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

(incorporated in Bermuda with limited liability)

(Stock Code: 8047)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, 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 announcement.

This announcement, 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 announcement 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 announcement misleading.

* *for identification purpose only*

FINANCIAL RESULTS

The board of directors (the "Board") of Palmpay China (Holdings) Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 together with the comparative figures for the corresponding year in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Turnover	5	**23,786**	43,409
Cost of services rendered and cost of goods sold		**(6,812)**	(4,028)
Gross profit		**16,974**	39,381
Other revenue	5	**19**	706
Other income	6	**3,954**	–
Selling and distribution costs		**(3,145)**	(2,035)
Administrative expenses		**(76,934)**	(19,373)
Other operating expenses		**(268,473)**	–
Finance costs	7	**(117)**	(615)
(Loss) Profit before taxation	7	**(327,722)**	18,064
Income tax expenses	8	**(1,412)**	(2,201)
(Loss) Profit for the year		**(329,134)**	15,863
Other comprehensive (loss) income for the year, net of tax			
Available-for-sale financial assets			
Change in fair value		**(6,163)**	(7,453)
Reclassification adjustments for gain on disposals		**(618)**	–
Exchange differences on consolidation		**5,320**	221
		(1,461)	(7,232)
Total comprehensive (loss) income for the year		**(330,595)**	8,631
(Loss) Profit attributable to:			
Equity holders of the Company	9	**(328,601)**	13,761
Non-controlling interests		**(533)**	2,102
		(329,134)	15,863
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(330,370)**	6,470
Non-controlling interests		**(225)**	2,161
		(330,595)	8,631
			(restated)
(Loss) Earnings per share	11		
Basic		**(HK60.32 cents)**	HK3.5 cents
Diluted		**(HK60.32 cents)**	HK3.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**5,879**	12,349
Available-for-sale financial assets		**389**	18,870
Intangible assets		**31,047**	35,861
Goodwill		**14,308**	209,627
		51,623	276,707
Current assets			
Inventories		**6,730**	3,684
Trade and other receivables	*12*	**49,470**	90,789
Restricted deposits		**–**	2,399
Bank balances and cash		**59,628**	19,101
		115,828	115,973
Current liabilities			
Trade and other payables	*13*	**33,164**	32,161
Tax payable		**5,892**	4,640
Convertible bonds		**–**	3,083
		39,056	39,884
Net current assets		**76,772**	76,089
Total assets less current liabilities		**128,395**	352,796
Non-current liabilities			
Promissory note		**4,700**	–
NET ASSETS		**123,695**	352,796
Capital and reserves			
Share capital		**31,381**	117,611
Reserves		**88,005**	235,185
Equity attributable to equity holders of the Company		**119,386**	352,796
Non-controlling interests		**4,309**	–
TOTAL EQUITY		**123,695**	352,796

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Attributable to equity holders of the Company													
		Reserves												
	Share capital	Share premium	Contributed surplus	Exchange reserve	Convertible bonds reserve	Employee share-based payment reserve	Warrant reserve	Available-for-sale financial assets reserve	Statutory reserve	Accumulated (losses) profits	Total reserves	Subtotal	Non-controlling interests	Total
	HK$'000	*HK$'000*	*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)	170,668	248,986	16,088	265,074
Profit for the year	–	–	–	–	–	–	–	–	–	13,761	13,761	13,761	2,102	15,863
Other comprehensive income (loss)														
Change in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	(7,453)	–	–	(7,453)	(7,453)	–	(7,453)
Exchange difference on consolidation	–	–	–	162	–	–	–	–	–	–	162	162	59	221
Total comprehensive income (loss) for the year	–	–	–	162	–	–	–	(7,453)	–	13,761	6,470	6,470	2,161	8,631
Transactions with owners														
Share premium reduction	–	(181,041)	139,111	–	–	–	–	–	–	41,930	–	–	–	–
Acquisition of additional interest in subsidiary from non-controlling interests	–	–	–	7	–	–	–	–	–	(58)	(51)	(51)	(18,249)	(18,300)
Issue of consideration shares	11,818	14,182	–	–	–	–	–	–	–	–	14,182	26,000	–	26,000
Issue of convertible bonds	–	–	–	–	5,362	–	–	–	–	–	5,362	5,362	–	5,362
Conversion of convertible bonds	18,975	30,496	–	–	(5,362)	–	–	–	–	–	25,134	44,109	–	44,109
Exercise of share options	3,500	6,192	–	–	–	(2,272)	–	–	–	–	3,920	7,420	–	7,420
Lapse of share options	–	–	–	–	–	(813)	–	–	–	813	–	–	–	–
Issue of unlisted warrants	–	–	–	–	–	–	750	–	–	–	750	750	–	750
Exercise of unlisted warrants	5,000	9,500	–	–	–	–	(750)	–	–	–	8,750	13,750	–	13,750
Expiry of unlisted warrants	–	–	–	–	–	–	(1,340)	–	–	1,340	–	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	–	1,037	(1,037)	–	–	–	–
	39,293	(120,671)	139,111	7	–	(3,085)	(1,340)	–	1,037	42,988	58,047	97,340	(18,249)	79,091
At 31 March 2010	117,611	60,370	145,126	3,385	443	2,923	–	(9,187)	1,037	31,088	235,185	352,796	–	352,796
At 1 April 2010	117,611	60,370	145,126	3,385	443	2,923	–	(9,187)	1,037	31,088	235,185	352,796	–	352,796
Loss for the year	–	–	–	–	–	–	–	–	–	(328,601)	(328,601)	(328,601)	(533)	(329,134)
Other comprehensive income (loss)														
Available-for-sale financial assets														
Change in fair value	–	–	–	–	–	–	–	(6,163)	–	–	(6,163)	(6,163)	–	(6,163)
Reclassification adjustments for gain on disposal	–	–	–	–	–	–	–	(618)	–	–	(618)	(618)	–	(618)
Exchange difference on consolidation	–	–	–	5,012	–	–	–	–	–	–	5,012	5,012	308	5,320
Total comprehensive income (loss) for the year	–	–	–	5,012	–	–	–	(6,781)	–	(328,601)	(330,370)	(330,370)	(225)	(330,595)
Transaction with owners														
Issue of shares upon private placing	10,350	27,945	–	–	–	–	–	–	–	–	27,945	38,295	–	38,295
Issue of unlisted warrants	–	–	–	–	–	–	621	–	–	–	621	621	–	621
Exercise of unlisted warrants	6,350	15,915	–	–	–	–	(381)	–	–	–	15,534	21,884	–	21,884
Redemption of convertible bonds	–	–	–	–	(443)	–	–	–	–	443	–	–	–	–
Share consolidation and capital reduction	(107,450)	–	107,450	–	–	–	–	–	–	–	107,450	–	–	–
Issue of consideration shares	4,520	31,640	–	–	–	–	–	–	–	–	31,640	36,160	–	36,160
Lapse of share options	–	–	–	–	–	(138)	–	–	–	138	–	–	–	–
Transfer of statutory reserve	–	–	–	–	–	–	–	–	1,384	(1,384)	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	4,534	4,534
	(86,230)	75,500	107,450	–	(443)	(138)	240	–	1,384	(803)	183,190	96,960	4,534	101,494
At 31 March 2011	**31,381**	**135,870**	**252,576**	**8,397**	**–**	**2,785**	**240**	**(15,968)**	**2,421**	**(298,316)**	**88,005**	**119,386**	**4,309**	**123,695**

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 are 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 at 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 the provision of payment gateway services and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, 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. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 consolidated financial statements except for the adoption of certain new / revised HKFRSs effective from the current year that are relevant to the Group as detailed in note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Adoption of new / revised HKFRSs

Amendments to HKFRS 2: Group Cash-settled Share-based Payment Transactions

The Amendments incorporate the guidance in HK(IFRIC) – Int 8: *Scope of HKFRS 2* and HK(IFRIC) – Int 11: *HKFRS 2 – Group and Treasury Share Transactions*. In addition to this, the Amendments provide further guidance on the accounting for share-based payment transactions among group entities. It states that the entity receiving the goods or services should recognise the transaction as an equity-settled share-based transaction only if:

- the awards granted are its own equity instruments; or
- it has no obligation to settle the transaction.

In all other circumstances, the entity should measure the transaction as a cash-settled share-based payment. The adoption of the Amendments does not have a significant impact to the Group.

HKFRS 3 (Revised): Business Combinations / Improvements to HKFRSs 2009 with amendments to HKFRS 3 (Revised)

The revised Standard introduces a number of major changes including the following:

- acquisition-related transaction costs, other than share and debt issue costs, to be expensed as incurred;

- existing interest in the acquiree to be remeasured at fair value, with the gain or loss recognised in profit or loss, upon subsequent changes in ownership interests;

- non-controlling interests in the acquiree to be measured at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree;

- contingent consideration to be recognised at fair value at the acquisition date; and

- goodwill to be measured at the excess of the aggregate of the acquisition-date fair value of the acquirer's interest in the acquiree and the amount of any non-controlling interests over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed from the acquisition.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 or HKAS 37, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

The Improvements to HKFRSs 2009 contain amendments to clarify the measurement of the fair value of an intangible asset acquired in a business combination and to permit the grouping of intangible assets as a single asset if each asset has a similar useful economic life.

The Group amended its accounting policies in relation to business combinations in order to bring them in line with the requirements under HKFRS 3 (Revised). The new accounting policies are set out in the notes below. In accordance with the relevant transitional provisions in HKFRS 3 (Revised), the Group has applied these new policies prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

HKAS 27 (Revised): Consolidated and Separate Financial Statements

The revised Standard requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss.

The revised Standard also requires that total comprehensive income is attributed to the equity holders of the Company and non-controlling interests even if it results in the non-controlling interests having a deficit balance. This revised Standard affects the Group's accounting policy for total comprehensive income attributable to the non-controlling interests. As the Group has applied the amendment prospectively, the previously reported results of the Group are not restated on the adoption of this revised Standard.

HK – Int 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation concludes that, if a term loan (i.e. a loan that is repayable on a specified date or in installments over a specified period, usually in excess of one year) has a demand clause (i.e. a clause that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion) in its terms, the loan shall be classified by the borrower as a current liability in the statement of financial position. Similarly, the amounts repayable under such a term loan shall be classified in the earliest time bracket in the contractual maturity analysis as required to be disclosed under HKFRS 7: *Financial Instruments: Disclosures*. The adoption of this Interpretation has not resulted in the Group reclassifying its term loans.

Improvements to HKFRSs 2009

Improvements to HKFRSs 2009 contain improvements to a number of Standards aiming to remove inconsistencies and clarify wording in the Standards.

- Amendments to HKAS 1 (Revised): *Current / non-current classification of convertible instruments*
  The Amendments clarify that the terms of a liability that could result, at any time, in its settlement by the issue of equity instruments at the option of the counterparty do not affect its classification.

- Amendments to HKAS 7: *Classification of expenditures on unrecognised assets*
  The Amendments provide that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

- Amendments to HKFRS 5: *Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations*
  The Amendments clarify that the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in HKFRS 5. The disclosure requirements of other HKFRSs only apply if specifically required for such non-current assets or discontinued operations.

- Amendments to HKAS 36: *Unit of accounting for goodwill impairment test*
  The Amendments clarify that the largest unit permitted for allocating goodwill acquired in a business combination for impairment testing is an operating segment, as defined in HKFRS 8 before aggregation for reporting purposes.

- Amendments to HKFRS 8: *Disclosure of information about segment assets*
  The Amendments clarify that the disclosure of segment assets is required only if that measure is regularly reported to the chief operating decision maker.

The adoption of the Improvements does not have a significant impact to the Group.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
Amendments to HK(IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [2]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [3]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [4]
Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [5]
HKFRS 9	*Financial Instruments* [6]
HKAS 27 (2011)	*Separate Financial Statements* [6]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [6]
HKFRS 10	*Consolidated Financial Statements* [6]
HKFRS 11	*Joint Arrangements* [6]
HKFRS 12	*Disclosure of Interests in Other Entities* [6]
HKFRS 13	*Fair Value Measurement* [6]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The directors are in the process of assessing the possible impact on the future adoption of these new / revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

4. SEGMENTAL INFORMATION

The Group manages its businesses by individual companies, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following two reporting segments. No operating segments have been aggregated to form the following reporting segments:

- Payment gateway services segment providing e-payment services; and

- Telecommunication optic fiber segment manufacturing and trading of products related to optimal optical fibers, electric power network systems and equipment and providing associated services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reporting segment on the following bases:

Segment assets include all allocated assets with the exception of available-for-sale financial assets and other corporate assets. Segment liabilities include trade and other payables attributable to the sales / service activities of the individual segments.

Revenue and expenses are allocated to the reporting segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Information regarding to the Group's reporting segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2011 and 2010 is set out below.

	Payment gateway business		**Telecommunication optic fiber business**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sale / Services to external customers	**17,510**	43,409	**6,276**	–	**23,786**	43,409
Segment results	**(282,677)**	26,911	**(37,884)**	–	**(320,561)**	26,911
Unallocated income					**1,530**	704
Unallocated expenses					**(8,574)**	(8,936)
Unallocated finance costs					**(117)**	(615)
(Loss) Profit before taxation					**(327,722)**	18,064
Income tax expenses					**(1,412)**	(2,201)
(Loss) Profit for the year					**(329,134)**	15,863
Assets and liabilities						
Segment assets	**67,533**	342,583	**41,118**	–	**108,651**	342,583
Unallocated assets					**58,800**	50,097
Consolidated total assets					**167,451**	392,680
Segment liabilities	**18,655**	28,176	**8,929**	–	**27,584**	28,176
Unallocated liabilities					**16,172**	11,708
Consolidated total liabilities					**43,756**	39,884

	Payment gateway business		Telecommunication optic fiber business		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation						
– Segment	**5,041**	3,975	**300**	–	**5,341**	3,975
– Unallocated					**–**	617
					5,341	4,592
Capital expenditure						
– Segment	**5,158**	23,575	**3,375**	–	**8,533**	23,575
– Unallocated					**–**	3,007
					8,533	26,582
Goodwill – additions	**–**	64,035	**56,308**	–	**56,308**	64,035
Impairment loss of goodwill	**209,627**	–	**42,000**	–	**251,627**	–
Impairment loss of intangible assets	**11,176**	–	**–**	–	**11,176**	–
Impairment loss of property, plant and equipment	**5,670**	–	**–**	–	**5,670**	–
Research and development costs	**12,200**	–	**–**	–	**12,200**	–
Allowance for bad and doubtful debts	**48,282**	4,236	**–**	–	**48,282**	4,236

(b) Geographical information

The Group's operations are primarily derived from external customers based in the PRC and all segment assets are located in the PRC. Accordingly, no geographical information is presented in accordance with HKFRS 8: *Operating Segments*.

(c) Information about major customers

For the year ended 31 March 2011, there were five *(2010: one)* customers that individually accounted for over 10% of total revenue of the Group as are set out below:

	Payment gateway business		**Telecommunication optic fiber business**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Major customer A	**4,303**	40,588	**–**	–	**4,303**	40,588
Major customer B	**6,170**	–	**–**	–	**6,170**	–
Major customer C	**4,471**	–	**–**	–	**4,471**	–
Major customer D	**–**	–	**3,502**	–	**3,502**	–
Major customer E	**–**	–	**2,774**	–	**2,774**	–
	14,944	40,588	**6,276**	–	**21,220**	40,588

5. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue during the year is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Rendering of services	**17,510**	43,409
Sale of goods	**6,276**	–
Turnover	**23,786**	43,409
Dividend income	**–**	702
Interest income	**19**	4
Other revenue	**19**	706
Total turnover and revenue	**23,805**	44,115

6. OTHER INCOME

	Group	
	2011	2010
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale financial assets	**1,523**	–
Other payables written-back	**2,431**	–
	3,954	–

7. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging:

	Group 2011 HK$'000	2010 HK$'000
Finance costs		
Interest on convertible bonds	**117**	615
Other items		
Employee benefit expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**5,387**	6,136
Contribution to defined contribution schemes	**1,071**	1,555
	6,458	7,691
Auditor's remuneration		
Current year	**450**	350
Underprovision in previous year	**83**	146
Cost of goods sold (including relevant employee benefit expenses and depreciation)	**1,265**	–
Cost of services rendered (including relevant employee benefit expenses and depreciation)	**5,547**	4,028
Depreciation of property, plant and equipment	**5,341**	4,592
Property, plant and equipment written-off	**–**	51
Exchange losses, net	**103**	24
Impairment loss of goodwill*	**251,627**	–
Impairment loss of intangible assets*	**11,176**	–
Impairment loss of property, plant and equipment*	**5,670**	–
Research and development costs	**12,200**	–
Operating lease payments for premises	**1,426**	296
Write-off of other receivables	**1,404**	–
Allowance for bad and doubtful debts		
Trade receivables	**47,908**	4,236
Other receivables	**374**	–

* *Included in other operating expenses.*

8. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the years ended 31 March 2011 and 2010.

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 year based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current year provision		
PRC enterprise income tax	**1,412**	2,201

Reconciliation of effective tax rate

	Group	
	2011	2010
	%	%
Applicable tax rate	**(18.3)**	28.2
Effect of tax concession	**(0.2)**	(26.1)
Non-deductible expenses	**18.6**	9.6
Non-taxable revenue	**(0.1)**	(2.3)
Unrecognised tax losses	**0.3**	2.8
Others	**0.1**	–
Effective tax rate for the year	**0.4**	12.2

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate. The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2011 includes a loss of HK$305,137,000 (2010: HK$14,299,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year (2010: Nil).

11. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the year as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss) Profit attributable to equity holders of the Company	**(328,601)**	13,761

	Number of shares	
	2011	2010
		(restated)
Weighted average number of ordinary shares in issue during the year	**544,755,226**	393,553,538

For the years ended 31 March 2011 and 2010, diluted (loss) earnings per share is the same as basic (loss) earnings per share as the potential ordinary shares issuable under the convertible bonds, unlisted warrants and share options have anti-dilutive effects on the basic (loss) earnings per share.

The weighted average number of ordinary shares for calculating basic and diluted earnings per share for the year ended 31 March 2010 has been restated as a result of the share consolidation by the Company during the year.

12. TRADE AND OTHER RECEIVABLES

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Trade receivables from third parties	*(i)*	**94,251**	94,473
Allowance for bad and doubtful debts	*(ii)*	**(56,066)**	(6,606)
		38,185	87,867
Other receivables			
Prepayments, deposits and other receivables		**11,262**	2,922
Due from non-controlling interests	*(iii)*	**23**	–
		49,470	90,789

(i) Aging of trade receivables

The Group normally grants credit term of 90 days to its customers upon the delivery of products or when the services are rendered. The aging of trade receivables (net of allowances of bad and doubtful debts) based on invoice date is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
1 – 90 days	**7,688**	4,541
91 – 180 days	**10,927**	8,941
181 – 270 days	**3,213**	13,811
271 – 365 days	**5,239**	14,675
Over 1 year	**11,118**	45,899
	38,185	87,867

(ii) Allowance for bad and doubtful debts

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of reporting period	**6,606**	2,389
Increase in allowance	**47,908**	4,236
Amount written-off	**–**	(25)
Exchange realignment	**1,552**	6
At end of reporting period	**56,066**	6,606

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$30,497,000 (2010: HK$83,326,000), which were past due at the end of the reporting period but not impaired as there has not been a significant change in credit quality.

	Group	
	2011	2010
	HK$'000	*HK$'000*
1 – 90 days past due	**10,927**	8,941
91 – 180 days past due	**3,213**	13,811
181 – 270 days past due	**5,239**	14,675
271 – 365 days past due	**11,118**	20,546
Over 1 year past due	**–**	25,353
	30,497	83,326

(iii) Due from non-controlling interests

The amounts due are unsecured, interest-free and have no fixed repayment term.

13. TRADE AND OTHER PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade payables	**792**	–
Accruals and other payables	**20,306**	18,664
Due to non-controlling interests	**4,050**	4,050
Due to a shareholder	**675**	636
Due to directors	**7,341**	8,811
	33,164	32,161

The amounts due to non-controlling interests, a shareholder and directors are unsecured, interest-free and have no fixed repayment term.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Review

BUSINESS AND OPERATION REVIEW

Payment by deduction business

During the year, the payment by deduction business of the Group was adversely affected by the prevailing rules and regulations in the PRC. While the Sony Felica related businesses have commenced during the year, the Board does not foresee any improvements on the payment by deduction business as a whole in the coming future. The Group has, once and for all, made significant impairment provision on the payment by deduction business.

With the China telecommunication operators' ongoing multi-billion dollar investment in upgrading the telecommunication network and infrastructure; the Group will capitalise on our resources and know-how in the telecommunication industry and will refocus its business to telecommunication related enhancement, maintenance, security and value-added peripheral business in the PRC.

Acquisition of telecommunication optic fiber business

The Group completed the acquisition of China Optic Communication Technology Limited ("China Optic") in February 2011 which is principally engaged in the provision of telecommunication optic fiber business to the telecommunication operators in the PRC.

China Optic's business partner has entered into agreements with China United Network Communications Group Co., Ltd. ("China Unicom") and China Telecommunications Corporation ("China Telecom") for the provision of optic fiber and maintenance services in Guangdong (廣東省), Anhui (安徽省), Shandong (山東省), Jiangsu (江蘇省) and Henan (河南省). The established relationship of the Group in the telecommunication related industries is well positioned to facilitate China Optic to penetrate into other provinces in the PRC. The Group believes the acquisition has laid down the foundations and networks for the development of such new business activities. It provides a direction for the Group to penetrate into the telecommunication related enhancement, maintenance, security and value-added peripheral business.

PROSPECTS

Despite at very high and painful costs, the Group has, once and for all, made the significant provision on the unpromising payment by deduction business and paved the way for the rationalizing of the Group's strategic business focus.

The Group will continue to explore investment opportunities in other telecommunication related enhancement maintenance, security and value-added peripheral business which the Group believes will have promising future and generate significant profitability in medium to long 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.

Financial Review

Results

The Group recorded a decrease of approximately 45.2% in its turnover for the year ended 31 March 2011 to approximately HK$23.8 million as compared to approximately HK$43.4 million in the previous year. The decrease in turnover was due to the adverse change in the payment industry in the PRC.

The Group recorded a decrease in gross profit of approximately 56.9% to HK$17.0 million in the current year as compared to approximately HK$39.4 million in the previous year mainly due to the decrease in turnover of the payment gateway services.

Net loss attributable to equity holders of the Company for the year amounted to approximately HK$328.6 million (2010 net profit of approximately: HK$13.8 million). Loss during the year was mainly due to the impairment loss of goodwill and allowance for bad and doubtful debts amounted HK$251.6 million and HK$48.3 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2011, the Group had total assets of approximately HK$167.5 million (2010: HK$392.7 million), including net cash and bank balances of approximately HK$59.6 million (2010: HK$19.1 million).

For the year ended 31 March 2011, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2010: Nil). There was no charge on the Group's assets as at 31 March 2011 (2010: Nil).

As at 31 March 2011, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2010: Nil). The Group had no bank borrowings as at 31 March 2011 (2010: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in Hong Kong Dollar ("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 2011, 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 payment gateway services and manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment.

As to the geographical segments, sale of the Group generated in the PRC market was approximately HK$23.8 million during the year ended 31 March 2011. (2010: HK$43.4 million in the PRC)

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 equity investments in a company, the Group did not have any significant investment during the year (2010: Nil).

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year, the Group has acquired 50.1% equity interests in China Optic Communication Technology Limited and its subsidiaries. China Optic Communication Technology Limited and its subsidiaries are principally engaged in manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment in the PRC.

Details of the acquisition are disclosed in the Company's announcements dated 25 January 2011 and 27 January 2011.

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 2011. 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 2011.

Employees and remuneration policies

As at 31 March 2011, the Group had 79 (2010: 51) employees including directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$4.9 million for the year ended 31 March 2011 (2010: HK$5.4 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.

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.

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 2011 except that no nomination committee of the Board is established.

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 2011.

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.

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.

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 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. Cheung Chi Hwa, Justin. 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 2011 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.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group and the annual report for the year ended 31 March 2011.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

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

Hong Kong, 27 June 2011

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

This announcement will appear and remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company's website at www.palmpaychina.com.