THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the Shareholders in connection with the SGM to be held at Function Room, Basement 2, The Wharney Guang Dong Hotel, 57-73 Lockhard Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 11:30 a.m..

CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

MAJOR TRANSACTION: ACQUISITION OF SHENZHEN ZHONGCAI INFORMATION TECHNOLOGY COMPANY LIMITED*

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the SGM to be held at Function Room, Basement 2, The Wharney Guang Dong Hotel, 57-73 Lockhard Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 11:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. If you are not able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

* *For identification purpose only*

15 October 2012

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of Sale Interest I and Sale Interest II from the Vendors by the Purchaser pursuant to the Acquisition Agreement, and the transactions contemplated thereunder
"Acquisition Agreement"	the Original Agreement supplemented by the Supplemental Agreement
"Board"	the board of Directors
"Company"	China Public Procurement Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB30 million (equivalent to approximately HK$37 million), being the consideration payable by the Purchaser to the Vendors for the purchase of Sale Interest I and Sale Interest II under the Acquisition Agreement
"Director(s)"	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 under the PRC laws and an indirect non-wholly-owned subsidiary of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	12 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market operated by the Stock Exchange (excluding the Growth Enterprise Market and the option market)
"Original Agreement"	the conditional sale and purchase agreement dated 11 April 2012 entered into between the Purchaser, the Vendors and a PRC individual, in relation to the Acquisition
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, 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*), an entity established under the PRC laws and a substantial shareholder of the EJV
"Purchaser"	Victory Good Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest I"	being 69% of the equity interest in the Target Company held by Vendor I
"Sale Interest II"	being 1% of the equity interest in the Target Company held by Vendor II
"SGM"	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder
"Share(s)"	existing ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreement"	the supplemental agreement dated 17 July 2012 and entered into between the parties to the Original Agreement and the PRC Partner in relation to the Original Agreement
"Target Company"	深圳市中采信息技術有限公司 (Shenzhen Zhongcai Information Technology Company Limited*), a company established in the PRC with limited liability
"Vendor I"	one of the vendors in the Acquisition Agreement, being a PRC individual interested in 99% of the equity interest in the Target Company
"Vendor II"	one of the vendors in the Acquisition Agreement, being a PRC individual interested in 1% of the equity interest in the Target Company
"Vendors"	Vendor I and Vendor II
"HK$"	Hong Kong dollars
"%"	per cent

In this circular, for illustration purpose only, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1 to HK1.231. 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.

* *For identification purpose only*

CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)
(Stock code: 1094)

Executive Directors:
Mr. Cheng Yuanzhong *(Chairman)*
Mr. Ho Wai Kong *(Honorary Chairman)*
Mr. Wang Dingbo *(Chief Executive)*
Mr. Peng Ru Chuan
Ms. Liu Jie

Non-executive Directors:
Mr. Wang Ning

Independent non-executive Directors:
Mr. Wu Fred Fong
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen

Registered office:
Clarendon House
2 Church Street
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Head office and principal place of business in Hong Kong:
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108 Gloucester Road
Wanchai
Hong Kong

15 October 2012

MAJOR TRANSACTION: ACQUISITION OF SHENZHEN ZHONGCAI INFORMATION TECHNOLOGY COMPANY LIMITED*

To the Shareholders and for information only, the holders of options of the Company

Dear Sir or Madam,

INTRODUCTION

Reference is made to the announcements of the Company dated 11 April 2012, 17 July 2012 and 27 July 2012 in relation to, among others, the Acquisition.

On 11 April 2012, the Purchaser (being a wholly-owned subsidiary of the Company), the Vendors and a PRC individual entered into the Original Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell Sale

* *For identification purpose only*

Interest I and Sale Interest II (representing in aggregate 70% of the equity interest in the Target Company). Upon Completion, the Target Company would become an indirect non-wholly-owned subsidiary of the Company.

On 17 July 2012, the parties to the Original Agreement and the PRC Partner entered into the Supplemental Agreement, pursuant to which, among others, (i) the manner of payment of the Consideration was amended; (ii) the sharing arrangement regarding profits generated by the Target Company was added; and (iii) the PRC Partner agreed to substitute Victory Good Ltd. and act as the purchaser in the Acquisition in the event that condition (e) as set out below in the paragraph headed "Conditions precedent of the Acquisition Agreement" (i.e. "the Acquisition having complied with requirements of the Listing Rules, including but not limited to, the obtaining of the approval regarding the Acquisition at the SGM (if required)") in this circular is not fulfilled on or before 31 October 2012. The Directors consider that it is unlikely for the PRC Partner to substitute Victory Good Ltd. and act as the purchaser in the Acquisition pursuant to the Supplemental Agreement as it is targeted that such condition (e) be fulfilled on or before 31 October 2012.

The purpose of this circular is to provide you with, among others, (i) further information on the Acquisition; (ii) the accountant's report of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) a notice of the SGM.

THE ACQUISITION AGREEMENT

Date

11 April 2012 (supplemented by the Supplemental Agreement on 17 July 2012)

Parties

(1) Victory Good Ltd., an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as purchaser;

(2) Vendor I, being a PRC individual interested in 99% equity interest of the Target Company;

(3) Vendor II, being a PRC individual interested in 1% equity interest of the Target Company;

(4) a PRC individual being the ultimate controller of the Target Company; and

(5) the PRC Partner, being a company established in the PRC with limited liability principally engaged in the development of computer technology, networking technology, electronic information technology, sale of computer networking equipment and corporate image consultancy.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors and the PRC individual (being the ultimate controller of the Target Company) are third parties independent of the Company and connected persons of the

Company. The PRC Partner was a substantial shareholder of the EJV (an indirect non-wholly-owned subsidiary of the Company) and thus a connected person of the Company. However, where the PRC Partner substitutes and replaces the Purchaser and acquires the 70% equity interest in the Target Company from the Vendors under the Acquisition Agreement, such acquisition would thus be a transaction between the PRC Partner and the Vendors and it is not a re-sell by the Purchaser of such 70% equity interest in the Target Company to the PRC Partner. Further, no consideration would be paid by the PRC Partner to the Purchaser under the Supplemental Agreement. Accordingly, no transaction (as defined under Rule 14A.10 of the Listing Rules) would take place between the PRC Partner and the Purchaser under the Acquisition and as such, the Acquisition would not constitute a connected transaction for the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell Sale Interest I and Sale Interest II (representing in aggregate 70% of the equity interest in the Target Company).

Consideration

The Consideration of RMB30 million was arrived at after arm's length negotiations between the Purchaser and the Vendors after taking into account, among other factors, the total asset value of the Target Company and the experience and growth potential of the Target Company in the industry of software application solutions for electronic public procurement platforms. So far as the Directors are aware from information provided by the Target Company, it is a government-certified High and New Technology Enterprise and has been engaged in over 50 projects in relation to electronic public procurement platforms of various organisations and governmental bodies in the PRC, such as a government procurement centre in Shenzhen, the PRC and a government financial bureau in Dongguan, the PRC, since its establishment in 2006. As at the Latest Practicable Date, the Directors are aware that the Target Company was the copyright owner of 15 software applications for electronic public procurement platforms, which were considered valuable by the Directors in the operation of the Group's business. One of such software applications is the main procurement software utilised in the Target Company's business and the remaining 14 are supporting software applications to such procurement software. Further information on such procurement software are set out in the paragraph headed "Management discussion and analysis on the Target Company" in this circular. The Directors consider that the Group may utilise such software applications in its operation (in particular, in the Proposed Projects (as defined below)) without incurring substantial costs and time for development. The Directors also consider that with the Target Company's business track record, its research and development team, revenue of over RMB3 million for each of the three years ended 31 December 2011 and the growth in revenue for the four months ended 30 April 2012 as compared with that for the same period in 2011, notwithstanding the loss recorded for that period, the Target Company has growth potential and it is expected that Target Company could generate a stable income for the Group after the Acquisition. In view of the above, the Directors consider that the Consideration was fair and reasonable.

The Consideration shall be settled in the following manner:

(i) RMB6,000,000 (as to RMB5,910,000 (equivalent to approximately HK$7,275,000) to Vendor I and as to RMB90,000 (equivalent to approximately HK$111,000) to Vendor II) was paid within five business days after execution of the Acquisition Agreement by the Purchaser to Vendor I and Vendor II as deposit and part payment, which shall be refunded to the Purchaser if the Acquisition Agreement is terminated (except where such termination is due to the Purchaser's breach of the Acquisition Agreement);

(ii) RMB22,500,000 (as to RMB22,180,000 (equivalent to approximately HK$27,304,000) to Vendor I and as to RMB320,000 (equivalent to approximately HK$394,000) to Vendor II) was paid by the Purchaser to Vendor I and Vendor II on 18 July 2012; and

(iii) RMB1,500,000 (as to RMB1,480,000 (equivalent to approximately HK$1,822,000) to Vendor I and as to RMB20,000 (equivalent to approximately HK$25,000) to Vendor II) shall be payable by the Purchaser to Vendor I and Vendor II within five business days after the Purchaser confirmed that the assets of the Target Company are the same as those described in the financial due diligence report on the Target Company in relation to the Acquisition upon Completion.

As at the Latest Practicable Date, RMB28.5 million (equivalent to approximately HK$35 million) had been paid by the Purchaser.

Pursuant to the Supplemental Agreement, the profits generated by the Target Company during the period from 17 July 2012 to the date of Completion shall be shared between the Purchaser (as to 66.5%) and the Vendors (as to 33.5%).

Conditions precedent of the Acquisition Agreement

Completion of the Acquisition is conditional upon fulfillment of the following conditions:

(a) the Target Company possessing all documents necessary for its establishment and subsistence in accordance with the PRC laws, and the Acquisition not affecting the Target Company's subsistence and operation;

(b) the internal decision-making authority of the Target Company having approved, by way of resolution(s), the Acquisition and the transactions contemplated thereunder, including but not limited to, the approval of the execution of the Acquisition Agreement and the related documents;

(c) the Vendors and the Purchaser having executed the equity transfer agreements in relation to the transfer of Sale Interest I and Sale Interest II from the Vendors to the Purchaser;

(d) the approval of the relevant PRC government authorities regarding the Acquisition having been obtained and the registration for the change of equity holders in the Target Company having been completed;

(e) the Acquisition having complied with requirements of the Listing Rules, including but not limited to, the obtaining of the approval regarding the Acquisition at the SGM (if required); and

(f) the Purchaser being satisfied with the form and substance of the financial due diligence report and the legal due diligence report on the Target Company in relation to the Acquisition.

In the event that one or more of the above conditions precedent (except (b) and (f)) is not fulfilled on or before 31 December 2012, any party to the Acquisition Agreement shall have the right to terminate the Acquisition Agreement.

Pursuant to the Supplemental Agreement, based on the commercial decision among the parties to the Supplemental Agreement, where condition (e) is not fulfilled on or before 31 October 2012, the PRC Partner agreed, among others, (i) to substitute Victory Good Ltd. and act as the purchaser in the Acquisition with effect from the date on which such condition precedent is not fulfilled; and (ii) to pay to the Purchaser RMB28,500,000 (i.e. the amount of the Consideration paid by the Purchaser to the Vendors before Completion) within five business days from the date on which condition (e) is not fulfilled.

As at the Latest Practicable Date, apart from conditions (e) and (f), all of the conditions precedent of the Acquisition Agreement had been fulfilled.

Completion

Completion shall take place upon fulfillment of all conditions precedent of the Acquisition Agreement and full settlement of the Consideration, or any later date as agreed between the parties. Upon Completion, the Target Company will become a non-wholly-owned subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

深圳市中采信息技術有限公司 (Shenzhen Zhongcai Information Technology Company Limited*) was established in the PRC with limited liability on 27 October 2006. It had a registered capital of RMB3 million and was owned as to 99% by Vendor I and as to 1% by Vendor II. The Target Company is principally engaged in the development of computer software and hardware, consultancy services, sales and on-site maintenance services, in particular software application solutions for electronic public procurement platforms in the PRC.

According to the audited financial statements of the Target Company, the net asset value of the Target Company was approximately RMB9,703,000 (equivalent to approximately HK$11,944,000) as at 31 December 2011. The following table shows the audited results of the Target Company for the two years ended 31 December 2011 as extracted from the accountant's report of the Target Company as included in Appendix II to this circular.

	For the year ended 31 December 2010	**For the year ended 31 December 2011**
	RMB'000	*RMB'000*
Profit/(loss) before taxation and extraordinary items	5,760	(56)
Profit/(loss) after taxation and extraordinary items	5,115	(47)

The net profit before and after taxation and extraordinary items set out in the announcement of the Company dated 11 April 2012 were unaudited figures prepared in accordance with the PRC GAAP, under which revenue is recognised based on issue of invoices. The profit/(loss) before and after taxation and extraordinary items stated above are audited figures prepared in accordance with the Hong Kong Accounting Standards, under which revenue is recognised based on delivery of product or service.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company for each of the three financial years ended 31 December 2011 and for the four months ended 30 April 2012.

Business review

The Target Company was a company established in the PRC with limited liability on 27 October 2006. The principal activities of the Target Company are development of computer software and hardware, consultancy services, sales and on-site maintenance services, in particular software application solutions for electronic public procurement platforms in the PRC. The major cost in running the business is staff cost for hiring computer professionals.

Intangible asset

Intangible asset, which is represented by the copyright of a procurement software owned by the Target Company, is the key knowhow for the Target Company's business. Such procurement software is a complex system developed by the Target Company for the management of electronic procurement platforms that gives the Target Company a competitive advantage over its competitors. It was registered at the National Copyright Administration of the PRC under the Computer Software Protection Regulations (計算機軟件保護條例) and the Measures for Computer Software Copyright Registration (計算機軟件著作權登記辦法) (collectively, the "**Software Copyright Regulations**") and its copyright protection period starts from 10 July 2006 and ends on 31 December 2056 pursuant to the Software Copyright Regulations.

Significant investments

During the four months ended 30 April 2012, the Target Company invested an aggregate of approximately RMB6 million in financial products issued by a state-owned bank in the PRC. Such investments comprised (i) RMB5 million in a short-term principal guaranteed financial product with a maturity of 36 days and expected annualised return of 3.6%; and (ii) approximately RMB1.3 million in a short-term non-principal guaranteed financial product with no fixed maturity and expected annualised return ranging from 2.57% to 3.75% depending on the duration of investment.

As the Target Company had no plan for material investment and the then interest rate for bank deposit at regular savings account was low, its directors considered that such investments would optimise the use of the unutilised cash, improve capital efficiency and generate higher return for the Target Company.

Save as disclosed, there were no other significant investment held by the Target Company for each of the three years ended 31 December 2009, 2010 and 2011 and for the four months ended 30 April 2012.

As at 30 April 2012, the Target Company did not have any future plans for material investments.

Financial review, liquidity and financial resources

The Target Company recorded revenue for each of the three financial years ended 31 December 2011 and for the four months ended 30 April 2012 of approximately RMB4,073,000, RMB8,980,000, RMB3,803,000 and RMB1,147,000 respectively. Revenue of the Target Company represents revenue derived from sales of software, provision of software consultancy, maintenance and supporting services for the relevant year/period. An analysis of the Target Company's revenue for each of the three years ended 31 December 2011 and for the four months ended 30 April 2012 is as follows:

	Year ended 31 December			Four months ended 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of software	1,754	5,507	1,829	555
Provision of software consultancy, maintenance and supporting services	2,319	3,473	1,974	592
	4,073	8,980	3,803	1,147
Gross profit margin (%)	31%	68%	20%	17%

The Target Company recorded profit/(loss) for each of the three financial years ended 31 December 2011 and for the four months ended 30 April 2012 of approximately RMB752,000, RMB5,115,000, RMB(47,000) and RMB(175,000) respectively. The Target Company was engaged in the sale of the electronic software. The software for each contract carries out similar major functions with minor modifications tailor-made for the customers' needs.

The number of software sold for each of the three years ended 31 December 2011 and for the four months ended 30 April 2012 were 10, 25, 21 and 3 respectively. In 2010, the Target Company sought to expand its business to different provinces or cities in the PRC and the customer base of the Target Company was further expanded. Accordingly, the revenue generated from the sales of software increased from approximately RMB1,754,000 for the year ended 31 December 2009 to approximately RMB5,507,000 for the year ended 31 December 2010, in line with the increase with the number of software sold. For the year ended 31 December 2011, the decrease in sales was due to the decrease in project size. For the four months ended 30 April 2012, revenue from the sales of software of approximately RMB555,000 only was recorded as a significant portion of the sales of software was expected to be made in the second half of the year.

The software consultancy, maintenance and supporting services provided by the Target Company are extension services provided in relation to electronic procurement platforms. Customers will sign up for such services once a year to ensure the proper running of their electronic procurement platforms and regular training to their staff members on such platforms is provided by the Target Company. For each of the three years ended 31 December 2011 and for the four months ended 30 April 2012, the changes in revenue generated from software consultancy, maintenance and supporting services were in line with the fluctuation in the sales of software.

The Target Company recorded gross profit margin for each of the three financial years ended 31 December 2011 and for the four months ended 30 April 2012 of approximately 31%, 68%, 20% and 17% respectively. The gross profit of each project of the Target Company varies with the complexity of the project. In relation to the cost of sales of the Target Company, salaries for technical and supporting staff members contributed over 60% of its cost of sales. For the year ended 31 December 2009, costs were incurred for recruiting technical and supporting staff members. For the year ended 31 December 2010, the number of staff members of the Target Company remained stable and thus although the revenue of the Target Company increased significantly, there was only stable increase in salaries, resulting in an increase in the gross profit margin for the year. For the year ended 31 December 2011, due to the decrease in revenue, the Target Company scaled down the number of its technical and supporting staff members.

A certain customer (identified as Customer B in note 7 to Appendix II to this circular) contributed a substantial portion of the Target Group's revenue for each of the three years ended 31 December 2011 and for the four months ended 30 April 2012. The Target Company provides ongoing maintenance service to Customer B and receives special orders from such customer for procurement software. To the best of the Directors' knowledge, information and belief and as advised by the Target Company, Customer B was an independent third party from the Target Company and the Company. The Directors expects that as the Target Company is currently expanding its customer base, its reliance on Customer B will be reduced in the future.

As at 31 December 2009, 2010 and 2011 and 30 April 2012, the Target Company had total non-current assets of approximately RMB3,185,000, RMB3,282,000, RMB2,812,000 and RMB2,683,000 respectively, which mainly represented buildings and copyright of procurement software. The Target Company recorded net current assets of approximately RMB1,450,000, RMB6,529,000, RMB6,943,000 and RMB6,894,000 as at 31 December 2009, 2010 and 2011 and 30 April 2012 respectively, which comprised mainly trade and other receivables, financial assets at fair value through profit or loss, held-to-maturity investments and bank balances and cash.

The gearing ratios of the Target Company measured on the basis of total liabilities as a percentage of total equity were approximately 92%, 15%, 24% and 17% as at 31 December 2009, 2010 and 2011 and 30 April 2012 respectively. The Target Company has sufficient resources for its business operations. No external borrowing was noted for each of the three financial years ended 31 December 2011 and for the four months ended 30 April 2012.

Foreign exchange exposure

For each of the three years ended 31 December 2011 and for the four months ended 30 April 2012, all the business operation of the Target Company took place in the PRC. The Target Company is not expected to expose to significant foreign exchange risk as all monetary assets and liabilities are denominated in RMB. Accordingly, the Target Company did not have any foreign currency hedging policies as at 31 December 2009, 2010 and 2011, and 30 April 2012.

Material acquisitions and disposals

There were no material acquisitions or disposals of subsidiaries and associated companies during each of the three years ended 31 December 2009, 2010 and 2011 and for the four months ended 30 April 2012.

Contingent liabilities and capital commitments

As at 31 December 2009, 2010 and 2011 and 30 April 2012, the Target Company did not have any material contingent liabilities and capital commitments.

Pledge of assets

No assets of the Target Company were pledged as at 31 December 2009, 2010 and 2011 and 30 April 2012.

Employees and remuneration policy

As at 31 December 2009, 2010 and 2011 and 30 April 2012, the Target Company had 34, 31, 35 and 39 employees respectively. The remuneration policy and package of the Target Company's employees are maintained at market level and reviewed annually. Apart from basic salaries, the Target Company also provides other employee benefits such as social security including medical and retirement funds, etc.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Acquisition will enable the Group to expand its business and thus broaden its income source. The Acquisition and revenue from the Target Company would increase the Group's revenue from software application solutions business. The Directors consider that the business of the Target Company has substantial growth potential due to its experience in the industry of software application solutions for electronic public procurement platforms, which serves as a competitive advantage against other competitors in such relatively new industry. Further, the Directors also consider the Target Company's business could complement the Group's business in the provision of electronic procurement services to the general public and government bodies in the PRC, through the application of a procurement software owned by the Target Company on the electronic procurement platforms to be developed by the Group and the employment of Target Company's research and development team. In particular, the establishment and/or maintenance of the electronic public procurement platforms in various government procurement centres ("**Proposed Projects**") under the cooperative agreements to be executed by a wholly-owned subsidiary of the Company may require the use of the procurement software developed by the Target Company. Such cooperation agreements were entered into between the PRC Partner and various government procurement centres and such subsidiary of the Company was authorised by the PRC Partner to execute the Proposed Projects through various authorisation letters. Pursuant to such cooperation agreements, service fees may be charged on the government procurement centres for professional services in relation to the establishment of procurement services systems under the Proposed Projects, including, among others, procurement transaction services, digital certification services, supplier management and credit investigation services, supply chain management services, financial services, insurance agency services and training and conference services. Details of such cooperation agreements were disclosed in the announcements of the Company dated 6 July 2012 and 12 July 2012. Accordingly, the Directors expect that the Proposed Projects under such cooperation agreements may generate revenue to the Group and the procurement software developed by the Target Company may be instrumental in the execution of the Proposed Projects. The Acquisition could also complement the Group's business by reducing the time and costs in software development in respect of electronic public procurement platforms which in turn could accelerate the integration of the electronic public procurement platforms in the PRC.

Pursuant to the Supplemental Agreement, the profits generated by the Target Company during the period from 17 July 2012 to the date of Completion shall be shared between the Purchaser (as to 66.5%) and the Vendors (as to 33.5%), while pursuant to the Original Agreement, such profits generated before the date of Completion would be owned by the Vendors. Such arrangement would enable the Purchaser to share a certain portion of the profits generated by the Target Company as from 17 July 2012. During the period from 17 July 2012 to 31 August 2012, based on the management accounts of the Target Company for the eight months ended 31 August 2012, the Target Company generated profit of approximately RMB380,000 (equivalent to approximately HK$468,000). Further, the Proposed Projects to be executed by a wholly-owned subsidiary of the Company may require the use of the procurement software developed by the Target Company. The Directors consider that, taking into account (i) the fact that pursuant to the Supplemental Agreement the Company may share a proportion of the profits generated by the Target Company from 17 July 2012 (such share of profits was determined with reference to the Sale Interest I and Sale Interest II (i.e. 70%) and the amount of consideration already paid by the Purchaser (i.e. 95% of the Consideration); and (ii) the potential revenue to be generated by the Target Company under the Proposed Projects, the terms of the Supplemental Agreement were fair and reasonable and in the interest of the Company and its shareholders as a whole.

Therefore, the Directors (including the independent non-executive Directors) consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable.

FINANCIAL EFFECT OF THE ACQUISITION

Assets and liabilities

Upon Completion, the Target Company would become an indirect non-wholly owned subsidiary of the Company and its results will be consolidated with that of the Group. It is estimated that, upon Completion, the consolidated total assets of the Group would increase from approximately HK$5,721,571,000 to approximately HK$5,776,734,000 and the consolidated total liabilities of the Group would increase from approximately HK$37,609,000 to approximately HK$75,872,000.

Earnings

There will not be any immediate material impact on earnings of the Group as a result of the Acquisition. Nonetheless, given the prospects of the Target Company, it is expected that the Target Company will contribute positively to the results of the Group as an indirect non-wholly owned subsidiary in the future after Completion.

LISTING RULE IMPLICATIONS

As the applicable percentage ratio(s) for the Acquisition under the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

SGM

The Company will convene the SGM at Function Room, Basement 2, The Wharney Guang Dong Hotel, 57-73 Lockhard Road, Wanchai, Hong Kong, on Wednesday, 31 October 2012 at 11:30 a.m. to approve the Acquisition at the SGM. The resolution will be put to the vote at the SGM by poll as required by the Listing Rules. A notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. The Vendors, the PRC Partner and their associates will abstain from voting on the resolution(s) approving the Acquisition 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 as at the Latest Practicable Date.

A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, branch share registrar and transfer office of the Company in Hong Kong, at 18/F, Fook Lee Commercial, Town Place, 33 Lockhard Road, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of SGM to approve the Acquisition and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
China Public Procurement Limited
Cheng Yuanzhong
Chairman

1. FINANCIAL SUMMARY

Financial information of the Group for each of the three years ended 31 December 2009, 2010 and 2011 are disclosed in pages 36 to 94 of 2011 annual report, pages 30 to 100 of 2010 annual report, pages 26 to 88 of 2009 annual report respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cpp.com.hk).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2012, being the latest practicable date prior to the printing of this Circular, the Enlarged Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 31 August 2012, being the date for determining the Enlarged Group's indebtedness up to the date of this Circular.

3. WORKING CAPITAL

The Directors, are of the opinion that, taking into account its internal resources presently available, to the Enlarged Group and upon completion of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Circular, in the absence of unforeseeable circumstances. In addition, the Directors confirmed that there is no banking facility existed at the date of this Circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Currently, the Group is principally engaged in the businesses of electronic public procurement transaction service and energy management contracting (EMC) services. For the six months ended 30 June 2012, the Group did not record any revenue and incurred a loss of approximately HK$50 million. To improve the Group's income stream, the Group will continue to tap into the vast opportunities of the EMC services and electronic public procurement platform business. In 2012, the Group has been authorised to implement cooperation agreements with the respective government procurement centres of the provinces of Hubei, Hebei, Qinghai and Hainan, Shenyang City, and the Nanhai District of Foshan City, the PRC to develop electronic procurement platforms of the government procurement centres in such regions. It is expected that revenue will be generated from the projects under such cooperation agreements in the fourth quarter of 2012. The Group has also commenced cooperation with a company in the PRC in relation to the provision of procurement services of non-ferrous metals. Looking forward, the Group will leverage on the huge market potentials and continue to actively develop its public procurement business. As indicated in the "12th Five-Year Plan" issued by the Chinese government, during the Five-Year Plan period, the development of EMC services will end its promotion phase at present, and step into rapid development phase. During the first half of 2012, the Group has entered into an agreement to operate the public lighting in Xuqian City, Jiangsu Province, PRC. Looking forward, the Group will continue to develop the project and explore opportunities in other regions in the PRC.

The Acquisition will enable the Group to expand its business and thus broaden its income source. The Acquisition and revenue from the Target Company would increase the Group's revenue from software application solutions business. The Directors consider that the business of the Target Company has substantial growth potential due to its experience in the industry of software application solutions for electronic public procurement platforms, which serves as a competitive advantage against other competitors in such relatively new industry. Further, the Directors also consider the Target Company's business could complement the Group's business and the Acquisition could allow the Group to reduce the time and costs in software development in respect of electronic public procurement platforms which in turn could accelerate the integration of the electronic public procurement platforms in the PRC. Upon Completion, apart from the existing business of the Group, the Group will expand its business scope to engage in the software application solutions business.

Having considered the future trading prospects of the electronic public procurement transaction service and the EMC service and the niche position of the Target Company, the Board believes that the Acquisition will enhance the future trading and financial prospects of the Group.

The following is the text of a report, prepared for the sole purpose of inclusion in the circular, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

15 October 2012

The Board of Directors
China Public Procurement Limited
Suites 2805 – 2810, 28/F.,
Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai,
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Shenzhen Zhongcai Information Technology Company Limited (深圳市中采信息技術有限公司) (the "Target Company"), which comprises the statements of financial position of the Target Company as at 31 December 2009, 2010 and 2011 and 30 April 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 December 2009, 2010 and 2011 and four months ended 30 April 2012 (the "Relevant Periods") and notes thereto. The Financial Information has been prepared by the director of the Target Company for inclusion in Appendix II of the circular dated 15 October 2012 (the "Circular") issued by China Public Procurement Limited (the "Company") in connection with the proposed acquisition of 70% of the equity interest of the Target Company by the Company (the "Proposed Acquisition").

The Target Company was incorporated with limited liability in the People's Republic of China (the "PRC") on 27 October 2006 with a registered capital of RMB3,000,000. The Target Company is principally engaged in the development of computer software and hardware, sales of software, provision of software consultancy services and on-site maintenance services, in particular software application solutions for electronic public procurement platforms.

The Target Company has adopted 31 December as its financial year end date.

The statutory financial statements of the Target Company for the years ended 31 December 2009, 2010 and 2011 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 深圳匯領遠東會計師事務所, a firm of certified public accountants registered in the PRC.

BASIS OF PREPARATION

For the purpose of this report, the director of the Target Company has prepared the financial statements of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have carried out independent audit procedures on the financial statements of the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Target Company has been prepared by the director of the Target Company based on the financial statements of the Target Company for the Relevant Periods, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The director of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatements, whether due to fraud or error. The director of the Company is responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Financial Information and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 31 December 2009, 2010 and 2011 and 30 April 2012 and of the results and cash flows of the Target Company for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited financial information of the Target Company including the statements of comprehensive income, statements of changes in equity and statements of cash flows for the four months ended 30 April 2011, together with the notes thereto (the "30 April 2011 Corresponding Information"), for which the director is responsible, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the HKICPA. A review consists principally of making enquiries of the Target Company's management and applying analytical procedures to the 30 April 2011 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 April 2011 Corresponding Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 April 2011 Corresponding Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with the HKFRSs.

A. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Four months ended 30 April	
	Notes	**2009**	**2010**	**2011**	**2011**	**2012**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*7*	4,073	8,980	3,803	464	1,147
Cost of sales		(2,812)	(2,831)	(3,026)	(927)	(953)
Gross profit (loss)		1,261	6,149	777	(463)	194
Other income	*8*	8	673	433	7	62
Administrative expenses		(626)	(1,062)	(1,266)	(342)	(434)
Profit (loss) before tax		643	5,760	(56)	(798)	(178)
Income tax credit (expense)	*9*	109	(645)	9	3	3
Profit (loss) for the year/period and total comprehensive income (expense) for the year/period	*10*	752	5,115	(47)	(795)	(175)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 April
	Notes	**2009**	**2010**	**2011**	**2012**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*13*	138	1,498	1,299	1,260
Intangible asset	*14*	2,055	1,784	1,513	1,423
Deposits for acquisition of property, plant and equipment	*15*	962	–	–	–
Deferred tax asset	*22*	30	–	–	–
		3,185	3,282	2,812	2,683
Current assets					
Trade and other receivables	*16*	2,060	1,769	1,148	1,453
Financial assets at fair value through profit or loss	*17*	–	–	–	1,313
Held-to-maturity investments	*18*	–	–	–	5,000
Bank balances and cash	*19*	3,653	6,159	8,099	688
		5,713	7,928	9,247	8,454
Current liabilities					
Other payables	*20*	4,263	845	1,774	1,030
Income tax payables		–	554	530	530
		4,263	1,399	2,304	1,560
Net current assets		1,450	6,529	6,943	6,894
Total assets less current liabilities		4,635	9,811	9,755	9,577
Capital and reserves					
Paid-in capital	*21*	3,000	3,000	3,000	3,000
Reserves		1,635	6,750	6,703	6,528
Total equity		4,635	9,750	9,703	9,528
Non-current liability					
Deferred tax liability	*22*	–	61	52	49
		4,635	9,811	9,755	9,577

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Capital reserve *RMB'000* *(Note a)*	Statutory reserve *RMB'000* *(Note b)*	General reserve *RMB'000* *(Note b)*	(Accumulated losses) retained profits *RMB'000*	Total *RMB'000*
At 1 January 2009	3,000	610	358	536	(621)	3,883
Profit for the year and total comprehensive income for the year	–	–	–	–	752	752
Appropriation to reserve fund	–	–	132	199	(331)	–
At 31 December 2009	3,000	610	490	735	(200)	4,635
Profit for the year and total comprehensive income for the year	–	–	–	–	5,115	5,115
Appropriation to reserve fund	–	–	168	251	(419)	–
At 31 December 2010	3,000	610	658	986	4,496	9,750
Profit for the year and total comprehensive income for the year	–	–	–	–	(47)	(47)
Appropriation to reserve fund	–	–	175	–	(175)	–
At 31 December 2011	3,000	610	833	986	4,274	9,703
Loss for the period and total comprehensive expense for the period	–	–	–	–	(175)	(175)
At 30 April 2012	3,000	610	833	986	4,099	9,528
At 1 January 2011 (audited)	3,000	610	658	986	4,496	9,750
Loss for the period and total comprehensive expense for the period (unaudited)	–	–	–	–	(795)	(795)
At 30 April 2011 (unaudited)	3,000	610	658	986	3,701	8,955

Notes:

(a) The paid-in capital of RMB2,100,000 was satisfied by the intangible asset with fair value of approximately RMB2,710,000. The surplus of approximately RMB610,000 was recognised as capital reserve.

(b) The statutory reserve of the Target Company refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the Target Company. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital on the Target Company. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the Target Company's capital by means of capitalisation issue. In addition, upon the approval of shareholders of the Target Company, certain percentage of the profit after tax can be appropriated on a voluntarily basis which is recorded in general reserve.

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit (loss) before tax	643	5,760	(56)	(798)	(178)
Adjustments for:					
Depreciation of property, plant and equipment	61	114	232	78	69
Amortisation of intangible asset	271	271	271	90	90
Bank interest income	(6)	(13)	(27)	(5)	(2)
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	(13)
Government grants	(2)	(660)	(404)	–	–
Other investment income	–	–	–	–	(44)
Operating cash flows before movements in working capital	967	5,472	16	(635)	(78)
Decrease (increase) in trade and other receivables	365	291	621	287	(289)
Increase (decrease) in other payables	972	(3,418)	929	(296)	(744)
Cash generated from (used in) operations	2,304	2,345	1,566	(644)	(1,111)
Enterprise Income Tax paid	–	–	(24)	–	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,304	2,345	1,542	(644)	(1,111)

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Bank interest income received	6	13	27	5	2
Other investment income received	–	–	–	–	28
Deposits paid for acquisition of property, plant and equipment	(962)	–	–	–	–
Purchase of plant and equipment	(14)	(512)	(33)	(33)	(30)
Purchase of held-to-maturity investments	–	–	–	–	(5,000)
Purchase of financial assets at fair value through profit or loss	–	–	–	–	(1,300)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(970)	(499)	(6)	(28)	(6,300)
NET CASH FROM FINANCING ACTIVITY					
Government grants received	2	660	404	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,336	2,506	1,940	(672)	(7,411)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	2,317	3,653	6,159	6,159	8,099
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	3,653	6,159	8,099	5,487	688

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was incorporated with limited liability in the PRC on 27 October 2006.

The address of the registered office and principal place of business of the Target Company is 29C, Qinghai Building, No. 7043, Beihuan Road, Futian District, Shenzhen, Guangdong, the PRC.

The principal activities of the Target Company are development of computer software and hardware, sales of software, provision of software consultancy services and on-site maintenance services, in particular software application solutions for electronic public procurement platforms.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional of the Target Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the financial year beginning on 1 January 2012.

The Target Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[3]
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government Loans[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
HK(IFRIC)* – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)

1 Effective for annual periods beginning on or after 1 January 2012.

2 Effective for annual periods beginning on or after 1 July 2012.

3 Effective for annual periods beginning on or after 1 January 2013.

4 Effective for annual periods beginning on or after 1 January 2014.

5 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* and Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The director of the Target Company anticipates that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The director of the Target Company anticipates that HKFRS 13 will be adopted in the Target Company's financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the Financial Information and result in more extensive disclosures in the Financial Information.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The director of the Target Company anticipates that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives is carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand. For the purpose of the statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets are classified as loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and held-to-maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is excluded from net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other income line item in the statements of comprehensive income. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Target Company's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets and intangible assets other than goodwill

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

The Target Company's revenue includes the following:

(a) Sales of software

Sales of standard software and related products are recognised when the Target Company has delivered the products and completed the inspection.

(b) Provision of software consultancy, maintenance and supporting services

Software consultancy, maintenance and supporting services are provided in the form of fixed-price contracts. Provision of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

The full-time employees of the Target Company in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Target Company contributed on a monthly basis to these pension plans. Under these plans, the Target Company has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 3, the director of the Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the director has made in process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Held-to-maturity investments

The director of the Target Company has reviewed the Target Company's held-to-maturity investments in unlisted equity securities and has confirmed the Target Company's positive intention and ability to hold these assets to maturity. The carrying amount of the held-to-maturity investments was RMB5,000,000 as at 30 April 2012. Details of these assets are set out in note 18.

Legal titles of buildings

Despite the Target Company has paid the full purchase consideration as detailed in note 13, the Target Company had not been granted the formal ownership certificates of its building by the relevant government authorities. With reference to the PRC legal opinion, the director of the Target Company determines to recognise these buildings on the ground that the Target Company is in substance lawfully occupy or own these buildings.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The determination of the residual values and useful lives involve management's estimation. The Target Company assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year/period and the estimate will be changed in the future period.

Estimated impairment of intangible asset

The Target Company determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Target Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision made. As at 31 December 2009, 2010 and 2011 and 30 April 2012, the carrying values of intangible asset were approximately RMB2,055,000, RMB1,784,000, RMB1,513,000 and RMB1,423,000 respectively. No impairment loss was provided during the Relevant Periods and for the four months ended 30 April 2011.

Estimated impairment of trade and other receivables

The Target Company performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Target Company continuously monitors collections and payments from its customers and maintains a provision of estimated credit losses based upon its historical experience. Credit losses have historically been within the Target Company's expectations and the Target Company will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2009, 2010 and 2011 and 30 April 2012, the carrying amounts of trade and other receivables were approximately RMB2,060,000, RMB1,769,000, RMB1,148,000 and RMB1,453,000 respectively. No impairment loss was provided during the Relevant Periods and for the four months ended 30 April 2011.

Fair value of financial assets through profit or loss

The director of the Target Company uses her judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Financial assets are valued using the return rate provided by bank. The carrying amount of the equity instruments as at 30 April 2012 is approximately RMB1,313,000. The director of the Target Company believes that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial assets.

5. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Company consists of bank balances and cash and equity attributable to owners of the Target Company, comprising issued share capital and reserves.

The director of the Target Company reviews the capital structure regularly. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director, the Target Company will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 April
	2009	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	–	–	–	1,313
Held-to-maturity investments	–	–	–	5,000
Loans and receivables (including cash and cash equivalents)	5,697	7,915	9,194	2,123
Financial liabilities				
Amortised cost	525	800	814	337

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include trade and other receivables, financial assets at fair value through profit or loss, held-to-maturity investments, bank balances and cash and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Target Company's business activities and its assets and liabilities were denominated in RMB, its functional currency. The management considers the Target Company is not exposed to significant foreign currency risk as all of its operations and transactions are denominated in the functional currency of the Target Company. The Target Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Target Company's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Target Company's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. Hence, no sensitivity analysis is presented.

Credit risk

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Target Company has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of the Target Company considers that the Target Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Target Company has concentration risk as 29%, 30%, 21% and 59% of the total trade receivables at 31 December 2009, 2010 and 2011 and 30 April 2012 respectively was due from the Target Company's largest customer while 68%, 55%, 68% and 86% of the total trade receivables at 31 December 2009, 2010 and 2011 and 30 April 2012 respectively was due from the Target Company's five largest customers.

As at 31 December 2009, 2010 and 2011 and 30 April 2012, the Target Company's concentration of credit risk by geographical locations is only in the PRC. However, trade receivables consist of a large number of customers with high credit ratings.

Liquidity risk

In management of the liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing and their maturity dates are repayable on demand or within one year as at the end of each reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 April 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB$'000	*RMB$'000*	*RMB$'000*	*RMB$'000*
Financial assets at FVTPL				
Held-for-trading financial assets	–	1,313	–	1,313

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue derived from sales of software, provision of software consultancy, maintenance and supporting services for the year/period. An analysis of the Target Company's revenue for the year/period is as follows:

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of software	1,754	5,507	1,829	297	555
Provision of software consultancy, maintenance and supporting services	2,319	3,473	1,974	167	592
	4,073	8,980	3,803	464	1,147

Segment revenues, results, assets and liabilities

The Target Company's is engaged in a single segment, sales of software, provision of software consultancy, maintenance and supporting services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of director as they collectively make strategic decision in allocating the Target Company's resources and assessing performance.

Geographical information

As all the Target Company's revenue is derived from customers based in the PRC (country of domicile) and all the Target Company's non-current assets are located in the PRC, no geographic information is presented.

Information about major customers

Revenues from customers of the corresponding years/periods contributing over 10% of the total revenue of the Target Company are as follows:

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	1,200	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer B	486	2,098	806	N/A[1]	595
Customer C	422	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer D	N/A[1]	2,786	N/A[1]	N/A[1]	N/A[1]
Customer E	N/A[1]	N/A[1]	800	240	N/A[1]
Customer F	N/A[1]	N/A[1]	N/A[1]	86	N/A[1]
Customer G	N/A[1]	N/A[1]	N/A[1]	80	N/A[1]
Customer H	N/A[1]	N/A[1]	N/A[1]	57	N/A[1]
Customer I	N/A[1]	N/A[1]	N/A[1]	N/A[1]	120

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target Company in the respective year/period.

8. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	6	13	27	5	2
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	13
Government grants *(Note)*	2	660	404	–	–
Other investment income	–	–	–	–	44
Sundry income	–	–	2	2	3
	8	673	433	7	62

Note: The amounts represented one-off, unconditional government grants for the Target Company's contribution in the development of information technology in Shenzhen, the PRC.

9. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
PRC Enterprise Income Tax (the "EIT")	–	554	–	–	–
Deferred taxation *(Note 22)*	(109)	91	(9)	(3)	(3)
	(109)	645	(9)	(3)	(3)

Under the Law of the People's Republic of China on the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the Target Company is 25% from 1 January 2008 onwards.

The Target Company has obtained approval from the relevant tax bureau and are qualified as a High and New Technology Enterprises which are subject to a tax rate of 15% for the Relevant Periods and for the four months ended 30 April 2011.

The income tax (credit) expense for the Relevant Periods and for the four months ended 30 April 2011 can be reconciled to the profit/loss before tax per the statements of comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) before tax	643	5,760	(56)	(798)	(178)
Tax at domestic income tax rate of 25%	161	1,440	(14)	(199)	(45)
Tax effect of preferential tax rate of the Target Company 10%	(64)	(576)	6	80	18
Tax effect of expenses not deductible for tax purpose	10	8	1	–	–
Additional deductible allowances for High and New Technology Enterprises	(216)	(227)	(200)	–	–
Tax effect of tax losses not recognised	–	–	198	116	24
Income tax (credit) expense for the year/period	(109)	645	(9)	(3)	(3)

10. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit (loss) for the year/period has been arrived at after charging:					
Director's emolument					
– salaries, allowances and other benefits	96	140	138	40	40
– retirement benefit scheme contributions	–	1	5	2	2
	96	141	143	42	42
Other staff costs					
– salaries, allowances and other benefits	2,053	2,111	2,459	646	794
– retirement benefit scheme contributions	87	87	112	25	35
	2,140	2,198	2,571	671	829
Total staff costs	2,236	2,339	2,714	713	871

	Year ended 31 December			Four months ended 30 April	
	2009	2010	2011	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Auditors' remuneration	1	3	3	–	–
Amortisation of intangible asset (included in cost of sales)	271	271	271	90	90
Depreciation of property, plant and equipment	61	114	232	78	69
Minimum lease payments under operating lease for rented office premises	126	103	108	36	35

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Director's emoluments

Details of the emoluments paid or payable to the director during the Relevant Periods and for the four months ended 30 April 2011 were as follows:

Year ended 31 December 2009

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
容愛忠	96	–	96

Year ended 31 December 2010

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
容愛忠	140	1	141

Year ended 31 December 2011

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
容愛忠	138	5	143

Four months ended 30 April 2011 (unaudited)

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
容愛忠	40	2	42

Four months ended 30 April 2012

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
容愛忠	40	2	42

No director waived or agrees to waive any emolument paid by the Target Company during the Relevant Periods and for the four months ended 30 April 2011. No emoluments were paid by the Target Company to the director as an incentive payment to join or upon joining the Target Company or as compensation for loss of office during the Relevant Periods and for the four months ended 30 April 2011.

(b) Employees' emoluments

The five highest paid individuals of the Target Company included a director for the Relevant Periods and for the four months ended 30 April 2011, whose emoluments are reflected in the analysis presented above. Details of emoluments paid to the remaining four highest paid individuals of the Target Company for the Relevant Periods and for the four months ended 30 April 2011 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and other benefits	488	597	697	236	243
Retirement benefit scheme contributions	16	16	28	9	12
	504	613	725	245	255

Their emoluments were fall within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2009	2010	2011	2011	2012
Nil to HK$1,000,000 (equivalent to approximately RMB820,000)	4	4	4	4	4

No emoluments have been paid by the Target Company to the five highest paid individuals as an inducement to join or upon joining the Target Company, or as compensation for loss of office during the Relevant Periods and for the four months ended 30 April 2011.

12. DIVIDEND

No dividend was paid or proposed during the Relevant Periods and for the four months ended 30 April 2011, nor has any dividend been proposed since the end of the reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2009	–	255	–	255
Additions	–	14	–	14
At 31 December 2009	–	269	–	269
Additions	962	33	479	1,474
At 31 December 2010	962	302	479	1,743
Additions	–	33	–	33
At 31 December 2011	962	335	479	1,776
Additions	–	30	–	30
At 30 April 2012	962	365	479	1,806
ACCUMULATED DEPRECIATION				
At 1 January 2009	–	70	–	70
Provided for the year	–	61	–	61
At 31 December 2009	–	131	–	131
Provided for the year	–	67	47	114
At 31 December 2010	–	198	47	245
Provided for the year	46	72	114	232

	Buildings *RMB'000*	Office equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
At 31 December 2011	46	270	161	477
Provided for the period	15	16	38	69
At 30 April 2012	61	286	199	546
CARRYING VALUES				
At 31 December 2009	–	138	–	138
At 31 December 2010	962	104	432	1,498
At 31 December 2011	916	65	318	1,299
At 30 April 2012	901	79	280	1,260

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Buildings	5%
Office equipment	20% – 50%
Motor vehicle	25%

As at 31 December 2010, 31 December 2011 and 30 April 2012, the Target Company has not been granted the ownership certificates of its buildings by the relevant government authorities with an aggregate carrying values of approximately RMB962,000, RMB916,000 and RMB901,000 respectively. With reference to the PRC legal opinion, the director of the Target Company is of the opinion that the Target Company is entitled to lawfully occupy or use these properties.

14. INTANGIBLE ASSET

	Software copyrights *RMB'000*
COST	
At 1 January 2009, 31 December 2009, 31 December 2010, 31 December 2011 and 30 April 2012	2,710
ACCUMULATED AMORTISATION	
At 1 January 2009	384
Provided for the year	271
At 31 December 2009	655
Provided for the year	271
At 31 December 2010	926
Provided for the year	271
At 31 December 2011	1,197
Provided for the period	90

	Software copyrights *RMB'000*
At 30 April 2012	1,287
CARRYING VALUES	
At 31 December 2009	2,055
At 31 December 2010	1,784
At 31 December 2011	1,513
At 30 April 2012	1,423

The intangible asset represents software copyrights granted by the relevant government authority to the Target Company for developing other related software in the PRC. The software copyrights are amortised on a straight-line basis over ten years.

15. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance represented deposits paid for the acquisition of staff quarters in the PRC. During the year ended 31 December 2010, the amount had been transferred to property, plant and equipment.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	1,898	1,734	978	1,354
Retentions	120	–	80	–
	2,018	1,734	1,058	1,354
Other receivables	10	6	21	65
Deposits	16	16	16	16
Prepayment	16	13	53	18
	2,060	1,769	1,148	1,453

The Target Company does not hold any collateral over those balances.

The Target Company does not have any specific credit period granted to its trade customers. The aged analysis of trade receivables and retentions presented based on invoice date at the end of each reporting period. At 31 December 2009, 2010, 2011 and 30 April 2012, the analysis of trade receivables and retentions is as follows:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	999	1,304	433	772
31 to 60 days	194	–	312	2
61 to 90 days	–	40	–	247
91 to 180 days	–	15	15	230
181 to 365 days	–	–	50	103
1 to 2 years	825	–	248	–
2 to 3 years	–	375	–	–
	2,018	1,734	1,058	1,354

The Target Company has not recognised any impairment loss as there has not been a significant change in the credit quality of customers and the amounts are still considered as recoverable.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Held for trading				
Unlisted investments in the PRC, at fair value	–	–	–	1,313

The financial assets at fair value through profit or loss are short-term investments. The fair values of unlisted investments have been arrived by reference to return rate provided by bank.

18. HELD-TO-MATURITY INVESTMENTS

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities in the PRC, at cost	–	–	–	5,000

At 30 April 2012, held-to-maturity investments represents a structured deposit with determinable interest rate of 3.6% per annum which has a maturity of 36 days with a nominal amount of RMB5,000,000.

19. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates at a range from 0.36% to 0.50% per annum during the Relevant Periods.

20. OTHER PAYABLES

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	525	800	814	337
Receipts in advance	3,738	45	960	693
	4,263	845	1,774	1,030

21. PAID-IN CAPITAL

As at 1 January 2009, 31 December 2009, 31 December 2010, 31 December 2011 and 30 April 2012:

	RMB'000
Paid-in capital	3,000

22. DEFERRED TAXATION

The following are the analysis of major deferred tax asset (liability) recognised and movements thereon during the Relevant Periods:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax asset	100	–	–	–
Deferred tax liability	(70)	(61)	(52)	(49)
	30	(61)	(52)	(49)

	Fair value adjustment on intangible asset *RMB'000*	Estimated tax losses *RMB'000*	Total *RMB'000*
At 1 January 2009	(79)	–	(79)
Credited to the statements of comprehensive income	9	100	109
At 31 December 2009	(70)	100	30
Credited (charged) to the statements of comprehensive income	9	(100)	(91)
At 31 December 2010	(61)	–	(61)
Credited to the statements of comprehensive income	9	–	9
At 31 December 2011	(52)	–	(52)
Credited to the statements of comprehensive income	3	–	3
At 30 April 2012	(49)	–	(49)

At 31 December 2009, the Target Company had unused tax losses of approximately RMB668,000. Deferred tax asset has been recognised in respect of such losses.

At 31 December 2011, the Target Company had unused tax losses of approximately RMB1,324,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward to next five years.

At 30 April 2012, the Target Company had unused tax losses of approximately RMB1,482,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward to next five years.

23. RETIREMENT BENEFITS SCHEME

The employees of the Target Company are members of a state-managed retirement benefit scheme operated by the government of the PRC. The Target Company is required to contribute 10% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Company with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the statements of comprehensive income of approximately RMB87,000, RMB88,000, RMB117,000, RMB27,000 and RMB37,000 for the three years ended 31 December 2011 and four months ended 30 April 2011 and 2012 respectively, represent contributions payable to this scheme by the Target Company during the Relevant Periods and for the four months ended 30 April 2011.

24. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The emoluments paid to the director and the other members of key management of the Target Company during the Relevant Periods and for the four months ended 30 April 2011 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2009	**2010**	**2011**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term benefits	258	428	518	144	144
Post-employment benefits	–	3	12	4	4
	258	431	530	148	148

The emoluments of director and the other members of key management of the Target Company are determined with regards to the performance of individuals.

25. OPERATING LEASES

The Target Company as leasee

At the end of each reporting period, the Target Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 April
	2009	**2010**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	40	96	–	16

Operating lease payments represent rentals payable by the Target Company for certain of its office premises. Leases are negotiated for an average term of six months to one year with fixed rentals.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 April 2012.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The unaudited pro forma financial information of China Public Procurement Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Shenzhen Zhongcai Information Technology Company Limited (the "Target Company") (together with the Group, hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the proposed acquisition of 70% of the equity interest in the Target Company (the "Acquisition").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2012, which has been extracted from the published unaudited interim report of the Group for the six months ended 30 June 2012 and the audited statement of financial position of the Target Company as at 30 April 2012 as set out in Appendix II of this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable as if the acquisition had been completed on 30 June 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I of the circular, historical financial information of the Target Company as set out in Appendix II of the circular and other financial information included elsewhere in the circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed on 30 June 2012 or any future date.

	The Group as at 30 June 2012	The Target Company as at 30 April 2012	Sub-total	Pro forma adjustments	*Notes*	The Enlarged Group as if acquisition has been completed as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*				
Non-current assets						
Property, plant and equipment	10,667	1,557	12,224	–		12,224
Goodwill	5,369,545	–	5,369,545	14,941	*3*	5,384,486
Prepayment for acquisition of intangible asset	27,346	–	27,346	–		27,346
Intangible assets	28,618	1,759	30,377	26,458	*6*	56,835
	5,436,176	3,316	5,439,492	41,399		5,480,891
Current assets						
Trade and other receivables	58,382	1,796	60,178	–		60,178
Amount due from a non-controlling interest of a subsidiary	9,766	–	9,766	–		9,766
Financial assets at fair value through profit or loss	–	1,623	1,623	–		1,623
Held-to-maturity investments	–	6,179	6,179	–		6,179
Bank balances and cash	217,247	850	218,097	–		218,097
	285,395	10,448	295,843	–		295,843

	The Group as at 30 June 2012	The Target Company as at 30 April 2012	Sub-total	Pro forma adjustments	Notes	The Enlarged Group as if acquisition has been completed as at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*				
Current liabilities						
Other payables	27,645	1,273	28,918	–		28,918
Consideration payable	–	–	–	29,659	*4*	29,659
Income tax payables	9,964	655	10,619	–		10,619
	37,609	1,928	39,537	29,659		69,196
Net current assets	247,786	8,520	256,306	(29,659)		226,647
Total assets less current liabilities	5,683,962	11,836	5,695,798	11,740		5,707,538
Non-current liability						
Deferred tax liability	–	61	61	6,615	*6*	6,676
Net assets	5,683,962	11,775	5,695,737	5,125		5,700,862

Notes:

1. The carrying amounts of assets and liabilities are extracted from the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2012 included in the published interim report of the Group for the six months ended 30 June 2012.

2. The carrying amounts of assets and liabilities are extracted from the audited statement of financial position of the Target Company as at 30 April 2012 included in the accountants' report of the Target Company, as set out in Appendix II of this circular. The presentation currency of the Target Company is Renminbi ("RMB"). For illustration purpose, the net assets attributable to equity holders of the Target Company are translated into HK$ at the exchange rate of HK$1.00 to RMB0.8092.

3. The identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Group at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)"). For the purpose of determining goodwill arising from the acquisition transaction in the Unaudited Pro Forma Financial Information, the identifiable assets and liabilities of the Target Company are recorded in the Unaudited Pro Forma Financial Information at their fair values as if the acquisition was completed on 30 June 2012.

For the purpose of this Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment on goodwill has been properly performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" which is consistent with the accounting policy of the Company.

Based on the management's assessment on the business plan to be executed and the recoverable amount of the business to be acquired, the management considers that there is no impairment on the goodwill arising from the Acquisition as at 30 June 2012 as if the Acquisition was completed on the same date. On that basis, the directors of the Company concluded that no impairment in the value of goodwill is considered necessary.

Goodwill arising from the Acquisition is estimated as follows:

	HK$'000
Cash consideration paid and payable by the Company for acquisition of the Target Company *(Note 4)*	37,074
Less: Fair value of the net identifiable assets of the Target Company acquired *(Note 5)*	(22,133)
Goodwill arising from the Acquisition	14,941

4. Pursuant to the sale and purchase agreement dated 11 April 2012 and the supplemental agreement dated 7 July 2012 (the "Agreement"), Victory Good Limited, a wholly-owned subsidiary of the Company, has conditionally agreed to acquire 70% of the equity interest in the Target Company at an aggregate consideration of RMB30,000,000 (equivalent to approximately HK$37,074,000) which would be settled by Victory Good Limited in three installments. The first installment and second installment of RMB6,000,000 (equivalent to approximately HK$7,415,000) and RMB22,500,000 (equivalent to approximately HK$27,805,000) were settled on 18 April 2012 and 18 July 2012 respectively. The last installment of RMB1,500,000 (equivalent to approximately HK$1,854,000) will be settled within five business days upon completion.

5. The adjustment on goodwill resulted from the Acquisition is calculated as follows:

	Carrying amount *HK$'000*	Fair value adjustment *HK$'000*	*Notes*	Fair value *HK$'000*
The Target Company				
Property, plant and equipment	1,557	–		1,557
Intangible assets	1,759	26,458	*6*	28,217
Trade and other receivables	1,796	–		1,796
Financial assets at fair value through profit or loss	1,623	–		1,623
Held-to-maturity investments	6,179	–		6,179
Bank balances and cash	850	–		850
Other payables	(1,273)	–		(1,273)
Income tax payables	(655)	–		(655)
Deferred tax liability	(61)	(6,615)	*6*	(6,676)
Fair value of net assets acquired				31,618
Non-controlling interests of 30% in the Target Company				(9,485)
Fair value of net identifiable assets and liabilities acquired				22,133

		HK$'000
Goodwill arising on acquisition:		
Consideration transferred	*4*	37,074
Less: Fair value of net identifiable assets and liabilities acquired		(22,133)
Goodwill arising on acquisition		14,941

6. The adjustment on intangible assets of approximately HK$26,458,000 represents the excess of fair value of intangible assets of the software copyrights over its carrying amounts as at 30 April 2012 and the corresponding deferred tax liability of approximately HK$6,615,000 charged at PRC tax rate of 25%. The fair value of the intangible assets as at 30 June 2012 was determined with reference to the valuation carried out by Grant Sherman Appraisal Limited, an independent professional qualified valuer not connected to the Group. The address of Grant Sherman Appraisal Limited is Unit 1005, 10/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

   Upon completion of the Acquisition, the fair value of the net identifiable assets and liabilities of the Target Company will have to be reassessed. As a result of the re-assessment, the amount of goodwill may be different from that estimated as stated above for the purpose of preparing this Unaudited Pro Forma Financial Information and is subject impairment review at the end of each reporting period.

7. The directors of the Company have reviewed the carrying values of the intangible assets of the Enlarged Group taking into account the independent valuation report. Based on the valuation report, the directors of the Company are of the opinion that there are no indications that the values of the intangible assets of the Enlarged Group may be impaired.

   The auditor of the Company will carry out impairment review of the intangible assets of the Enlarged Group with reference to an independent valuation report, which will be prepared under the same principal assumptions and valuation method in the future.

8. All amounts in RMB are translated into HK$ at the approximate exchange rate prevailing at the close of business on 30 June 2012 of HK$1.00 = RMB0.8092.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

15 October 2012

The Board of Directors
China Public Procurement Limited
Suites 2805-2810, 28/F.,
Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai,
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Public Procurement Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III of the circular dated 15 October 2012 (the "Circular") in connection with the proposed acquisition of 70% of the equity interest in Shenzhen Zhongcai Information Technology Company Limited (the "Target Company") (together with the Group, hereinafter referred to as the "Enlarged Group") (the "Acquisition"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III of the Circular.

Respective Responsibilities of Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2012 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Approximate percentage of the Company's issued share capital
Cheng Yuanzhong	Beneficial interest	–	15,000,000 *(Note 2)*	0.45%
Ho Wai Kong	Corporate interest	237,388,901 *(Note 1)*	1,424,284,725 *(Note 1)*	50.10%
	Beneficial interest	14,800,000	–	0.45%
	Spousal interest	29,348,000 *(Note 3)*	250,000,000 *(Note 3)*	8.42%
Wang Dingbo	Corporate interest	–	536,425,910 *(Note 4)*	16.17%
	Beneficial interest	1,000,000	15,000,000 *(Note 2)*	0.48%

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Approximate percentage of the Company's issued share capital
	Spousal interest	1,100,000 *(Note 5)*	–	0.03%
Peng Ru Chuan	Beneficial interest	–	12,000,000 *(Note 2)*	0.36%
Liu Jie	Beneficial interest	–	12,000,000 *(Note 2)*	0.36%
Wang Ning	Beneficial interest	–	10,000,000 *(Note 2)*	0.30%
Wu Fred Fong	Beneficial interest	–	3,300,000 *(Note 2)*	0.09%
Chan Tze See, Kevin	Beneficial interest	–	4,300,000 *(Note 2)*	0.13%
	Spousal interest	352,000 *(Note 6)*	–	0.01%
Chen Bojie	Beneficial interest	–	4,300,000 *(Note 2)*	0.12%
Xu Haigen	Beneficial interest	–	3,300,000 *(Note 2)*	0.09%

Notes:

1. Mr. Ho Wai Kong is interested in 1,661,673,626 shares under controlled corporation, of which 1,661,173,626 shares are held by Master Top Investments Limited, an associated corporate of the Company, and 500,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong. Master Top Investments Limited is also entitled to a maximum of 1,424,284,725 Preferred Shares of the Company ("**Preferred Shares**").

2. These options were granted by the Company under the Share Option Scheme.

3. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 29,348,000 shares and 250,000,000 Preferred Shares held by Ms. Guo Binni under the SFO.

4. Mr. Wang Dingbo is interested in 536,425,910 Preferred Shares under controlled corporation, Favor Mind Holdings Limited, which is wholly and beneficially owned by Mr. Wang Dingbo.

5. Mr. Wang Dingbo is the spouse of Ms. Cheung Leng Chau and is therefore deemed to be interested in 1,100,000 shares held by Ms. Cheung Leng Chau under the SFO.

6. Mr. Chan Tze See, Kevin is the spouse of Ms. Lam Lai Chong and is therefore deemed to be interested in the 352,000 shares held by Ms. Lam Lai Chong under the SFO.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any of its interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of

Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group were as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Approximate percentage of the Company's issued share capital
Chen Shulin *(Note 1)*	Corporate interest	600,000,000	–	18.09%
Metro Factor Limited ("**Metro Factor**") *(Note 1)*	Beneficial interest	600,000,000	–	18.09%
Tian Xinhua *(Note 2)*	Spousal interest	600,000,000	–	18.09%
Chen Min	Beneficial interest	310,000,000	–	9.35%
Gao Yongzhi *(Note 3)*	Corporate interest	350,000,000	–	10.55%
Smart Chant Limited ("**Smart Chant**") *(Note 3)*	Corporate interest	350,000,000	–	10.55%
King Lion Group Limited ("**King Lion**") *(Note 3)*	Beneficial interest	350,000,000	–	10.55%
Siu Fung *(Note 4)*	Corporate interest	262,715,687	–	7.92%
Top Access Overseas Limited ("**Top Access**") *(Note 4)*	Corporate interest	262,715,687	–	7.92%

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Approximate percentage of the Company's issued share capital
Magical Power Investments Limited ("**Magical Power**") *(Note 4)*	Beneficial interest	262,715,687	–	7.92%
Liu Rose *(Note 5)*	Corporate interest	460,000,000	–	13.87%
Global Vector Limited ("**Global Vector**") *(Note 5)*	Beneficial interest	460,000,000	–	13.87%
Chen Jack *(Note 6)*	Spousal interest	460,000,000	–	13.87%
Tan Keng Sin Patrick *(Note 7)*	Corporate interest	–	194,288,000	5.86%
Tern Yuh Sheng Joseph *(Note 7)*	Corporate interest	–	194,288,000	5.86%
Havenport Asset Management Pte. Ltd. ("**Havenport Asset**") *(Note 7)*	Investment manager	–	194,288,000	5.86%
Cheung Leng Chau *(Note 8)*	Beneficial interest	–	1,100,000	0.03%
	Spousal interest	536,425,910	16,000,000	16.65%
Favor Mind Holdings Limited ("**Favor Mind**") *(Note 9)*	Beneficial interest	536,425,910	–	16.17%
Guo Binni *(Note 10)*	Beneficial interest	250,000,000	29,348,000	8.42%
	Spousal interest	1,424,284,725	252,188,901	50.55%
Master Top Investments Limited ("**Master Top**") *(Note 11)*	Beneficial interest	1,424,284,725	236,888,901	50.09%
Lu Xing *(Note 12)*	Corporate interest	347,770,828	68,806,980	12.56%
	Beneficial interest	–	25,296,000	0.76%
Mega Step Investments Limited ("**Mega Step**") *(Note 13)*	Beneficial interest	347,770,828	36,806,980	11.60%

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Approximate percentage of the Company's issued share capital
Legg Mason, Inc. *(Note 14)*	Investment manager	–	182,500,000	5.50%
Song Lianzhong *(Note 15)*	Beneficial interest	–	180,000,000	5.43%
Top Blast Limited ("**Top Blast**") *(Note 16)*	Beneficial interest	2,004,280,000	–	60.43%
China Public Procurement (Hong Kong) Technology Company Limited ("**CPP (HK) Technology**") *(Note 16)*	Corporate interest	2,004,280,000	–	60.43%
Guocai Science & Technology Company Limited ("**Guocai Science**") *(Note 16)*	Corporate interest	2,004,280,000	–	60.43%

Notes:

1. Metro Factor is directly, wholly and beneficially owned by Mr. Chen Shulin.

2. Ms. Tian Xinhua is the spouse of Mr. Chen Shulin and is therefore deemed to be interested in 600,000,000 Preferred Shares held by Mr. Chen Shulin.

3. King Lion is directly, wholly and beneficially owned by Smart Chant which is directly, wholly and beneficially owned by Mr. Gao Yongzhi. Therefore, King Lion is indirectly, wholly and beneficially owned by Mr. Gao Yongzhi.

4. Magical Power is directly, wholly and beneficially owned by Top Access which is directly, wholly and beneficially owned by Ms. Siu Fung. Therefore, Magical Power is indirectly, wholly and beneficially owned by Ms. Siu Fung.

5. Global Vector is directly, wholly and beneficially owned by Ms. Liu Rose.

6. Mr. Chen Jack is the spouse of Ms. Liu Rose and is therefore deemed to be interested in 460,000,000 shares held by Ms. Liu Rose under the SFO.

7. Mr. Tan Keng Sin Patrick and Mr. Tern Yu Sheng Joseph each beneficially own 50% of Havenport Asset.

8. Ms. Cheung Leng Chau is the spouse of Mr. Wang Dingbo and is therefore deemed to be interested in 536,425,910 Preferred Shares, 1,000,000 shares and 15,000,000 options held by Mr. Wang Dingbo under SFO.

9. Favor Mind is directly, wholly and beneficially owned by Mr. Wang Dingbo.

10. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 1,424,284,725 Preferred Shares and 252,188,901 shares held by Mr. Ho Wai Kong under SFO.

11. Master Top is directly, wholly and beneficially owned by Mr. Ho Wai Kong.

12. Mr. Lu Xing is interested in 416,577,808 shares under controlled corporation, of which 384,577,808 shares are held by Mega Step Investments Limited and 32,000,000 shares are held by Ascher Group Limited. Both companies are beneficially owned by Mr. Lu Xing. Mega Step Investments Limited is also entitled to maximum of 347,770,828 Preferred Shares. Mr. Lu Xing is interested in 15,000,000 options granted by the Company under the Share Option Scheme in the capacity of Director. Mr. Lu Xing retired on 28 June 2012.

13. Mega Step is directly, wholly and beneficially owned by Mr. Lu Xing.

14. These 182,500,000 shares are wholly and beneficially owned by Legg Mason Asset Management Singapore Pte. Limited, a company directly, wholly and beneficially owned by LM International Holding LP, which is directly, wholly and beneficially owned by Legg Mason International Holdings, which is directly, wholly and beneficially owned by Legg Mason, Inc.. Therefore Legg Mason, Inc. is deemed to be interested in these 182,500,000 shares.

15. Mr. Song Lianzhong is interested in 150,000,000 shares of the Company and 30,000,000 options granted by the Company under the Share Option Scheme.

16. Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of Shares.

3. SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF THE GROUP

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (not being a Director or chief executive of the Company) were, either directly or indirectly, interested in Shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of subsidiary	Name of Shareholder	No. of securities held/amount of registered capital owned	Approximate percentage shareholdings
EJV	PRC Partner	Registered capital of RMB30,000,000	10%

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into a service contract with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group were made up.

6. QUALIFICATIONS AND CONSENTS OF EXPERTS

Name	Qualification
SHINEWING (HK) CPA Limited ("**Shinewing**")	Certified Public Accountants
Grant Sherman Appraisal Limited ("**Grant Sherman**")	Independent professional valuers

Shinewing and Grant Sherman have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or letters and/or reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, Shinewing and Grant Sherman did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

As at the Latest Practicable Date, Shinewing and Grant Sherman did not have any interest, direct or indirect, in any assets which since 31 December 2011, the date to which the latest published audited financial statements of the Enlarged Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. COMPETING INTEREST

As at the Latest Practicable Date, save as disclosed herein, none of the Directors or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

8. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the date of this circular:

(a) the disposal agreement (the "**Disposal Agreement**") dated 21 December 2010 and entered into between Public Procurement Limited (the "**Subsidiary**"), a wholly-owned subsidiary of the Company, and the transferee, an independent third party, in relation to the transfer of the ownership of the right and obligations under certain energy performance contracting projects (合同能源管理項目) that the PRC Partner entered into with government entities in certain provinces in the PRC (the "**EMC Projects**"), pursuant to which the transferee should pay HK$400 million to the Subsidiary by installments provided that such amount should be fully paid by 31 December 2011;

(b) the cooperation agreement dated 23 December 2010 and entered into between the PRC Partner, the EJV and the Subsidiary 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 such 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);

(c) the project agreement dated 15 June 2011 and entered into between China Public Procurement (Hong Kong) Technology Co., Ltd., a wholly-owned subsidiary of the PRC Partner, the Subsidiary and the transferee, which is an independent third party, in relation to the transfer of the rights and obligations under an energy performance contracting project in Wuhan, the PRC, pursuant to which the transferee agreed to pay (i) HK$6 million as consultancy fee to a consultancy company; and (ii) HK$24 million to the PRC Partner Subsidiary, 90% of which (i.e. HK$21.6 million) would in turn be paid to the Subsidiary;

(d) the sale and purchase agreements dated 4 July 2012 and entered into between 公採網絡科技有限公司 (Public Procurement Network Technology Limited*), a wholly-owned subsidiary of the Company, as purchaser and 武漢光谷聯合股份有限公司 (Wuhan Optics Valley Union Company Limited*) as vendor in relation to the purchase of certain building comprising 11 floors located in Wuhan, the PRC and the basement of such building at an aggregate consideration of approximately RMB135.0 million; and

(e) the Acquisition Agreement.

10. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

11. GENERAL

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is located at Suites 2805-2810, 28/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Ma Wai Sze, Aceya, who is member of the Law Society of Hong Kong and a practicing solicitor in Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(e) The English text of this circular prevails over its Chinese translation in the case of discrepancy.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 2805-2810, 28/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2011;

(c) the accountants' report from Shinewing on the Target Company, the text of which is set out in Appendix II to this circular;

(d) the accountants' report from Shinewing on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the valuation report on, among others, the intangible assets of the Target Company prepared by Grant Sherman;

(f) the written consent(s) referred to in the paragraph headed "Qualifications and consents of experts" in this appendix;

(g) the material contract(s) referred to in the paragraph headed "Material contracts" in this appendix; and

(h) this circular.

CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)
(Stock code: 1094)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of China Public Procurement Limited (the "**Company**") will be held at Function Room, Basement 2, The Wharney Guang Dong Hotel, 57-73 Lockhard Road, Wanchai, Hong Kong on Wednesday, 31 October 2012 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the form and substance of each of (1) the agreement (the "**Original Agreement**") dated 11 April 2012 and entered into between Victory Good Ltd., a wholly-owned subsidiary of the Company, as purchaser, two individuals from the People's Republic of China (the "**PRC**") interested in 99% equity interest and 1% equity interest of the Target Company respectively as vendors and a PRC individual, being the ultimate controller of the Target Company; and (2) the supplemental agreement (the "**Supplemental Agreement**") dated 17 July 2012 and entered into between the parties to the Original Agreement and Guocai Science & Technology Company Limited (being the unofficial English name of 國采科技股份有限公司) (the Original Agreement and the Supplemental Agreement are collectively referred to as the "**Acquisition Agreement**") in relation to the acquisition of 70% equity interest of Shenzhen Zhongcai Information Technology Company Limited (being the unofficial English name of 深圳市中采信息技術有限公司) at a consideration of RMB30 million (a copy of the Acquisition Agreement has been produced to the meeting and marked "A" and signed by the chairman of the meeting for identification purpose), as mentioned in the circular of the Company dated 15 October 2012 (a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby be and are hereby approved."

By order of the Board
China Public Procurement Limited
Cheng Yuanzhong
Chairman

Hong Kong, 15 October 2012

Registered office:	***Head office and principal place of business in Hong Kong:***
Clarendon House	Suites 2805-2810
2 Church Street	28/F, Dah Sing Financial Centre
Hamilton HM 11	108 Gloucester Road
Bermuda	Wanchai
	Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the Meeting is enclosed.

2. In order to be valid, the form of proxy and/or a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not later than 48 hours before the time of the meeting or any adjourned meeting.

3. Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

At the date of this notice, the Board comprises five executive Directors, Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Wang Dingbo (Chief Executive), Mr. Peng Ru Chuan and Ms. Liu Jie; one non-executive Director, Mr. Wang Ning; and four independent non-executive Directors, Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie, and Mr. Xu Haigen.