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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**

Reference is made to (i) the announcement of the Company dated 25 November 2010 in relation to, among others, the continuing connected transactions (i.e. the CCT Announcement); and (ii) the announcement of the Company dated 9 March 2011, in relation to, among others, a possible revision of the amount of service fee then expected to be received by the EJV under the Promotion Agreement and the Service Agreement (i.e. the Holding Announcement).

On 1 April 2011, the PRC Partner issued the Supplemental Confirmation, which states, among other matters:

- (a) the PRC Partner, the EJV and the Subsidiary had entered into the Tri-Party Cooperation Agreement, pursuant to which the ownership of the EMC Projects had been transferred to the Subsidiary from the PRC Partner; and
- (b) the projects mentioned in the Confirmation (other than the EMC Projects) and the relevant gross revenue expected to be received from the PRC Partner's business would be confirmed in the financial year of 2011.

Accordingly, due to the change in cooperation structure between the PRC Partner, the EJV and the Subsidiary, the Continuing Connected Transactions mentioned in the CCT Announcement no longer exist and the relevant circular will not be despatched by the Company.

## **CONNECTED TRANSACTION**

The PRC Partner, the EJV and the Subsidiary, on 23 December 2010, entered into the Tri-Party Cooperation Agreement pursuant to which the PRC Partner agreed to transfer the ownership of the EMC Projects to the EJV which shall simultaneously transfer such ownership to the Subsidiary. Pursuant to the Tri-Party Cooperation Agreement, the Subsidiary agreed that it would pay a service fee to the PRC Partner, being 10% of the disposal consideration when it transferred ownership of the EMC Projects to another party. As the ownership of the EMC Projects was transferred to a third party pursuant to the Disposal Agreement, the Subsidiary would pay HK\$40 million (being 10% of the disposal consideration of HK\$400 million as set out in the Disposal Agreement) to the PRC Partner as service fee.

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 it 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 constitutes a connected transaction for the Company and 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 Supplemental Confirmation from the PRC Partner, 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 Tri-Party Cooperation Agreement and the Transaction at the SGM.

## **GENERAL**

A circular containing, among other matters, (i) details of the Tri-Party Cooperation 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 Tri-Party Cooperation 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 Tri-Party Cooperation 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 17 June 2011.

## **INTRODUCTION**

Reference is made to (i) the CCT Announcement; and (ii) the Holding Announcement.

As set out in the CCT Announcement, the EJV entered into two framework agreements, namely the Promotion Agreement and the Service Agreement, with the PRC Partner. 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 it is a substantial shareholder of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the transactions contemplated under the Promotion Agreement and the Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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. The Board announced that on 15 November 2010, the PRC Partner issued the Confirmation and confirmed that gross revenue of not more than RMB600 million (equivalent to approximately HK\$696 million) was then expected to be received from its business for the year ended 31 December 2010.

Based on such expected amount to be received by the Group pursuant to the Promotion Agreement and the Service Agreement, the service fee of the EJV for the financial year ended 31 December 2010 for the Continuing Connected Transactions should be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the Company was given to understand that there would be a possible revision of the amount of service fee then expected to be received by the EJV under the Promotion Agreement and the Service Agreement subsequent to the publication of the Announcement.

As set out in the Holding Announcement, the EJV was informed by the PRC Partner that the Supplemental Confirmation would be issued. The EJV was also given to understand that there might be changes to the gross revenue of the PRC Partner (and hence the service fee expected to be received by the EJV).

On 1 April 2011, the PRC Partner issued the Supplemental Confirmation, which states, among other matters:

- (a) the PRC Partner, the EJV and the Subsidiary had entered into the Tri-Party Cooperation Agreement, pursuant to which the ownership of the EMC Projects had been transferred to the Subsidiary from the PRC Partner; and
- (b) the projects mentioned in the Confirmation (other than the EMC Projects) and the relevant gross revenue expected to be received from the PRC Partner's business would be confirmed in the financial year of 2011.

Accordingly, due to the change in cooperation structure between the PRC Partner, the EJV and the Subsidiary, the Continuing Connected Transactions mentioned in the CCT Announcement no longer exist and the relevant circular will not be despatched by the Company.

## **CONNECTED TRANSACTION**

The Board announces that on 8 December 2010, the PRC Partner issued an authorisation letter to the EJV granting the authority to each of the EJV and the Subsidiary to execute or cooperate with third parties to execute the EMC Projects or to transfer the EMC Projects to third parties. On 9 December 2010, the EJV issued an authorisation letter to the Subsidiary granting the authority to the Subsidiary to execute or cooperate with third parties to execute the EMC Projects or to transfer the EMC Projects to third parties.

On 21 December 2010, the Subsidiary entered into the Disposal Agreement with a third party in relation to the EMC Projects. Pursuant to the Disposal Agreement, the consideration for the disposal was HK\$400 million, which is determined after arm's length negotiation between the parties. Besides, upon completion of such disposal, the transferee will share certain portion of its revenue generated from the benefit of reduction of energy costs with the Subsidiary for 15 years.

The PRC Partner, the EJV and the Subsidiary, on 23 December 2010, entered into the Tri-Party Cooperation Agreement pursuant to which the PRC Partner agreed to transfer the ownership of the EMC Projects to the EJV which shall simultaneously transfer such ownership to the Subsidiary. Pursuant to the Tri-Party Cooperation Agreement, the Subsidiary agreed that it would pay a service fee to the PRC Partner, being 10% of the disposal consideration when it transferred ownership of the EMC Projects to another party. As the ownership of the EMC Projects was transferred to a third party pursuant to the Disposal Agreement, the Subsidiary would pay HK\$40 million (being 10% of the disposal consideration of HK\$400 million as set out in the Disposal Agreement) to the PRC Partner as service fee.

The major terms of the Tri-Party Cooperation Agreement are set out below.

## **THE TRI-PARTY COOPERATION AGREEMENT**

### **Parties**

- (a) The PRC Partner, which 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 EJV, which is principally engaged in technological development, advisory services, business planning and public-relations activities planning of network technology; and
- (c) The Subsidiary.

### **Subject matter**

The rights and obligations under certain energy performance contracting projects (合同能源管理項目) the PRC Partner has entered into with government entities in certain provinces in 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 by utilising the procurement services on the Platform).

### **Consideration**

Pursuant to the Tri-Party Cooperation Agreement, the Subsidiary agreed that it would pay a service fee to the PRC Partner, being 10% of the disposal consideration when it transferred ownership of the EMC Projects to another party. As the ownership of the EMC Projects was transferred to a third party pursuant to the Disposal Agreement, the Subsidiary would pay HK\$40 million (being 10% of the disposal consideration of HK\$400 million as set out in the Disposal Agreement) to the PRC Partner as service fee. Such service fee is expected to be paid to the PRC Partner on or before 31 December 2011 by the Subsidiary.

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

## **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.

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 EMC Projects from relevant government entities and considers reasonable and commercially feasible to transfer the ownership of such projects to the EJV or its holding company which could implement such projects through the Platform or dispose of such projects to a third party at a service fee to be received by the PRC Partner.

The Directors consider that the terms and conditions of the Tri-Party Cooperation 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 is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that it 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 ratios of the Transaction exceed 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 Supplemental Confirmation from the PRC Partner, 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 Tri-Party Cooperation Agreement and the Transaction at the SGM.

The PRC Partner and its associates will abstain from voting on the resolution(s) confirming and ratifying the Tri-Party Cooperation 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 Tri-Party Cooperation 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 Tri-Party Cooperation Agreement and the Transaction; (iii) 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 Tri-Party Cooperation Agreement and the Transaction; (iv) further information of the Group; and (v) the notice of the SGM, will be despatched to the shareholders of the Company. It is expected that time is required for the independent financial adviser to prepare its advice and the circular will be despatched on or before 17 June 2011.

## **DEFINITIONS**

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCT Announcement”	the announcement of the Company dated 25 November 2010 in relation to, among others, the Continuing Connected Transactions
“Company”	China Public Procurement Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Confirmation”	the confirmation issued by the PRC Partner on 15 November 2010 which sets out the gross revenue then expected to be received by the PRC Partner from its business for the year ended 31 December 2010
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the service fee of HK\$40 million payable by the Subsidiary to the PRC Partner
“Continuing Connected Transactions”	collectively, the continuing connected transactions constituted by the transactions contemplated under the Promotion Agreement and the Service Agreement
“Director(s)”	the director(s) of the Company
“Disposal Agreement”	the disposal agreement dated 21 December 2010 (and the supplementals thereof) entered into between the Subsidiary and the transferee in relation to the transfer of the ownership of the EMC Projects
“EMC Projects”	rights and obligations under certain energy performance contracting projects (合同能源管理項目) the PRC Partner had entered into with government entities in certain provinces in the PRC

“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
“Holding Announcement”	the announcement of the Company dated 9 March 2011, in relation to, among others, a possible revision of the amount of service fee then expected to be received by the EJV under the Promotion Agreement and the Service Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders excluding the PRC Partner and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Platform”	China Public Procurement Online Platform (中國公共採購平台)
“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
“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*), a substantial shareholder of the EJV
“Service Agreement”	the exploration, construction and exclusive know-how 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
“SGM”	the special general meeting to be convened for confirming and ratifying, among other matters, the Tri-Party Cooperation 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

“Supplemental Confirmation”	the supplemental confirmation dated 1 April 2011 to the Confirmation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the Tri-Party Cooperation Agreement
“Tri-Party Cooperation Agreement”	the cooperation agreement dated 23 December 2010 entered into between the PRC Partner, the EJV and the Subsidiary in relation to the transfer of the ownership of the EMC Projects
“%”	per cent.

*In this announcement, for illustration purpose only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1 to HK\$1.16. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.*

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

Hong Kong, 28 April 2011

*At the date of this announcement, the Company comprises six executive directors, Mr. Ho Wai Kong (Chairman), Mr. Song Lianzhong (Deputy Chairman), Mr. Jiang Haoye, Mr. Lu Xing, Mr. Wu Xiaodong and Mr. Zhang Guisheng, 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*