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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 1 November 2011 (after trading hours), the Purchaser, the Prospective Seller and the Guarantor 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 Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. 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 Possible Acquisition materialises, it may 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.

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* For identification purposes only

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board is pleased to announce that on 1 November 2011 (after trading hours), the Purchaser, the Prospective Seller and the Guarantor 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, each of the Prospective Seller and the Guarantor is an Independent Third Party.

Within three business days after signing of the MOU, the Purchaser shall pay the Deposit of HK\$7,500,000 to the Prospective Seller. In the event that the Purchaser and the Prospective Seller consider not to enter into the Definitive Agreement on or before the date falling 180 days from the date of the MOU (or such later date to be agreed by the parties thereto), the MOU shall cease and terminate and in any event the Deposit (without interest) will be forthwith returned by the Prospective Seller to the Purchaser, and neither party to the MOU shall have any obligations and liabilities to each other (save and except for any antecedent breach).

Information of the Target Company

The Target Company is incorporated in the British Virgin Islands. Upon completion of the reorganization, the Target Company and its subsidiaries will principally engage in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, 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 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 180 days from the date of the MOU (or such later date to be agreed by the parties thereto);
4. it is agreed that the Prospective Seller will not, within 180 days from the date of the MOU (or such later date to be agreed by the parties thereto), negotiate with any party other than the Purchaser for the Possible Acquisition;

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; and
6. the Guarantor guarantees to the Purchaser the due and punctual performance by the Prospective Seller of all its obligations under the MOU.

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 Possible Acquisition materialises, it may 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
“business day(s)”	any day (other than a Saturday or Sunday or public holidays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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
“Deposit”	a refundable deposit of HK\$7,500,000 payable to the Prospective Seller by the Purchaser according to the terms of the MOU

“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 the Growth Enterprise Market of the Stock Exchange
“Guarantor”	Ng Yui Wah Sonny, the ultimate beneficial owner of the Prospective Seller
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“MOU”	the non-legally binding memorandum of understanding dated 1 November 2011 entered into among the Purchaser, the Prospective Seller and the Guarantor setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of certain equity interest of the Target Company by the Purchaser
“PRC”	the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospective Seller”	Brilliant Bloom Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by the Guarantor
“Purchaser”	Power Chance Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company, and being 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”	Boomtech Limited, a company incorporated in the British Virgin Islands with limited liability

By order of the Board of
Palmpay China (Holdings) Limited
Mr. Yuan Shengjun
Chairman

Hong Kong, 1 November 2011

As at the date of this announcement, the executive Directors are Mr. Yuan Shengjun, 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.