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

(incorporated in Bermuda with limited liability)

(Stock Code: 1094)

CLARIFICATION ANNOUNCEMENT IN RELATION TO THE ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Reference is made to the announcement dated 31 August 2015 ("**2015 Interim Results Announcement**") in relation to the unaudited condensed consolidated interim results and financial position of China Public Procurement Limited ("**Company**") and its subsidiaries (collectively the "**Group**"). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the 2015 Interim Results Announcement.

Further to the 2015 Interim Results Announcement, the Board wishes to provide the Shareholders and the public with the following supplementary information relating to the 2015 Interim Results Announcement.

A majority of the Board (eight Directors out of fifteen) approved the 2015 Interim Results Announcement and considered that such interim results have been prepared in accordance with the applicable accounting standards. The other seven members of the Board, including two members of the Audit Committee, did not approve the 2015 Interim Results Announcement and are of the opinion that such interim results are prepared in accordance with the applicable accounting standards, save as the exception as disclosed under the paragraph headed "Audit Committee" on page 36 of the 2015 Interim Results Announcement and reproduced as below:

"The Board of the Directors and the Audit Committee, after taken into account the Group's latest financial position, its future business prospects and financing required to maintain a sustainable business operations, concluded that the Group would require additional financial resources. However, the Board of the Directors could not arrive at a consensus on the additional financing required and the currently approved financial arrangement may not be adequate. In the view of the majority of the Audit Committee, if the Group does not have adequate funding in the next twelve months, the Group might not be able to sustain it's business and operations. In the circumstances, the going concern basis of accounting that has been applied to these interim financial statements might not be appropriate. Should this be the case, significant adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and the effect of such adjustments, if any, may not have been reflected in the condensed consolidated financial statements."

In August 2015, in response to the request by the counter party (國採科技股份有限公司(Guocai Science & Technology Company Limited*)) ("**PRC Partner**") of 國採(北京)技術有限公司 (Guocai (Beijing) Technology Company Limited*), an indirect non-wholly-owned subsidiary of the Company, to fulfil the Group's contractual obligations under the Promotion Agreement and the Service Agreement (as defined in the circular of the Company dated 24 August 2011) (as supplemented) to contribute funding to support the electronic public procurement platform and related services in the PRC, the Board unanimously approved to honour its contractual obligations in respect of its further commitment so as to maintain and expand the principal business of the Group. Accordingly, it was unanimously agreed by the Board that external funding must be sought, taking into account the Group's bank balances and the projected cash requirements till the end of June 2016.

At the Board meeting held on 31 August 2015 ("**Board Meeting**"), shortly before the approval of the 2015 Interim Results Announcement, two funding proposals were tabled for the Board's consideration and approval with the aim to enhancing the working capital of the Group in the next 12 months to a level adequate to support the Group's business plan: (i) a third party credit facility with a charge on the Group's investment property (expecting to raise approximately a gross amount of RMB80 million (approximately HK$97 million) ("**Facility**"); and (ii) a subscription of new shares by an investment fund (expecting to raise a gross amount of approximately HK$270 million) ("**Subscription**"). At the Board Meeting, the Board members, notwithstanding the approval of the Facility, did not have a consensus view on the amount of funding required to continue sustaining the future operations of the Group.

Views of the majority of the Audit Committee and a minority of the Board (seven Directors out of fifteen)

The majority of the Audit Committee (two out of three Audit Committee members) has not approved the publication of the 2015 Interim Results Announcement due to disagreement on the basis of accounting principles that have been applied to the interim financial statements basing on the assessment of the current financial position of the Group and the ongoing financial resources and operational/capital obligations required to sustain the Group's principal business operations as set out below.

A minority of the Board (seven Directors out of fifteen) is of the view that a funding commitment of approximately RMB150 million would be required by 31 December 2015 and the Group would need sufficient cash to fulfil its contractual obligations, allowing the Group to continue to participate in the electronic public procurement platform and related services business. As such, the seven Directors did not agree on the Facility at the Board Meeting and considered that fund raising through the Subscription would be preferred because the amount raised would have been approximately 2.8 times the maximum amount that could be raised under the Facility. The Subscription would clearly satisfy the working capital requirements of the Group for the next 12 months. In addition, the Subscription is expected to increase the capital base of the Group as a more prudent and longer term approach to support the continued business expansion of its principal business and requires no repayment of principal and interest as in the case of the Facility. The Subscription, if chosen, would have been in the best interests of Company and the Shareholders. More significantly, a minority of the Board (seven Directors out of fifteen) considers that in the event the Group might not be able to honour its contribution commitments to the electronic public procurement platform and services business, the Group may not be able to continue with its principal business. These points were emphatically made by the seven Directors at the Board Meeting without being considered by the rest of the Directors.

As only the Facility was approved at the Board Meeting, the Audit Committee considered the external auditors' concern over the Group's working capital adequacy in light of the future funding requirements, in particular the significant funding contribution required for the electronic public procurement business that any working capital inadequacy would necessitate a review of the appropriateness of using the going concern basis as the accounting principles for the interim financial statements.

Such view had been communicated to the Board but was not considered by the majority of the Board (eight Directors out of fifteen). Two of the three members of the Audit Committee considered that the Facility, netting only approximately HK$73 million (RMB60 million) after settlement of a third party advance of RMB20 million, would not satisfy the working capital needs of the Group in the next 12 months from 30 June 2015. Accordingly, based on the fact that the Subscription was rejected by the majority of the Board, the inadequacy of working capital in the next 12 months and the potential risk above mentioned, the majority of the Audit Committee was of the view and cautioned at the Board Meeting that the going concern basis of accounting that had been applied to the interim financial statements as shown in the 2015 Interim Results Announcement would not be appropriate. However, the majority of the Board (eight Directors out of fifteen) resolved, approved and authorised on behalf of the Board to release the 2015 Interim Results Announcement with no adjustments, disclosure or explanation made.

Views of a majority of the Board (eight Directors out of fifteen)

A majority of the Board (eight Directors out of fifteen) considers that the Group recorded a gross profit for the Period and the need for additional financial resources would mainly stem from administrative expenses, which are expected to decrease according to a budget plan prepared by the management and agreed by the Board, and could be supported by external borrowings (i.e. the Facility). In addition, a majority of the Board (eight Directors out of fifteen) considers that the Group has an improved cashflow when compared with the position of the Group as at 31 December 2014 and ability to repay its debts in view of the following financial indicators: (1) current assets of approximately HK$451 million (31 December 2014: HK$341 million); (2) current liabilities of approximately HK$230 million (31 December 2014: HK$239 million); (3) bank balances and cash of approximately HK$107 million (31 December 2014: HK$20 million); and (4) the gearing ratio of the Company is only 15.32%. A majority of the Board (eight Directors out of fifteen) considers that the financial statements of the Group should be prepared on the going concern basis and published as such despite the Audit Committee's concern since the current facts are not sufficient to rebut the going concern basis.

A majority of the Board (eight Directors out of fifteen) considers that taking into account (i) the Group's experience, technological level and leading position in the public procurement industry; (ii) that the Group has derived gross profits from the operation of its public procurement platforms; and (iii) the leading position in software development of a subsidiary of the Company located in Shenzhen and its ability to support the expansion of the principal business of the Group, the Facility, together with the Group's internal resources, would be adequate to fund its future business and operations.

In August 2015, in response to the request by the PRC Partner to fulfil the Group's contractual obligations under the Promotion Agreement and the Service Agreement (as defined in the circular of the Company dated 24 August 2011) (as supplemented) to contribute funding to support the electronic public procurement platform and related services in the PRC, the Board resolved that the Group would fulfil its obligation of investment as stipulated in such agreements and the contribution of the investment will be arranged based on the actual circumstances and needs. A majority of the Board (eight Directors out of fifteen) considers that there are still uncertainties in the amount of the payment obligation payable to the PRC Partner by the Group as stated in the response letter of the Company dated 18 August 2015 in relation to a letter from the PRC Partner (namely 關於投資建設公共資源交易平台的函). As such, and taking into account the Company's past experience and actual needs, provision of full amount of the funding will neither be in line with commercial practices nor be in the interests of the Shareholders. The Group's current financing plan is likely to be sufficient to meet its investment obligation next year. In the meantime, in view of the fact that the financing plan was proposed promptly and practicably, and the gearing ratio of the Company is only 15.32%, it is reasonably believed that the Group will be able to meet the need of contingent funds, if any.

A majority of the Board (eight Directors out of fifteen) disagrees with the aforementioned view of a funding commitment amounting to approximately RMB150 million by 31 December 2015 held by the Audit Committee and the other seven Directors. A majority of the Board is of the opinion that it is difficult, based on common sense, the past performance of the PRC Partner and the current work progress, as well as the terms of the relevant agreements, to conclude that it is more than 50% probable for the Company to incur the full amount of the commitment, and as such it is inappropriate to question the ability of the Company to operate as a going concern based on such conclusion. Even in the event that, as it is apprehended by the other seven Directors, such funding requirements in connection with the PRC Partner arose by 31 December 2015, it is reasonable to believe that the Company would be able and have sufficient time to fulfill the relevant funding requirements (if any), in view that the currently adopted funding proposal would take less than a week to implement.

A majority of the Board (eight Directors out of fifteen) considers that as the Company's share price has decreased by 59% as compared with that on 30 June 2015 while the Hang Seng Index has recently decreased by approximately 20%, and the Facility together with the internal resources of the Group will be sufficient to meet the future business operation, it is difficult to agree that the Subscription will meet the interests of the existing Shareholders since shareholders' interests would be diluted and their benefits compromised in case of an issue of shares, and thus such Directors do not agree on the Subscription option at present.

Save as disclosed above, the content of the 2015 Interim Results Announcement remains unchanged.

By order of the Board
CHINA PUBLIC PROCUREMENT LIMITED
Zheng Jinwei
Executive Director

Hong Kong, 3 September 2015

At the date of this announcement, the Board comprises five executive Directors, namely Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Zheng Jinwei (Chief Executive), Mr. Wong Wei Kit and Mr. Mao Dai; five non-executive Directors, namely Mr. Wang Ning, Mr. Chen Limin, Mr. Yue Yifeng, Ms. Liu Lizhen, and Mr. Hu Wei; and five independent non-executive Directors, namely Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Shen Shaoji, Mr. Deng Xiang and Ms. He Qian.

* *For identification purposes only*