\$392.7 million), including cash and bank balances of approximately HK\$77.9 million (31 March 2010: approximately HK\$19.1 million).

For the period ended 30 September 2010, the Group financed its operations mainly with its own working capital and there were no general banking facilities. There was no charge on the Group's assets as at 30 September 2010 (31 March 2010: Nil).

As at 30 September 2010, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (31 March 2010: Nil). The Group had no bank borrowings as at 30 September 2010 (31 March 2010: Nil).

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

## Material acquisitions and disposal of subsidiaries

During the six months ended 30 September 2010, the Group did not have any material acquisition and disposal of subsidiaries.

## Contingent liabilities

The Group had no contingent liability as at 30 September 2010 (31 March 2010: Nil).

## Employees and remuneration policies

As at 30 September 2010, the Group had 51 (31 March 2010: 51) employees including directors. Total staff-costs (excluding directors' emoluments) amounted to approximately HK\$2,174,000 for the six months ended 30 September 2010, as compared to approximately HK\$1,972,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme for its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

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

As at 30 September 2010, the interests and short position of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in shares:

Name of director	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Hsu Tung Sheng	Beneficial	11,900,000(L)	0.44%
Hsu Tung Chi	Beneficial	76,074,000(L)	2.83%
Yuan Shengjun	Beneficial	37,012,000(L)	1.38%

(L) denotes long position

(ii) Interests in share options:

Name of director	Number of share options outstanding	Approximate percentage of issued share capital
Chan Francis Ping Kuen	13,200,000 *	0.49%
	2,160,000 #	0.08%
Chan Hin Wing, James	3,840,000 #	0.14%
Hsu Tung Sheng	3,840,000 #	0.14%
Hsu Tung Chi	3,840,000 #	0.14%
Yuan Shengjun	3,840,000 #	0.14%

\* 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.

Save as disclosed above, as at 30 September 2010, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

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

Categories of grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Outstanding as at 31/3/2010	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30/09/2010
<b>Directors</b>								
Mr. Chan Francis Ping Kuen	14/08/2007	14/08/2007 – 13/08/2017	0.4333	13,200,000	-	-	-	13,200,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	2,160,000	-	-	-	2,160,000
Mr. Chan Hin Wing, James	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	-	-	-	3,840,000
Mr. Hsu Tung Sheng	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	-	-	-	3,840,000
Mr. Hsu Tung Chi	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	-	-	-	3,840,000
Mr. Yuan Shengjun	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	-	-	-	3,840,000
<b>Employees</b>								
	17/12/2007	17/12/2007 – 16/12/2017	0.3775	22,800,000	-	-	-	22,800,000
	21/12/2007	21/12/2007 – 20/12/2017	0.3875	3,840,000	-	-	-	3,840,000
<b>Consultants</b>								
	17/12/2007	17/12/2007 – 16/12/2017	0.3775	24,000,000	-	-	-	24,000,000
				81,360,000	-	-	-	81,360,000

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

As at 30 September 2010, other than the interests of directors of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited ( <i>Note 1</i> )	Beneficial	617,261,706(L)	22.98%
Lau Kim Hung, Jack ( <i>Note 1</i> )	Interests in controlled corporation	617,261,706(L)	22.98%
	Beneficial	11,208,000(L)	0.42%
	Deemed	1,200,000(L)	0.04%
Chan Yiu Kan, Katie ( <i>Note 1</i> )	Deemed	628,469,706(L)	23.40%
	Beneficial	1,200,000(L)	0.04%

(L) denotes long position



*Notes:*

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Mr. Lau is deemed to be interested in 617,261,706 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 617,261,706 shares held by Starryland Profits Limited and 11,208,000 shares held by Mr. Lau.

Save as disclosed above, as at 30 September 2010, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

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

During the six months ended 30 September 2010, there were no purchases, sales or redemptions of the Company's listed shares by the Company or any of its subsidiaries.

## COMPETING INTERESTS

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

## PRE-EMPTIVE RIGHT

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Throughout the period ended 30 September 2010, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions.

## CODE ON CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 September 2010 except that no nomination committee of the Board is established.

## REMUNERATION COMMITTEE

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

## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 18th October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan and Mr. Cheung Chi Hwa, Justin. The unaudited financial statements of the Group for the period ended 30 September 2010 have been reviewed by the Committee, which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange requirements, and that adequate disclosures have been made.

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

Hong Kong, 10 November 2010

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