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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

AND

CHANGE IN COMPOSITION OF THE BOARD COMMITTEES

The board of directors (the “Board”) of China Public Procurement Limited (the “Company”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (the “Period”) with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	4,333	1,790,242
Cost of sales		(2,729)	(1,786,212)
Gross profit		1,604	4,030
Other income	5	18,651	5,344
Administrative expenses		(53,234)	(55,380)
Finance costs	6	(1,236)	—
Loss before tax		(34,215)	(46,006)
Income tax (expense) credit	7	(494)	520
Loss for the period	8	(34,709)	(45,486)
Loss for the period attributable to:			
Owners of the Company		(33,510)	(44,717)
Non-controlling interests		(1,199)	(769)
		(34,709)	(45,486)
Loss per share			
Basic and diluted (<i>HK cent</i>)	9	(0.25)	(0.38)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	<u>(34,709)</u>	<u>(45,486)</u>
Other comprehensive (expense) income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translating of foreign operations	<u>(8,376)</u>	<u>3,568</u>
Total comprehensive expense for the period	<u>(43,085)</u>	<u>(41,918)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(41,864)	(39,920)
Non-controlling interests	<u>(1,221)</u>	<u>(1,998)</u>
	<u>(43,085)</u>	<u>(41,918)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		10,816	13,101
Prepaid lease payments		4,431	4,727
Investment properties		231,004	236,288
Intangible assets		46,570	49,155
Interest in an associate		1,307	1,307
Deferred tax assets		847	866
		294,975	305,444
Current assets			
Trade and other receivables	11	140,816	159,637
Loan receivables	12	100,522	100,534
Prepaid lease payments		93	95
Deposit paid for potential acquisition of an associate		15,000	—
Amount due from a director	14	—	1,000
Amount due from a substantial shareholder and its subsidiaries	14	65,870	66,942
Pledged bank deposit		11,917	11,917
Bank balances and cash		25,992	51,529
		360,210	391,654
Current liabilities			
Trade and other payables	13	36,100	41,008
Amounts due to a substantial shareholder and its subsidiaries	14	7,812	9,606
Tax payable		43,958	42,921
Bank and other borrowings	15	18,914	35,792
		106,784	129,327
Net current assets		253,426	262,327
Total assets less current liabilities		548,401	567,771

		30 June 2016 <i>HK\$'000</i> (Unaudited)	31 December 2015 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Deferred income		15,847	17,713
Deferred tax liabilities		31,224	32,064
		<u>47,071</u>	<u>49,777</u>
		<u>501,330</u>	<u>517,994</u>
Capital and reserves			
Share capital	16	134,293	132,880
Convertible preferred shares	17	—	43
Reserves		367,272	384,245
		<u>501,565</u>	<u>517,168</u>
Equity attributable to owners of the Company		(235)	826
Non-controlling interests		<u>501,330</u>	<u>517,994</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

1. GENERAL

China Public Procurement Limited (the “Company”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company and is also engaged in the provision of procurement services. The subsidiaries of the Company are principally engaged in provision of public procurement, corporate IT solution services, trading business and energy management contracting (“EMC”).

The condensed consolidated interim financial information are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis, except for investment properties that are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Application of new Interpretation and amendments to Hong Kong Financial Reporting Standards (HKFRSs)

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial period beginning on 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Except as described below, the application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial information and/or disclosures set out in these condensed consolidated financial information.

Annual Improvements to HKFRSs 2012 — 2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligations located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle has had no material impact on the disclosures or on the amounts recognised in the Group’s condensed consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The application of Amendments to HKAS 1 has had material impact on the disclosures or on the amounts recognised in the Group’s condensed consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Classification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- (i) when the intangible asset is expressed as a measure of revenue;
- (ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

As the Group uses straight-line method for depreciation of property, plant and equipment and intangible assets with definite life, the application of Amendments to HKAS 16 and HKAS 38 has had material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

As the Company does not have any investment in joint operations, the application of Amendments to HKFRS 11 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker, being the Board, for the purpose of resource allocation and performance assessment are as follows:

- (1) Public procurement segment engages in the provision of public procurement services;
- (2) Trading business segment engages in trading of different products;
- (3) Provision of corporate IT solution segment engages in the development of software and provision of maintenance services to the customers; and
- (4) EMC segment engages in provision of energy management services.

The chief operating decision maker assesses the performance of the operating segments based on types of goods delivered or services provided.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 June 2016

	Public procurement <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Provision of corporate IT solution <i>HK\$'000</i> (Unaudited)	EMC <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>4,333</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,333</u>
Segment profit	<u>888</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>888</u>
Unallocated income						18,651
Unallocated expenses						(52,518)
Finance costs						<u>(1,236)</u>
Consolidated loss before tax						<u>(34,215)</u>

For the six months ended 30 June 2015

	Public procurement <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Provision of corporate IT solution <i>HK\$'000</i> (Unaudited)	EMC <i>HK\$'000</i> (Unaudited)	Elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue						
External sales	4,409	1,781,374	4,459	—	—	1,790,242
Inter-segment sales	<u>—</u>	<u>—</u>	<u>41</u>	<u>—</u>	<u>(41)</u>	<u>—</u>
	<u>4,409</u>	<u>1,781,374</u>	<u>4,500</u>	<u>—</u>	<u>(41)</u>	<u>1,790,242</u>
Segment profit (loss)	<u>1,831</u>	<u>2,029</u>	<u>(1,169)</u>	<u>—</u>	<u>(41)</u>	<u>2,650</u>
Unallocated income						5,344
Unallocated expenses						<u>(54,000)</u>
Consolidated loss before tax						<u>(46,006)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned (loss incurred) by each segment without allocation of central administrative cost, directors' emoluments, other income and finance costs. This is the measure reported to the chairman of the Board, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

5. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	60	38
Rental income	5,193	3,394
Exchange gains, net	25	1,526
Sundry income	1,280	386
Gain on settlement of other borrowing (note 16(ii))	12,093	—
	<u>18,651</u>	<u>5,344</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing	114	—
Interest on other borrowing	1,122	—
	<u>1,236</u>	<u>—</u>

7. INCOME TAX EXPENSE (CREDIT)

Income tax in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax expense		
Provision for PRC Enterprise Income Tax (“EIT”) — current period provision	494	32
Deferred tax	—	(552)
	<u>494</u>	<u>(520)</u>

No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2016 (2015: nil) as the Group did not have any assessable profits arising in Hong Kong.

Under the Law of the People’s Republic of China on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25%.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation and depreciation	2,051	6,234
Equity-settled share-based payment expenses	<u>18,805</u>	<u>—</u>

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(33,510)</u>	<u>(44,717)</u>

Number of shares

	Six months ended 30 June	
	2016	2015
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares and preferred shares for the purpose of basic loss per share	<u>13,364,842</u>	<u>11,725,438</u>

The computation of diluted loss per share does not assume the exercises of the Company's outstanding share options for the six months ended 30 June 2016 and 2015 since the exercise prices of the remaining options are higher than the average market price of the Company's shares.

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2016 (2015: nil).

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade receivables	19,976	21,172
Other receivables	129,299	130,975
Impairment for other receivables	(126,259)	(128,153)
	3,040	2,822
Compensation income receivable	8,473	8,473
Prepayments for goods	71,559	75,402
Other prepayments	34,388	48,695
Deposits	3,380	3,073
	140,816	159,637

The Group does not hold any collateral over its trade and other receivables.

The Group normally grants to its customers credit periods ranging from 30 days to 90 days which are subject to periodic review by management. For receivables related to the energy management business, a credit period of 180 days is offered.

The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 90 days	—	3,310
91 days to 180 days	275	—
181 days to 365 days	2,850	16,124
Over 365 days	16,851	1,738
	19,976	21,172

12. LOAN RECEIVABLES

The balance represented advances to independent third parties which are unsecured and interest-free.

Included in the loan receivables as at 30 June 2016 and 31 December 2015 was a loan of HK\$100,000,000 repayable on 25 June 2015 that is correlated to a cooperation arrangement with that independent third party. Pursuant to the cooperation arrangement, that independent third party had undertaken to engage the Group for procurement services for a transaction volume of no less than RMB950 million during the year ended 31 December 2014 at an agreed service charge of 1.5%. During the year ended 31 December 2014, the guaranteed transaction volume had not been attained. A compensation income receivable of HK\$8,473,000 (2015: HK\$8,473,000) was included in trade and other receivables.

Further details of such were set out in the Company's announcement dated 5 June 2014.

The remaining loan receivables were repayable on demand.

13. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trade payables	1,442	1,576
Accruals	11,294	10,404
Security deposits	2,565	9,662
Receipts in advance	1,270	683
Other payables	13,432	12,270
Payables for acquisition of property, plant and equipment	3,911	4,060
Payables for acquisition of intangible assets	2,186	2,353
	<u>36,100</u>	<u>41,008</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within 90 days	—	592
91 days to 180 days	—	814
181 days to 365 days	480	170
Over 365 days	962	—
	<u>1,442</u>	<u>1,576</u>

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. AMOUNTS DUE FROM (TO) A SUBSTANTIAL SHAREHOLDER AND ITS SUBSIDIARIES AND A DIRECTOR

Except for amounts due from a substantial shareholder and its subsidiaries in aggregate of HK\$24,253,000, which carry interest at 2% to 6% per annum, the remaining amounts are unsecured, interest free and repayable on demand.

15. BANK AND OTHER BORROWINGS

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	<i>Notes</i>		
Bank borrowing	(i)	11,910	11,910
Other borrowing	(ii)	7,004	23,882
		<u>18,914</u>	<u>35,792</u>

The bank and other borrowings are repayable within one year.

- (i) The Group's bank borrowing was denominated in HK\$ carrying interest at variable-rate with an interest rate of 12 months Hong Kong Interbank Offered Rate ("HIBOR") plus 1.052% per annum and secured by the Group's pledged deposit as disclosed in note 18.
- (ii) The Group's other borrowing was denominated in RMB carrying interest at fixed-rate with 2.5% per annum and secured by the Group's certain buildings, prepaid lease payments and investment properties as disclosed in note 18.

16. SHARE CAPITAL

	Number of shares '000	Nominal value of ordinary shares HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2016 (audited) and 30 June 2016 (unaudited)	20,000,000	200,000
Issued and fully paid:		
At 1 January 2016 (audited)	13,288,028	132,880
Conversion of preferred shares (note 17)	4,285	43
Issue of shares (note i)	50,000	500
Issued by capitalisation of other borrowing (note ii)	87,000	870
At 30 June 2016 (unaudited)	13,429,313	134,293

Note i: During the six months ended 30 June 2016, 50,000,000 ordinary shares (2015: 1,000,000,000 ordinary shares) of the Company were subscribed raising the proceed of HK\$11,000,000 (2015: HK\$161,393,000).

Note ii: On 25 April 2016, 87,000,000 ordinary shares of the Company of HK\$0.01 each were issued for the settlement of other borrowing of HK\$24,360,000. At the date issue of the shares, 4 May 2016, the aggregate fair values of the shares issued amounted to approximately HK\$12,267,000 and a gain of HK\$12,093,000 (note 5) was recognised.

17. CONVERTIBLE PREFERRED SHARES

Convertible preferred shares at HK\$0.01 each, issued and fully paid:

	Number of shares '000	Nominal value of preferred shares HK\$'000
At 1 January 2016 (audited)	4,285	43
Conversion of preferred shares (note 16)	(4,285)	(43)
At 30 June 2016 (unaudited)	—	—

During the six months ended 30 June 2016, 4,284,725 preference shares of HK\$0.01 each were converted, resulting in the issue and allotment of 4,284,725 ordinary shares of HK\$0.01 each, credited as fully paid.

18. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure the credit facilities granted by independent third parties:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Buildings	1,456	—
Prepaid lease payments	4,524	—
Investment properties	32,921	—
Pledged bank deposit	11,917	11,917
	50,818	11,917

19. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitment under operating lease

The Group as lessor

Rental income earned during the period was approximately HK\$5,193,000 (2015: HK\$3,394,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	9,596	9,992
In the second to fifth years inclusive	12,488	15,999
	22,084	25,991

The Group as lessee

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Within one year	2,867	5,939
In the second to fifth years inclusive	<u>3,013</u>	<u>926</u>
	<u>5,880</u>	<u>6,865</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial term of 1 to 3 years (2015: 1 to 2 years), with an option to renew the lease when all terms are renegotiated and rentals are fixed over the relevant lease term.

(b) Capital commitments

Capital commitments at the end of the reporting period were as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of		
— acquisition of intangible assets	7,327	7,494
— further capital injection to an associate	20,079	52,779
— proposed acquisition of an associate (<i>Note</i>)	<u>1,235,551</u>	<u>1,250,551</u>
	<u>1,262,957</u>	<u>1,310,824</u>

Note: The Group has entered into an acquisition agreement to acquire Pioneer Spot Limited for a total consideration of HK\$1,251 million. The consideration shall be satisfied by cash payment of HK\$30 million and issuance of a combination of the Company's shares at HK\$0.242 per share and convertible bonds. A refundable deposit of HK\$15 million had been paid during the six months ended 30 June 2016.

20. RELATED PARTY TRANSACTIONS

Key management compensation

The remuneration of directors and other members of key management during the period are as follows:

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Short-term employee benefits	5,930	6,977
Equity-settled share-based payment expense	<u>2,994</u>	<u>—</u>
	<u>8,924</u>	<u>6,977</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Public Procurement Business

Following the promulgation of the “Proposal relating to the Integration and Establishment of a Unified and Standardised Public Resources Trading Platform” by the State Council of the PRC in July 2015, the integration of the bidding process of construction projects, transfer of land use rights and mining rights, and government procurement into a core platform of public resource trading are currently in progress, and are being actively pursued by many provinces, cities and autonomous regions in the PRC.

The Company continued servicing the setting up of its 22 electronic public procurement platforms. Regional and centralised connectivity were realised in the Hainan Province and Shenzhen City platforms, among others. Our user platform “公採通” recorded positive results and had registered suppliers now exceeding 40,000. Vital information on procurement as well as third-party services such as marketing and financing are currently available for our users.

Business relationships were established with a number of colleges and universities in the PRC, of which approximately 42 universities had already entered into agreements with us for the development and setting up of electronic procurement platforms and approximately 20 of them were making procurement transactions using our platforms.

Trading Business

Given the current challenging macro environment, we have temporarily suspended offline trading business activities. We do however retain a very good connection and relationship with our customers which will be beneficial to our future business development.

Prospect

The Group expects a period of adjustments surrounding the future government procurement applications. The Group will closely monitor the development of the public procurement industry and will continuously enhance the functionalities of the Company’s procurement platforms. Meanwhile, new electronic procurement products and services will be developed based on the new conditions proposed by the State Council to build national public resources trading platforms. As we strive to enable interconnectivity and data sharing between different public resource trading platforms, we shall seize new opportunities to strengthen our position in serving public procurement platforms in the PRC.

In the remaining of 2016, we will continue to improve our procurement platform through a combination of infrastructure and functionalities upgrades. Importantly, we continue to engage in domestic and cross-border e-commerce and payment opportunities to enhance the functionalities of our procurement platform.

FINANCIAL HIGHLIGHTS

Financial performance for the six months ended 30 June 2016, as compared to the same period in the previous year, are as follows:

- Total turnover decreased to HK\$4.3 million from HK\$1,790 million mainly due to discontinuation of the trading business; and also as a result of the under performance of the public procurement sector and the corporate IT solution sector.
- Total gross profit decreased to HK\$1.6 million from HK\$4.0 million;
- Administrative expenses totaled HK\$53.2 million which included a non-cash stock option expense of HK\$18.8 million in the current period. Administrative expenses were HK\$55.4 million for the same period in the previous year. There was no non-cash stock option expenses for the six months period ended 30 June 2015.
- Operating loss decreased to HK\$34.7 million from HK\$45.5 million due to an increase in other income, which is a one time gain of HK\$12.1 million from the conversion of a loan payable for the common shares of the company at a premium to market price.
- Loss attributable to shareholders decreased to HK\$33.5 million from HK\$44.7 million; and
- Loss attributable to the owners was HK0.25 cent per share (six months ended 30 June 2015: loss per share HK0.38 cent per share).

For the six months ended 30 June 2016, progress in the public procurement sector has been slow. Our corporate IT solution sectors were temporarily affected by restructuring and did not report any material revenue for the six months ended 30 June 2016. Our trading business was temporarily suspended since early 2016 due to market conditions. No revenue was generated from the Energy Management Services Segment (EMC). In the second half of 2016, we will continue to focus our efforts on optimizing the public procurement platforms and capturing new market segments, such as electronic trading procurement platforms for universities and colleges which provide catalysts for future business development.

As at 30 June 2016, the Group had trade and other receivables, loan receivables and amounts due from a substantial shareholder and its subsidiaries of approximately HK\$140.8 million, HK\$100.5 million and HK\$65.9 million, respectively. Management has been closely following up on the collection of the above amounts with the relevant parties and is currently ascertaining the timing of their recoverability. The Group however has secured the corporate guarantee from the substantial shareholder for the repayment of certain trade and other receivables, loan receivables and amounts due from it and its subsidiaries totaling HK\$266.0 million by 31 December 2016.

DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2016 (2015: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group maintained cash and bank balances of approximately HK\$37.9 million (31 December 2015: approximately HK\$63.4 million). As at 30 June 2016, the Group's working capital (net current assets) and current ratio were of approximately HK\$253.4 million (31 December 2015: approximately HK\$262.3 million) and 3.37 (31 December 2015: 3.03) respectively.

Gearing Ratios

As at 30 June 2016, the Group's gearing ratios, calculated as total interest-bearing bank and other borrowings divided by total shareholders' equity was 3.8%. (31 December 2015: 6.9%)

Pledge of Assets

As at 30 June 2016 and 31 December 2015, the Group had pledged bank deposit of HK\$11.9 million to secure a credit facility of a similar amount.

As at 30 June 2016, certain buildings, prepaid lease payments and investment properties with aggregate carrying amounts of HK\$38.9 million were pledged to secure a loan of HK\$7.0 million granted by an independent third party.

Contingent Liabilities and Capital Commitments

The Group has entered into an acquisition agreement to acquire Pioneer Spot Limited for a total consideration of HK\$1,250.6 million. The consideration shall be satisfied by cash payment of HK\$30 million and issuance of a combination of the Company's shares at HK\$0.242 per share and convertible bonds. HK\$15 million of the cash consideration had been paid during the six months ended 30 June 2016. The balance of the cash consideration should be paid within 10 business days after the date of the despatch of the circular. The acquisition agreement is pending regulatory and shareholder approval.

Foreign Exchange Exposure

The Group currently does not have a foreign exchange hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Staff and Remuneration Policy

The Group determines staff remuneration in accordance with market terms, individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2016, the Group had approximately 102 employees, and total remuneration of employees including Company directors was approximately HK\$12.0 million. The Company maintains a share options scheme, pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

SHARE OPTION SCHEMES

The Company has two share option schemes which was adopted on 12 June 2002 (the "Old Scheme") and 13 June 2013 (the "New Scheme") respectively. The Old Scheme expired on 11 June 2012.

Details of the share options movements during the six months ended 30 June 2016 under the share option schemes adopted by the Company on 12 June 2002 and 13 June 2013 are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2016	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Directors										
Zheng Jinwei	22.12.2015	20,000,000	—	—	—	—	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Cheng Yuanzhong	22.12.2015	20,000,000	—	—	—	—	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Ho Wai Kong	22.12.2015	20,000,000	—	—	—	—	20,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
He Qian	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wang Ning	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Chen Limin	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Liu Lizhen	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Hu Wei	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Chan Tze See, Kevin	02.07.2013	3,000,000	—	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Deng Xiang	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wong Yan Ki, Angel	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Shen Shaoji (retired on 31 May 2016) (Note 1)	02.07.2013	5,000,000	—	—	—	—	5,000,000	—	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wong Wei Kit (resigned on 14 July 2016) (Note 2)	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Yue Yifeng (resigned on 14 July 2016) (Note 3)	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Wu Fred Fong (resigned on 15 August 2016) (Note 4)	02.07.2013	3,000,000	—	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	0.762
	22.12.2015	5,000,000	—	—	—	—	5,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Subtotal		131,000,000	—	—	—	—	131,000,000			
Employees and others	02.07.2013	158,000,000	—	—	38,200,000	—	119,800,000	—	02.07.2013 to 01.07.2016	0.762
	02.07.2013	110,000,000	—	—	—	—	110,000,000	—	02.07.2013 to 01.07.2016	0.64
	18.10.2013	15,000,000	—	—	—	—	15,000,000	—	18.10.2013 to 17.10.2016	0.762
	06.06.2014	120,000,000	—	—	10,000,000	—	110,000,000	—	06.06.2014 to 05.06.2017	0.415
	22.12.2015	331,340,000	—	—	—	—	331,340,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	0.228
Subtotal		734,340,000	—	—	48,200,000	—	686,140,000			
Total		865,340,000	—	—	48,200,000	—	817,140,000			

Notes:

1. Mr. Shen Shaoji, who was an Independent non-executive Director, retired on 31 May 2016. His share options are still valid for six months after his retirement.
2. Mr. Wong Wei Kit, who was an Executive Director, resigned on 14 July 2016 but remained as the Chief Financial Officer of the Company. His share options are still valid for being Chief Financial Officer.
3. Mr. Yue Yifeng, who was a Non-executive Director, resigned on 14 July 2016. His share options are still valid for six months after his resignation.
4. Mr. Wu Fred Fong, who was an Independent non-executive Director, resigned on 15 August 2016. His share options are still valid for six months after his resignation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (i) 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 interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), 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	Percentage of
				the issued share capital as at 30 June 2016
Zheng Jinwei	Corporate interest	60,000,000 (Note 3)	—	0.45%
	Beneficial interest	—	20,000,000 (Note 4)	0.15%
Cheng Yuanzhong	Beneficial interest	17,808,000	20,000,000 (Note 4)	0.28%
Ho Wai Kong	Corporate interest	641,672,725 (Note 1)	—	4.77%
	Beneficial interest	59,800,000	20,000,000 (Note 4)	0.59%
	Spousal interest	279,348,000 (Note 2)	—	2.08%
He Qian	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Wang Ning	Beneficial interest	—	5,000,000 (Note 4)	0.03%

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 30 June 2016
Chen Limin	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Liu Lizhen	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Hu Wei	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Chan Tze See, Kevin	Beneficial interest	—	8,000,000 (Note 4)	0.05%
	Spousal interest	352,000 (Note 5)	—	0.00%
Deng Xiang	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Wong Yan Ki, Angel	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Shen Shaoji (retired on 31 May 2016)	Beneficial interest	—	10,000,000 (Note 4)	0.07%
Wong Wei Kit (resigned on 14 July 2016)	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Yue Yifeng (resigned on 14 July 2016)	Beneficial interest	—	5,000,000 (Note 4)	0.03%
Wu Fred Fong (resigned on 15 August 2016)	Beneficial interest	20,000,000	8,000,000 (Note 4)	0.20%

Notes:

1. Mr. Ho Wai Kong is interested in 641,672,725 shares under controlled corporation, of which 641,172,725 shares are held by Master Top Investments Limited, an associated corporation of the Company, and 500,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong.
2. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 279,348,000 shares held by Ms. Guo Binni under the SFO.
3. These 60,000,000 shares are held by Samway International Enterprise Limited which is incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Zheng Jinwei.
4. These share options were granted by the Company under the New Scheme.
5. 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 above, as at 30 June 2016, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 30 June 2016, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

Name of Shareholders	Capacity	Number of share options interested	Number of Preferred Shares interested	Total number of shares interested	Percentage of the issued share capital as at 30 June 2016
Guo Binni (<i>Note 1</i>)	Beneficial interest	—	—	279,348,000	2.08%
	Spousal interest	20,000,000	—	721,472,725	5.37%
Top Blast Limited ("Top Blast") (<i>Note 2</i>)	Beneficial interest	—	—	1,857,280,000	13.83%
China Public	Corporate interest	—	—	1,857,280,000	13.83%
Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") (<i>Note 2</i>)	Beneficial interest	—	—	11,200,000	0.08%
Guocai Science & Technology Company Limited ("Guocai Science") (<i>Note 2</i>)	Corporate interest	—	—	1,868,480,000	13.91%
Champion Union Investments Limited (<i>Note 3</i>)	Beneficial interest	—	—	1,539,708,000	11.46%
Fan Xiulian (<i>Note 4</i>)	Corporate interest	—	—	1,539,708,000	11.46%
First Profit Corporation Limited (<i>Note 5</i>)	Beneficial interest	—	—	1,000,000,000	7.44%
Innovation Assets Management Co., Ltd (<i>Note 5</i>)	Corporate interest	—	—	1,000,000,000	7.44%

Notes:

- Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 641,672,725 shares under his controlled corporation. She is also deemed to be interested in 79,800,000 shares held by Mr. Ho Wai Kong, including 20,000,000 Share option granted under the New Scheme.
- Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.
- Champion Union Investments Limited directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited, which are the shareholders of the Company.

4. Ms. Fan Xiulian owns Champion Union Investments Limited, which directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited.
5. First Profit Corporation Limited is directly, wholly and beneficially owned by Innovation Assets Management Co., Ltd.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Placing of New Shares

On 21 December 2015, the Company entered into a placing agreement with Changjiang Securities Brokerage (HK) Limited, pursuant to which the Company conditionally agreed to place up to 700,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company, on a best-effort basis to not fewer than six independent places at a price of HK\$0.22 per placing share (the "Placing"). The Board considered that the Placing would further strengthen the capital base and financial position of the Group.

The closing price per ordinary share as quoted on the Stock Exchange on 21 December 2015, being the date of the placing agreement was HK\$0.2420. The Placing was completed on 20 January 2016. An aggregate of 50,000,000 placing shares has been successfully placed by one placee, China Chuanglian Education Group Limited, at a price of HK\$0.22 per placing share, raising gross proceeds and net proceeds of HK\$11.0 million and HK\$10.9 million respectively. The net price for each placing share was approximately HK\$0.2178. The net proceeds from the Placing would be used for general working capital of the Group.

Details of the above Placing were published in the Company's announcements dated 21 December 2015 and 20 January 2016.

The equity fund raising activities conducted by the Company as at the date of the announcement are set out below:

Date of announcements	Event	Net proceeds Intended use of		Actual use of proceeds	HK\$	percentages
		(approximately)	proceeds as announced			
21 December 2015 and 20 January 2016	Placing of 50,000,000 new ordinary shares under general mandate	HK\$10.89 million	For general working capital of the Group	Payment for business development	HK\$10.89 million	100%

Loan Capitalization

On 25 April 2016, the Company, an individual based in the PRC, who is a third party independent from and not connected with the Company and its connected persons (the "Subscriber") and 公采網絡科技有限公司 (Gongcai Network Technology Company Limited*, "CPP Subsidiary") entered

into the loan capitalisation agreement in relation to the subscription of the consideration shares of 87,000,000 ordinary shares by the Subscriber at the issue price of HK\$0.28 for capitalising the debts owed by the CPP Subsidiary to the Subscriber. The Company completed the allotment of 87,000,000 new ordinary shares pursuant to the loan capitalisation agreement at the issue price of HK\$0.28 each on 4 May 2016.

Details of the above were published in the Company's announcement dated 25 April 2016.

Convertible Preferred Shares

During the Period, the Company issued a total of 4,284,725 fully paid ordinary shares upon conversion of the preferred shares of the Company (the "Preferred Shares").

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

MAJOR AND CONNECTED TRANSACTION

On 21 December 2015, the Board announced that Million Treasure Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the "Acquisition Agreement") with Moonride Holdings Limited (the "Vendor") and the China Public Procurement (Hong Kong) Technology Company (the "Warrantor"), pursuant to which, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the 50,000 ordinary shares of nominal value US\$1.00 each in the issued share capital of the Pioneer Spot Limited (the "Target Company", a company wholly-owned by the Vendor) (the "Sale Shares"), representing 100% of the issued share capital of the Target Company, at the consideration of HK\$1,250,551,063, which shall be subject to adjustments in accordance with the terms of the acquisition agreement. The Consideration of HK\$1,250,551,063 comprises: (a) the first consideration of HK\$625,275,531.5 (which shall be satisfied by the Purchaser procuring the Company to (i) pay to the Vendor the deposit of HK\$30,000,000 ("Deposit") by cashier's order within 30 business days after the date of the acquisition agreement; and (ii) allot and issue the first consideration shares at the issue price of HK\$0.242 per Share to the Vendor) upon Completion; (b) the second consideration of HK\$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration shares and the first consideration convertible bonds with a principal amount of not exceeding HK\$44,662,538); and (c) the third consideration of HK\$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration convertible bonds with a principal amount of not exceeding HK\$312,637,765.75), subject to adjustments in accordance with the terms of the acquisition agreement. Each of the Vendor and the Warrantor is ultimately wholly-owned by 國採科技股份有限公司 (Guocai Science & Technology Company Limited*) ("PRC Partner"), which is a connected person of the Company under Rule 14A.07 of the Listing Rules as the PRC Partner is a substantial shareholder of the Company. Accordingly, the acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The consideration shares and the conversion shares (upon exercise of the conversion rights attached to the convertible bonds) will be allotted and issued pursuant to the specific mandate to be sought from the independent shareholders of the Company at a special general meeting of the Company to be convened and held (the "SGM"). In addition, PRC Partner, which holds approximately 14.07% of the total issued share capital of the Company as at the date of this announcement, and its associates are required to abstain from voting on the resolution(s) in respect of the acquisition agreement and transactions contemplated thereunder at the SGM.

On 3 February 2016, the Board announced that the Purchaser, the Vendor and the Warrantor entered into a supplemental agreement to the Acquisition Agreement and agreed that the Purchaser shall procure the Company to pay the Deposit, comprising (i) HK\$14,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 30 Business Days after the date of the Acquisition Agreement; and (ii) HK\$16,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 60 Business Days after the date of the Acquisition Agreement.

On 21 March 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a second supplemental agreement to the Acquisition Agreement and agreed that Purchaser shall procure the Company to pay HK\$16,000,000 of the Deposit to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 90 business days after the date of the Acquisition Agreement (i.e. 6 May 2016).

On 6 May 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a third supplemental agreement to the Acquisition Agreement and agreed that Purchaser shall procure the Company to pay HK\$16,000,000 to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 10 Business Days after the date of the despatch of the circular.

On 17 May 2016, the Board announced that, 北京易安通寶電子商務有限公司 (Beijing Yian Tongbao Electronic Commercial Company Limited*, “Yian Tongbao”) has become a wholly-owned subsidiary of 珠海恒信銳捷信息技術服務有限公司 (Zhuhai Hengxin Ruijie Information Technology Service Company Limited*, “WFOF”) upon completion of reorganization and entered into a cooperation framework agreement (the “Cooperation Framework Agreement”) with ChinaPay and Yiwu China Commodities City Information and Technology Company Limited* (義烏中國小商城信息技術有限公司, “Yiwu China”). According to the Cooperation Framework Agreement, Yian Tongbao has the exclusive right to provide certain settlement solutions regarding cross-border payment in Renminbi and foreign currency to Yiwu China and its customers. Also, as stated in the Cooperation Framework Agreement, (i) in Yiwu City, there are about 500,000 commercial entities, of which more than 100,000 are owned by foreign procurement companies requiring cross-border payment services; and (ii) the annual amount of Yiwu City's export exceeds RMB2 trillion. As one of the world's largest small commodities distribution centre, there are sizable demand for procurement and cross-border payment services in Yiwu City.

On 17 June 2016, the Board announced that the parties to the Acquisition Agreement entered into a fourth supplemental agreement to extend the long stop date from 30 June 2016 to 31 December 2016 or such later date as the Vendor and the Purchaser may agree in writing.

As additional time is required to gather the information to prepare for the relevant and necessary disclosures in the circular, the dispatch date of the circular will be further postponed to a date on or before 30 September 2016.

* *The English translation is for identification purpose only*

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

During the Period, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except for the code provision of E.1.2. The former chairman of the Board did not attend the Company’s annual general meeting on 31 May 2016 because the former chairman of the Board had commitments on the same day. An Executive Director had chaired that annual general meeting and answered the questions from the shareholders of the Company.

Audit Committee

As at the date of this announcement, the Audit Committee comprises three members namely, Ms. Wong Yan Ki, Angel (chairman), Mr. Chen Limin and Mr. Deng Xiang. Mr. Chen Limin is non-executive Director whereas the other two are the independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2016, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

Remuneration Committee

As at the date of this announcement, the remuneration committee of the Company (the “Remuneration Committee”) comprises three members namely, Ms. Wong Yan Ki, Angel (chairman), Ms. Liu Lizhen and Mr. Chan Tze See, Kevin. Ms. Liu Lizhen is non-executive Director whereas the other two are the independent non-executive Directors. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

Nomination Committee

As at the date of this announcement, the nomination committee of the Company (the “Nomination Committee”) comprises three members namely Mr. Zheng Jinwei (chairman), Mr. Chan Tze See, Kevin and Ms. Wong Yan Ki, Angel. Mr. Zheng Jinwei is Executive Director whereas the other two are the independent non-executive Directors. The Nomination Committee made recommendations to the Board on appointment of the Directors, having regard to the candidates’ qualification and competence, so as to ensure that all nominations are fair and transparent.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2016.

CHANGE IN COMPOSITION OF THE BOARD COMMITTEES

The Board announces the following changes in composition of the Board committees as follows:

- (i) Ms. Wong Yan Ki, Angel, the independent non-executive Director, has been appointed as chairman of the Remuneration Committee with effect from 31 August 2016;
- (ii) Ms. Liu Lizhen, the non-executive Director has been appointed as member of the Remuneration Committee with effect from 31 August 2016; and
- (iii) Mr. Ho Wai Kong, the Executive Director, has resigned as member of the Nomination Committee with effect from 31 August 2016.

NON-COMPLIANCE WITH RULE 3.10(A) OF THE LISTING RULES

On 31 May 2016, following the retirement of Mr. Shen Shaoji, the composition of the Board comprises five Executive Directors, five Non-executive Directors and four independent non-executive Directors. The number of independent non-executive directors on the Board represents less than one-third of the members of the Board as required under Rule 3.10A of the Listing Rules.

On 14 July 2016, following the resignation of Mr. Wong Wei Kit and Mr. Yue Yifeng, the composition of the Board comprises four Executive Directors, four Non-executive Directors and four independent non-executive Directors. The number of independent non-executive Directors on the Board represents one-third of the members of the Board as required under rule 3.10A of the Listing Rules.

On 15 August 2016, following the resignation of Mr. Wu Fred Fong, the composition of the Board comprises four Executive Directors, four Non-executive Directors and three independent non-executive Directors. The number of independent non-executive directors on the Board represents less than one-third of the members of the Board as required under Rule 3.10A of the Listing Rules.

The Company will take all necessary measures as soon as practicable to meet the requirements under the Listing Rules. The Company will make further announcement(s) as and when appropriate.

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

Hong Kong, 31 August 2016

At the date of this announcement, the Board comprises four executive Directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive), Mr. Ho Wai Kong (Honorary Chairman), Mr. Cheng Yuanzhong and Ms. He Qian; four non-executive Directors, namely Mr. Wang Ning, Mr. Chen Limin, Ms. Liu Lizhen, and Mr. Hu Wei; and three independent non-executive Directors, namely Mr. Chan Tze See, Kevin, Mr. Deng Xiang and Ms. Wong Yan Ki, Angel.