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CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

CONNECTED TRANSACTION

INTRODUCTION

On 15 June 2011, the PRC Partner Subsidiary, the Subsidiary and the Transferee entered into the Project Agreement in relation to the transfer of the Wuhan EMC Project. Pursuant to the Project Agreement, certain amount of the consideration to be paid by the Transferee would be received by the PRC Partner Subsidiary and in turn be paid to the Subsidiary which constitutes a connected transaction for the Company.

Based on the amount of consideration to be received by the Group pursuant to the Project Agreement, the Transaction should be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The PRC Partner Subsidiary, being an associate of the PRC Partner, is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that the PRC Partner is a substantial shareholder of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio of the Transaction exceeds 25% and the Consideration is more than HK\$10 million, the Transaction should be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. However, due to the delay of obtaining the the executed Project Agreement from the PRC Partner Subsidiary, the Company fails to report, announce and obtain Independent Shareholders' approval in relation to the Transaction in time and thus in breach of the Listing Rules.

The Company will seek the Independent Shareholders' approval to confirm and ratify the Project Agreement and the Transaction at the SGM.

GENERAL

A circular containing, among other matters, (i) details of the Project Agreement and the Transaction; (ii) a letter from the independent committee of the Board setting out its recommendations to the Independent Shareholders in connection with the Project Agreement and the Transaction; (iv) a letter from an independent financial adviser containing its advice to the independent committee of the Board and the Independent Shareholders in connection with the Project Agreement and the Transaction; (v) further information of the Group; and (vi) the notice of the SGM, will be despatched to the shareholders of the Company on or before 31 August 2011.

INTRODUCTION

On 15 June 2011, the PRC Partner Subsidiary, the Subsidiary and the Transferee entered into the Project Agreement in relation to the transfer of the Wuhan EMC Project. Pursuant to the Project Agreement, certain amount of the consideration to be paid by the Transferee would be received by the PRC Partner Subsidiary and in turn be paid to the Subsidiary which constitutes a connected transaction for the Company.

Based on the amount of consideration to be received by the Group pursuant to the Project Agreement, the Transaction should be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

The major terms of the Project Agreement are set out below.

Parties

- (a) The PRC Partner Subsidiary, a wholly-owned subsidiary of the PRC Partner. The PRC Partner is principally engaged in the development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and corporate image consultancy;
- (b) The Subsidiary, an investment holding company; and
- (c) The Transferee, principally engaged in the illumination and lighting businesses.

Subject matter

The rights and obligations under an energy performance contracting project (合同能源管理項目) in Wuhan that the PRC Partner has entered into with the government entity in Wuhan, Hubei Province, the PRC. EMC Projects are turnkey projects with the aim to achieve energy saving and reduction of energy consumption in a designated area (e.g. government departments, hospitals, libraries and schools will replace their current lighting systems with energy saving lighting systems).

Consideration

Pursuant to the Project Agreement, the Transferee agreed that it would pay HK\$30 million (including (i) HK\$6 million as consultancy fee to a consultancy company; and (ii) HK\$24 million to the PRC Partner Subsidiary and 90% of which (i.e. HK\$21.6 million) would in turn be paid to the Subsidiary (as disclosed below) as Consideration.

The Consideration shall be paid in two installments:

- (a) on or before 25 July 2011, 60% of the Consideration (i.e. HK\$18 million) shall be paid by the Transferee (including (i) HK\$6 million as consultancy fee to a consultancy company; and (ii) HK\$12 million to the PRC Partner Subsidiary or any account it may direct); and
- (b) within one month upon completion of the implementation of the EMC Project and relevant statistical testing on the trial section of the highway in Wuhan, the PRC, 40% of the Consideration (i.e. HK\$12 million) shall be paid by the Transferee to the PRC Partner Subsidiary or any account it may direct.

Within one week after the PRC Partner Subsidiary has received the first installment payment of Consideration (i.e. HK\$18 million) from the Transferee, the PRC Partner Subsidiary shall, after settling the consultancy fee as mentioned above, transfer 90% of the amount received to the Subsidiary or any account it may direct. Within one week after the PRC Partner Subsidiary has received the second installment payment of Consideration (i.e. HK\$12 million) from the Transferee, the PRC Partner Subsidiary shall transfer 90% of the amount received to the Subsidiary or any account it may direct.

The Consideration was determined after arm's length negotiations between the PRC Partner Subsidiary, the Subsidiary and the Transferee with reference to the potential business development of the Wuhan EMC Project and possible income stream generated on the Platform.

The Transferee targets to reduce the energy consumption level of the Wuhan government departments by at least 60%. Upon achieving such target, the Transferee could enjoy certain portion of the energy costs saved by such government departments. The Transferee will then share certain portion of its revenue generated from the benefit of reduction of energy costs with the PRC Partner Subsidiary and the Subsidiary.

REASONS FOR THE TRANSACTION

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of procurement services to general public and government in the PRC.

As disclosed in the circular of the Company dated 16 January 2009 in relation to, among other matters, a very substantial acquisition of the Company, the EJV entered into two framework agreements, namely the Promotion Agreement and the Service Agreement, with the PRC Partner. Pursuant to the Promotion Agreement and the Service Agreement, the EJV assists the PRC Partner on various matters relating to the construction and maintenance of the Platform and it also assists the PRC Partner in the procurement of business for the Platform and negotiation of the relevant contracts. The PRC Partner obtained the Wuhan EMC Project from the relevant government entity and considers reasonable and commercially feasible to transfer the ownership of such project to the Transferee which could implement such project through the Platform.

Pursuant to the Promotion Agreement and the Service Agreement, the EJV is entitled to receive a service fee which equals to in aggregate 100% of the gross revenue received by the PRC Partner from its business. As at the date of this announcement, the PRC Partner held 10% interest of the EJV, an indirect non-wholly-owned subsidiary of the Company, and the PRC Partner would in any event be entitled to 10% of the income generated by the EJV in return. Hence, it is agreed in the Project Agreement that the PRC Partner Subsidiary (being the PRC Partner's subsidiary) and the Subsidiary (being the EJV's subsidiary) would be entitled to 10% and 90% of the Consideration, other than the consultancy fee, respectively, which the Subsidiary and the PRC Partner considered that the sharing ratio reflects what each party would actually receive under the Promotion Agreement and the Service Agreement and as dividend for the respective party.

The Directors consider that the terms and conditions of the Project Agreement are fair and reasonable and are on normal commercial terms and that it is in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

The PRC Partner Subsidiary, being an associate of the PRC Partner, is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that the PRC Partner is a substantial shareholder of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratio of the Transaction exceeds 25% and the Consideration is more than HK\$10 million, the Transaction should be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules. However, due to the delay in obtaining the the executed Project Agreement from the PRC Partner Subsidiary, the Company fails to report, announce and obtain Independent Shareholders' approval in relation to the Transaction in time and thus in breach of the Listing Rules.

GENERAL

The Company will seek the Independent Shareholders' approval to confirm and ratify the Project Agreement and the Transaction at the SGM.

The PRC Partner Subsidiary and its associates will abstain from voting on the resolution(s) confirming and ratifying the Project Agreement and the Transaction which will be proposed at the SGM. To the best knowledge, information and belief of the Directors, none of the persons who are required to abstain from voting at the SGM is holding any shares in the Company as at the date of this announcement.

A circular containing, among other matters, (i) details of the Project Agreement and the Transaction; (ii) a letter from the independent committee of the Board setting out its recommendations to the Independent Shareholders in connection with the Project Agreement and the Transaction; (iv) a letter from an independent financial adviser containing its advice to the independent committee of the Board and the Independent Shareholders in connection with the Project Agreement and the Transaction; (v) further information of the Group; and (vi) the notice of the SGM, will be despatched to the shareholders of the Company. As time is required for the Company to prepare the relevant information to be included in the circular, including the letter from an independent financial adviser, it is expected that the circular will be despatched to the shareholders of the Company on or before 31 August 2011.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Public Procurement Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the amount of HK\$30 million payable by the Transferee pursuant to the Project Agreement
“Director(s)”	the director(s) of the Company

“EJV”	國采(北京)技術有限公司(Guocai (Beijing) Technology Company Limited*), a Chinese foreign equity joint venture company established on 9 October 2008 under the PRC laws
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders excluding the PRC Partner Subsidiary and its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Platform”	China Public Procurement Online Platform (中國公共採購網)
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Partner”	國采科技股份有限公司(Guocai Science & Technology Company Limited*), the PRC partner to the EJV and a party independent of the Company and its connected persons
“PRC Partner Subsidiary”	China Public Procurement (Hong Kong) Technology Co., Ltd., a company incorporated in Hong Kong and a wholly-owned subsidiary of the PRC Partner
“Project Agreement”	the agreement dated 15 June 2011 entered into between the PRC Partner Subsidiary, the Subsidiary and the Transferee in relation to the transfer of the ownership of the Wuhan EMC Project
“Promotion Agreement”	the exclusive promotion and consultation services agreement dated 22 August 2008 (as supplemented by a supplemental agreement dated 17 October 2008) entered into between the EJV and the PRC Partner
“Service Agreement”	the exploration, construction and exclusive know-how services agreement dated 22 August 2008 (as supplemented by a supplemented agreement dated 17 October 2008) entered into between the EJV and the PRC Partner
“SGM”	the special general meeting to be convened for confirming and ratifying, among other matters, the Project Agreement and the Transaction

“Shareholders”	shareholder(s) of the Company
“Subsidiary”	Public Procurement Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Tri-Party Cooperation Agreement
“Transferee”	the transferee of the Project Agreement, which is an independent third party
“Wuhan EMC Project”	rights and obligations under an energy performance contracting project (合同能源管理項目) in Wuhan the PRC Partner had entered into with the government entity in Wuhan, the PRC
“%”	per cent.

By order of the Board
CHINA PUBLIC PROCUREMENT LIMITED
Ho Wai Kong
Chairman

Hong Kong, 25 July 2011

At the date of this announcement, the Company comprises five executive Directors, Mr. Ho Wai Kong (Chairman), Mr. Song Lianzhong (Deputy Chairman), Mr. Jiang Haoye, Mr. Lu Xing and Mr. Wu Xiaodong, one non-executive Director, Ms. Cheng Zhuo and three independent non-executive Directors, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Wu Fred Fong.

* *for identification purposes only*