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PALMPAY CHINA (HOLDINGS) LIMITED

中國掌付(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 8047)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board is pleased to announce that, on 13 January 2011 (after trading hours), the Purchaser and the Prospective Seller entered into the non-legally binding MOU in respect of the Possible Acquisition. Pursuant to the MOU, the consideration for the Possible Acquisition has not yet been determined and may be satisfied by the Purchaser in cash, and/or by procuring the Company to issue promissory notes and/or by allotting and issue of new securities of the Company, or a combination of any of the above as the Purchaser and the Prospective Seller may agree.

The MOU may or may not lead to the entering into of the Definitive Agreement and the transactions contemplated thereunder may or may not be consummated. In the event that the Definitive Agreement materialises, the transaction contemplated thereunder will constitute a notifiable transaction on the part of the Company under the GEM Listing Rules. Further announcements will be made in respect thereof as and when required by the GEM Listing Rules.

Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board is pleased to announce that, on 13 January 2011 (after trading hours), the Purchaser and the Prospective Seller entered into the MOU in respect of the Possible Acquisition. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Prospective Seller and its ultimate beneficial owner are Independent Third Parties.

* For identification purposes only

Information of the Target Company

The Target Company is incorporated in the British Virgin Islands. The Target Company and its subsidiaries are principally engaged in the provision of technologies, services and products related to optimal optical fibers, telecommunications, electric power network systems and equipment in the PRC.

Principal terms of the MOU

The principal terms of the MOU are as follows:

1. the consideration for the Possible Acquisition has not yet been determined, which may be satisfied by the Purchaser in cash, and/or by procuring the Company to issue promissory notes and/or by allotting and issue of new securities of the Company, or a combination of any of the above as the Purchaser and the Prospective Seller may agree;
2. the Purchaser is entitled to conduct due diligence review on the Target Company and its subsidiaries (“**Due Diligence Inspection**”); the Prospective Seller shall use its best endeavours to assist the Purchaser in the Due Diligence Inspection;
3. the parties will negotiate in good faith with the intention that the Definitive Agreement be entered into by the parties on or before the date falling 30 days from the date of the MOU (or such later date as may be agreed by the parties thereto);
4. the Prospective Seller will not, within 30 days from the date of the MOU, negotiate with any party other than the Purchaser for the Possible Acquisition; and
5. the MOU does not constitute any legal-binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Definitive Agreement.

GENERAL

The MOU may or may not lead to the entering into of the Definitive Agreement and the transactions contemplated thereunder may or may not be consummated. In the event that the Definitive Agreement materialises, the transaction contemplated thereunder will constitute a notifiable transaction on the part of the Company under the GEM Listing Rules. Further announcements will be made in respect thereof as and when required by the GEM Listing Rules.

Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Board”	the board of directors of the Company from time to time
“Company”	Palmpay China (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on GEM
“connected person”	has the meaning set out in the GEM Listing Rules
“Definitive Agreement”	the formal sale and purchase agreement to be entered into between the Prospective Seller and the Purchaser with respect to the Possible Acquisition
“Directors”	the directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	third party independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“MOU”	the memorandum of understanding dated 13 January 2011 entered into between the Purchaser and the Prospective Seller
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospective Seller”	Keen Success Investments Limited, a company incorporated in British Virgin Island with limited liability
“Possible Acquisition”	the possible acquisition of certain equity interest of the Target Company by the Purchaser

“Purchaser”	Upper Power Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company and the Purchaser under the MOU
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Optic Communication Technology Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

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

Hong Kong, 13 January 2011

As at the date of this announcement, the executive Directors are Mr. Yuan Shengjun, Mr. Hsu Tung Chi, Mr. Chan Francis Ping Kuen 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, 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its posting and the Company’s website at www.palmpaychina.com.