

Press Release

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PALMPAY CHINA JOINS HANDS WITH SONY TO LAUNCH ADVANCED PAYMENT GATEWAY AND ACHIEVES NET PROFIT SURGE OF 128% FOR THE FIRST QUARTER 2008

Palmpay China (Holdings) Limited (“Palmpay China” or the “Group”, stock code: 8047), a mobile payment gateway service provider in the People’s Republic of China (“PRC”), today announced its unaudited first quarterly results for the three months ended 30 June 2008. During the period, the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$3,902,000, representing 128% increase as compared to approximately HK\$1,710,000 in the previous corresponding period. For the period, the Group recorded turnover of approximately HK\$13,077,000, which represents revenue from its mobile payment gateway business and an increase of approximately 129% as compared to the previous corresponding period. Such substantial increase was in line with the significant growth of the mobile payment gateway business. The gross profit margin of the Group increased from approximately 34% in the previous corresponding period to approximately 86% in the current period, which was mainly due to change of focus of the Group to higher gross profit margin sector of mobile payment gateway business.

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

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

SONY FELICA

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

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

About Palmpay China

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

The Group has already penetrated its mobile payment gateway business into 14 major provinces and municipal cities in the PRC covering Shanghai (上海), Liaoning (遼寧), Chongqing (重慶), Jilin (吉林), Guangxi (廣西), Hunan (湖南), Hubei (湖北), Heilongjiang (黑龍江), Shaanxi (陝西), Guizhou (貴州), Gansu (甘肅) and Inner Mongolia (內蒙), Yunnan (雲南) and Xinjiang (新疆) of which, Shanghai (上海), Liaoning (遼寧), Jilin (吉林) and Guangxi (廣西) have been in full operation for over a year. It is expected that operation of the Group’s business will commence in other major provinces and municipal cities in the PRC such as Guangdong (廣東), Sichuan (四川) and Shandong (山東), etc. after the Beijing Olympic Games. In addition to the sale of IP cards, virtual game cards, accident insurance products, the

Company will launch additional virtual and service products which include entertainment products, educational and information products from the Group's strategic partners, such as China Unicom NewSpace (聯通新時訊), kuro.cn (酷樂), as well as an electronic magazine and an e-learning business.

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Palmpay China (Holdings) Limited
(Stock code: 8047)
Unaudited Consolidated Income Statement
For the three months ended 30 June 2008

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