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CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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On 27 July 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, the Subscription Shares (being 34,897,000 new Shares) at the Subscription Price of HK\$0.142.

The 34,897,000 Subscription Shares represent (i) approximately 16.67% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no other change in the issued share capital of the Company between the date of this announcement and the completion of the Subscription).

The Subscription Price of HK\$0.142 per Subscription Share represents (i) a discount of approximately 10.13% to the closing price of the Shares on Last Trading Day, being HK\$0.158; and (ii) a discount of 19.95% to the average of the closing prices of the Shares for the last five trading days immediately before the Last Trading Day, being HK\$0.1774.

The Directors consider that the Subscription will improve the Group's working capital position. Each of the gross proceeds and net proceeds from the issue of the Subscription Shares is estimated to be approximately HK\$4,955,000 and HK\$4,902,000, respectively. The Company intends to use the net proceeds to replenish its general working capital to support the day-to-day operations of the Group's existing businesses.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

INTRODUCTION

The Board is pleased to announce that on 27 July 2020, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has agreed to subscribe for, and the Company has agreed to issue to the Subscriber, the Subscription Shares at the Subscription Price on the terms and conditions provided in the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Date:

27 July 2020 (after trading hours)

Parties:

Issuer : The Company

Subscriber : Natural Max Limited

The Group is principally engaged in the public procurement related businesses, including (i) the development and operation of electronic public procurement platforms and provision of procurement information and other added value services to users of the procurement platforms. Services include the supplier authentication, financial services, and supply chain management, etc.; (ii) trading business; and (iii) rental income.

The Subscriber is a BVI business company incorporated in the British Virgin Islands with limited liability, which is ultimately wholly-owned by Mr. Zhang Ye, whose occupation is a merchant. The Subscriber is an investment holding company. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner, Mr. Zhang Ye, are Independent Third Parties.

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, the Subscription Shares (being 34,897,000 new Shares) at the Subscription Price of HK\$0.142 per Subscription Share. The aggregate nominal value of the Subscription Shares is HK\$3,489,700.

The 34,897,000 Subscription Shares represent (i) approximately 16.67% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no other change in the issued share capital of the Company between the date of this announcement and the completion of the Subscription).

Immediately upon completion of the Subscription, the Subscriber will become a substantial shareholder of the Company (as defined under the Listing Rules).

Subscription Price

The Subscription Price of HK\$0.142 per Subscription Share represents:

- (a) a discount of approximately 10.13% to the closing price of HK\$0.158 per Share on Last Trading Day; and
- (b) a discount of approximately 19.95% to the average of the closing prices of HK\$0.1774 per Share for the last five trading days immediately before the Last Trading Day.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares. The Board considers that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate Subscription Price will be payable by the Subscriber in cash at completion of the Subscription.

General Mandate

The Subscription Shares will be issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 28 June 2019. As such, the issue of the Subscription Shares is not subject to the approval of the Shareholders. Under the General Mandate, the Company was authorised to allot, issue or deal with up to 34,897,945 ordinary shares of the Company, being 20% of the total number of ordinary shares in issue as at the date of the aforesaid annual general meeting. As at the date of this announcement, none of the General Mandate have been utilised by the Company.

Ranking of Subscription Shares

The Subscription Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Condition of the Subscription

Completion of the Subscription is conditional upon the Listing Committee of the Stock Exchange granting (and not having revoked) or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

If the aforesaid condition has not been fulfilled on or before 26 August 2020 (or such later date as may be agreed by the Company and the Subscriber), then none of the Company or the Subscriber shall be bound to proceed with completion of the Subscription, and the Subscription Agreement (save and except provisions as to confidentiality and certain other provisions) shall lapse and be of no further effect and neither the Company or the Subscriber shall have any claim against each other save for any antecedent breach prior to the date of such termination.

Since the Subscription is subject to the condition set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Completion of the Subscription

Completion of the Subscription shall take place on any Business Day which is not later than 10 Business Days after the date on which the aforesaid condition has been fulfilled as may be notified by the Company to the Subscriber.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Directors consider that the Subscription will improve the Group's working capital position.

The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds and net proceeds from the issue of the Subscription Shares is estimated to be approximately HK\$4,955,000 and HK\$4,902,000, respectively. The Company intends to use the net proceeds to replenish its general working capital to support the day-to-day operations of the Group's existing businesses.

The net price of each Subscription Share will be approximately HK\$0.1405.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company, in each case assuming that no new Shares are issued or repurchased during the relevant period: (i) as at the date of this announcement; and (ii) immediately after completion of the Subscription:

	As at the date of this announcement		Immediately after completion of the Subscription	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Director				
Zheng Jinwei (<i>Note 1</i>)	600,000	0.29	600,000	0.24
Substantial Shareholders				
Subscriber	—	—	34,897,000	14.29
Huang Gegeng (<i>Note 2</i>)	34,897,000	16.67	34,897,000	14.29
Zhao Liuqing	26,858,600	12.83	26,858,600	10.99
Public shareholders	147,031,125	70.21	147,031,125	60.19
Total	<u>209,386,725</u>	<u>100.00</u>	<u>244,283,725</u>	<u>100.00</u>

Notes:

1. Mr. Zheng Jinwei is interested in 600,000 Shares through controlled corporation, Samway International Enterprise Limited.
2. 34,897,000 Shares are held by Mostly Benefit Limited, a company incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Huang Gegeng.

DEFINITIONS

“Board”	the board of Directors
“Business Days”	a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or gazetted public holiday in Hong Kong)
“Company”	China Public Procurement Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1094)
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 June 2019 to allot, issue and deal with up to 34,897,945 Shares, being 20% of the then number of issued shares of the Company as at 28 June 2019
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of the Company and its subsidiaries and their connected persons (as defined in the Listing Rules)
“Last Trading Day”	27 July 2020, being the last trading day for the Shares before the issue of this Announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited
“Share(s)”	ordinary share(s) of the Company of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Natural Max Limited, a BVI business company incorporated on 7 March 2018 in the British Virgin Islands with limited liability
“Subscription”	the subscription by the Subscriber for the Subscription Shares pursuant to and in accordance with terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 July 2020 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.142 per Subscription Share
“Subscription Shares”	34,897,000 new Shares to be subscribed by the Subscriber and to be issued and allotted by the Company pursuant to and in accordance with the terms and conditions of the Subscription Agreement
“%”	per cent

By order of the Board
CHINA PUBLIC PROCUREMENT LIMITED
Zheng Jinwei
Chairman

Hong Kong, 27 July 2020

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive) and Ms. He Qian; three non-executive directors, namely Mr. Chen Limin, Mr. Zhang Jianguo and Mr. Xu Peng; and three independent non-executive directors, namely Mr. Deng Xiang, Mr. Jiang Jun and Mr. Wang Shuai.