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## **PALMPAY CHINA ACHIEVED 250% OF THE GUARANTEED PROFIT OF ITS MOBILE PAYMENT GATEWAY BUSINESS AND PROPOSED BONUS ISSUE OF SHARES**

Palmpay China (Holdings) Limited (“Palmpay China” or the “Group”, stock code: 8047), a mobile payment gateway service provider in the PRC, today announced its audited annual results for the year ended 31 March 2008. During the year, the Group recorded revenue of approximately HK\$142.4 million (2007: HK\$110.1 million), representing a 29 per cent upsurge from that of the previous year, with a 98 per cent increase in gross profit, which amounted to approximately HK\$48 million (2007:HK\$24.3 million). The Group proposed to make a bonus issue of shares on the basis of one new ordinary share for every five existing shares held by the shareholders of the Group.

The increase in the Group’s turnover was mainly attributable to the significant increase in the turnover of the mobile payment gateway business by more than ten times. The higher gross profit margin of such business contributed to a surge in the Group’s gross profit.

During the year, the Group commenced operation of the mobile payment gateway services in four major provinces/ municipal cities in the PRC. By the end of the financial year, the Group’s mobile payment gateway services had extended to over twelve provinces/ municipal cities in the PRC including Liaoning, Shanghai, Guangxi, Hunan, Jilin, Guizhou, Gansu, Hubei, Chongqing, Shaanxi, Inner Mongolia and Heilongjiang. During the year, the net profit from mobile payment gateway business attributable to the Group amounted to approximately HK\$11.3 million. It is expected that full operation will further expand to an additional eleven major provinces/ municipal cities in the PRC such as Guangdong, Sichuan, Fujian and Shandong.

The Group’s mobile payment gateway business is conducted through its 75 percent owned subsidiary--Media Magic Technology Limited (“Media Magic”) which reported a net profit after tax of approximately HK\$21 million or 250% of the guaranteed profit of RMB 8 million guaranteed by the vendor for the acquisition of 31% shareholding interest in Media Magic Technology Limited by the Group in January 2007.

The Group has secured a cooperation agreement with PICC Life Insurance Company Limited (“中國人民人壽保險股份有限公司”) (“PICC Life 中國人民人壽保險”) on a national basis for the provision of mobile payment gateway service to the sale of accident insurance products. The Group commenced the trial launch of the provision of mobile payment gateway for accident insurance products in October 2007. As at 31 March 2008, trial launch of such service has commenced in Shanghai, Liaoning, Guangxi and Jilin and turnover of approximately RMB1.5

million was recorded for the first quarter of 2008. The Group is the first operator to provide mobile payment gateway for the sale of accident insurance product in the PRC.

During the year, the Group disposed its manufacturing and trading of electronic devices and internet appliances businesses. The disposal enabled the Group to clear its bank borrowing and lowered its administration expenses by 37 per cent. As a result of the one-off loss on such disposal, the Group recorded a net loss attributable to equity holders amounted to approximately HK\$18.8 million.

The investment of the Group in iPeer Multimedia International Limited (“iPeer Multimedia”), an online music service provider in Taiwan since 2006 and has expanded into the digital music market in the PRC as one of the leading online music services providers under the brand name “kuro.cn (酷樂)” in late 2007. Through cooperation with more than 20 domestic and international label companies, like EMI, Sony BMG, Warner Music and Universal, kuro.cn (酷樂) currently has more than 1 million authorized music contents. iPeer Multimedia also has 40% interest in a Taiwanese label company, HIM International Music Inc., which is a company engaged in the production of musical content and agency business to pop singing groups such as S.H.E. Fahrenheit (飛輪海), Tank, Power Station (動力火車) and Stars Reunion (星光幫) in Taiwan. In the PRC, more than 400,000 mobile phones embedded with iPeer Multimedia’s proprietary digital rights protection technology have been distributed. The Group will handle the payment of subscription fee by the members of kuro.cn (酷樂) through its payment gateway platform on an exclusive nation-wide basis.

The Group is in the process of finalising a co-operation agreement with China Unicom NewSpace (聯通新時訊), a wholly owned subsidiary of China Unicom (中國聯通) and is engaged in the provision of music, comic and animation to the subscribers of China Unicom (中國聯通), through which the Group’s payment gateway services will be further extended.

In an effort to develop the payment gateway business of the Group into a new dimension, the Group will, base on the Near Field Communication Technology (“NFC”), in addition to the mobile phone, develop another payment gateway platform. The Group is in final negotiation stage with a globally well-known developer of NFC in Japan to introduce such contactless integrated circuit card industry in the PRC. Such technology is already widely adopted globally, i.e. Octopus in Hong Kong, NTT DoCoMo and KDDI mobile wallets (NTT DoCoMo and KDDI are two of the largest telecommunication providers in Japan) in Japan and EZ-Link in Singapore. The Group has entered into a preliminary agreement with China Network Communication Group Corporation (中國網絡通信集團公司) for the introduction and operation of such NFC media in Jiangsu, the PRC. The Group is also in finalising the co-operation arrangement with its strategic partners and other telecommunication conglomerates in the PRC for the introduction and operation of such NFC media in other provinces of the PRC.

## About Palmpay China

Palmpay China is principally engaged in the provision of mobile payment gateway business in the PRC. The Group is exclusively authorized by China Unicom Limited to complement its mobile network to develop a mobile payment gateway in 23 major provinces and municipal cities in the PRC. The virtual and service products provided by Palmpay China include China Unicom (中國聯通) IP cards, virtual game cards of Baidu (百度) and Shanda (盛大), accident insurance products of PICC Life (中國人民人壽保險). In addition to the above virtual and service products, the Group will launch other virtual contents from the Group's strategic partners such as music, entertainment, language learning and periodicals.

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Issued: Palmpay China (Holdings) Limited  
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**Palmpay China (Holdings) Limited**  
**(Stock code: 8047)**  
**Audited Consolidated Income Statement**  
**For the year ended 31 March 2008**

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>TURNOVER</b>		
Continuing operation	<b>36,523</b>	3,178
Discontinued operations	<b>105,840</b>	106,896
	<b>142,363</b>	110,074
Cost of sales	<b>(94,391)</b>	(85,818)
Gross profit	<b>47,972</b>	24,256
Other revenue and gains	<b>3,519</b>	1,329
Distribution expenses	<b>(4,076)</b>	(1,217)
Administrative expenses	<b>(29,594)</b>	(21,216)
Provision for impairment loss of available-for-sale financial assets	--	(570)
Loss of disposal of subsidiaries, net	<b>(17,975)</b>	--
Finance costs	<b>(6,314)</b>	(8,361)
Share of loss from an associate	--	(187)
<b>PROFIT/ LOSS BEFORE TAX</b>		
Continuing operation	<b>(5,351)</b>	(7,311)
Discontinued operations	<b>(1,117)</b>	1,345
	<b>(6,468)</b>	(5,966)
<b>TAX</b>		
Continuing operation	<b>(2,170)</b>	(497)
Discontinued operations	<b>(374)</b>	(2,155)
	<b>(2,544)</b>	(2,652)
<b>LOSS FOR THE YEAR</b>		
Continuing operation	<b>(7,521)</b>	(7,808)
Discontinued operations	<b>(1,491)</b>	(810)
	<b>(9,012)</b>	(8,618)

# Press Release

## ATTRIBUTABLE TO:

Equity holders of the Company	<b>(18,751)</b>	(9,117)
Minority interests	<b>9,739</b>	499

<b>LOSS FOR THE YEAR</b>	<b>(9,012)</b>	<b>(8,618)</b>
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Dividend	--	--
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## LOSS PER SHARE

From continuing and discontinued operations

Basic (cents)	<b>(1.64)</b>	(1.78)
Diluted (cents)	<b>N/A</b>	N/A

From continuing operation

Basic (cents)	<b>(1.51)</b>	(1.62)
Diluted (cents)	<b>N/A</b>	N/A