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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)

CLARIFICATION AND UPDATE ANNOUNCEMENT

Reference is made to (1) the announcement of China Public Procurement Limited (the “**Company**”) dated 5 June 2017 in relation to, among other matters: (a) subscription of new shares of the Company (“**Shares**”) under general mandate; and (b) proposed share consolidation and proposed change in board lot size (the “**Initial Announcement**”); and (2) the supplemental announcement of the Company dated 14 June 2017 in relation to the Initial Announcement (collectively, the “**Announcements**”). Terms defined in the Announcements shall, unless the context requires otherwise, have the same meanings when used in this announcement.

INTRODUCTION

The Company would like to clarify that, among others:

- (i) the Share Consolidation will also include the consolidation of every ten (10) existing Convertible Preference Shares into one (1) consolidated Convertible Preference Share. As such, “Consolidated Shares” shall comprise “Consolidated Ordinary Shares” and “Consolidated Preference Shares”, among which application for listing will only be made in respect of the Consolidated Ordinary Shares;

- (ii) as at the date of this clarification and update announcement, none of the Existing Preference Shares are currently in issue;
- (iii) the closure of the register of members for the entitlement to attend and vote at the SGM will commence on 7 August 2017 instead of 8 August 2017; and
- (iv) there are slight modifications to the reasons for and benefits of the Share Consolidation and Change in Board Lot Size.

In addition, the Company would like to update the Shareholders that, subsequent to the publication to the Initial Announcement, among others:

- (a) as disclosed in the announcement of the Company dated 4 July 2017, as certain conditions precedent under the Acquisition Agreement have not been fulfilled or waived (if applicable) on or before 30 June 2017 (being the long stop date agreed between the parties to the Acquisition Agreement) and the parties to the Acquisition Agreement have not agreed on any further extension of the abovementioned long stop date, the Acquisition Agreement has lapsed. As such, the Consideration Shares and the 2015 Convertible Bonds will no longer be issued, and accordingly no adjustment will need to be made by virtue of the Acquisition Agreement upon the Share Consolidation becoming effective; and
- (b) the Company has redeemed all of the 2016 Convertible Bonds on 20 June 2017. As such, there are no outstanding 2016 Convertible Bonds as at the date of this clarification and update announcement, and accordingly no adjustment will need to be made by virtue of the 2016 Convertible Bonds upon the Share Consolidation becoming effective.

CLARIFICATIONS

In view of the above, the Company would like to make the following clarifications in respect of the Announcements:

- (1) The section headed “**(2) Proposed share consolidation and change in board size**” on pages 8 to 13 of the Initial Announcement should be replaced as follows:

“The Company proposes to implement the Share Consolidation on the basis that: (i) every ten (10) Existing Ordinary Shares of HK\$0.01 each be consolidated into one (1) Consolidated Ordinary Share of HK\$0.1 each; and (ii) every ten (10) Existing Preference Shares of HK\$0.01 each be consolidated into one (1) Consolidated Preference Share of HK\$0.1 each. As at the date of the Initial Announcement, none of the Existing Preference Shares are in issue.

Effects of the Share Consolidation

As at the date of the Initial Announcement, the authorized share capital of the Company is HK\$300,000,000, which is the sum of: (i) HK\$200,000,000 divided into 20,000,000,000 Existing Ordinary Shares, of which 13,429,312,548 Existing Ordinary Shares have been issued; and (ii) HK\$100,000,000 divided into 10,000,000,000 Existing Preference Shares, none of which are currently in issue. Upon the Share Consolidation becoming effective and assuming that no new Existing Shares are issued or repurchased from the date hereof until the effective date of the Share Consolidation, the authorized share capital of the Company will remain as HK\$300,000,000, but will become the sum of: (i) HK\$200,000,000 divided into 2,000,000,000 Consolidated Ordinary Shares of HK\$0.1 each, of which 1,342,931,254 Consolidated Ordinary Shares will be in issue; and (ii) HK\$100,000,000 divided into 1,000,000,000 Consolidated Preference Shares of HK\$0.1 each, none of which will be in issue. Upon the Share Consolidation becoming effective, the Consolidated Ordinary Shares shall rank *pari passu* in all respects with each other, and the Consolidated Preference Shares shall rank *pari passu* in all respects with each other. The Share Consolidation will not result in any change in the relative rights of the Shareholders.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Ordinary Shares to which Shareholders may be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (a) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Ordinary Shares; and
- (c) the compliance with the relevant procedures and requirements under the Bermuda laws (where applicable) and the Listing Rules to effect the Share Consolidation.

Listing application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Ordinary Shares to be in issue upon the Share Consolidation becoming effective and any Consolidated Ordinary Shares which may fall to be issued after the Share Consolidation becoming effective (i) upon the exercise of the conversion rights attaching to any Consolidated Preference Shares that may be issued in the future, and/or (ii) pursuant to the exercise of the share options granted under the 2013 Share Option Scheme.

Subject to the granting of listing of, and permission to deal in, the Consolidated Ordinary Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Ordinary Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Ordinary Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Change in board lot size

Currently, the Existing Ordinary Shares are traded on the Stock Exchange in the board lot size of 4,000 Existing Ordinary Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 4,000 Existing Ordinary Shares to 8,000 Consolidated Ordinary Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.037 per Existing Ordinary Share (equivalent to the theoretical closing price of HK\$0.37 per Consolidated Ordinary Share) as at the date of the Initial Announcement, (i) the value of each existing board lot of Existing Ordinary Shares is HK\$148; (ii) the value of each board lot of 4,000 Consolidated Ordinary Shares would be approximately HK\$1,480 assuming the Share Consolidation had become effective; and (iii) the estimated market value per board lot of 8,000 Consolidated Ordinary Shares would be approximately HK\$2,960 assuming that the Share Consolidation and the Change in Board Lot Size had both become effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Reason for the Share Consolidation and Change in Board Lot Size

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. In view of the prevailing trading price of the Existing Ordinary Shares, the Board proposes to implement the Share Consolidation. The proposed Share Consolidation will increase the nominal value of the Existing Ordinary Shares and enable the Company to take precautionary steps to avoid non-compliance with the trading requirements under the Listing Rules.

It is expected that the Share Consolidation would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Ordinary Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Shares of the Company. It is believed that the adjusted price as a result of the Share Consolidation will enhance the corporate image of the Company so as to make investing in the Consolidated Ordinary Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. Further, it is expected that the increase in board lot size upon the Share Consolidation becoming effective would increase the trading price per board lot of the Consolidated Ordinary Shares and thereby reduce excessive volatility of share trading.

In view of the above reasons, the Company considers the proposed Share Consolidation is justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the date of the Initial Announcement, the Company has no plans for any further corporate action or arrangement that may affect the trading in its Shares and it has no plans for any equity fundraising in the forthcoming twelve months.

Fractional entitlement to Consolidated Ordinary Shares

Fractional Consolidated Ordinary Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Ordinary Shares will be aggregated and, if possible, sold for the benefit of the Company.

Fractional Consolidated Ordinary Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder. Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Ordinary Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Ordinary Shares arising from the Share Consolidation, the Company will appoint a securities firm to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Ordinary Shares to make up a full board lot of Consolidated Ordinary Shares, or to dispose of their holding of odd lots of the Consolidated Ordinary Shares. Further details of the odd lot arrangement will be set out in the circular of the Company.

Holders of odd lots of the Consolidated Ordinary Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Ordinary Shares is not guaranteed. If any Shareholder is in doubt about the arrangements on odd lot trading, such Shareholder should consult his/her/its own professional advisers.

Exchange of Share Certificates

Subject to the Share Consolidation becoming effective, the Shareholders may during the period from Friday, 11 August 2017 to Monday, 18 September 2017 (both days inclusive) submit existing share certificates in the colour of pink for the Existing Ordinary Shares to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for exchange for new share certificates in the colour of yellow for the Consolidated Ordinary Shares at the expense of the Company.

Thereafter, share certificates of the Existing Ordinary Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Ordinary Shares submitted for cancellation or each new share certificate issued for the Consolidated Ordinary Shares, whichever the number of share certificates involved is higher.

After 4:00 p.m. on Thursday, 14 September 2017, existing share certificates for the Existing Ordinary Shares will only remain good evidence of legal title and may be exchanged for share certificates for Consolidated Ordinary Shares at any time but will not be accepted for delivery, trading and settlement purposes.

Trading arrangement for the Consolidated Ordinary Shares

Subject to the Share Consolidation becoming effective, dealings in the Consolidated Ordinary Shares are expected to commence on Friday, 11 August 2017 at 9:00 a.m. Parallel trading in the Consolidated Ordinary Shares (in the form of existing share certificates and new share certificates) will be operated from Friday, 25 August 2017 to Thursday, 14 September 2017 (both dates inclusive). Further details of the expected timetable and trading arrangement of the Shares are set out in the section headed "EXPECTED TIMETABLE" of the Initial Announcement."

- (2) The section headed “**EXPECTED TIMETABLE**” on pages 15 to 16 of the Initial Announcement should be replaced as follows:

“The expected timetable for the implementation of the Share Consolidation and the Change in Board Lot Size is set out as follows:

Event	Date and time
Despatch of the circular with notice of the SGM	13 July 2017
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:00 p.m. on 4 August 2017
Closure of register of members for the entitlement to attend and vote at the SGM.	7 August 2017 to 10 August 2017 (both days inclusive)
Latest date and time for lodging forms of proxy for the SGM	11:00 a.m. on 8 August 2017
Date and time of the SGM	11:00 a.m. on 10 August 2017
Announcement of poll results of the SGM	10 August 2017
Effective date of the Share Consolidation.	11 August 2017
First day for free exchange of existing share certificates for new share certificates for the Consolidated Ordinary Shares commences	11 August 2017
Dealings in the Consolidated Ordinary Shares commences	9:00 a.m. on 11 August 2017

Event	Date and time
Original counter for trading in the Existing Ordinary Shares in board lots of 4,000 Existing Ordinary Shares (in the form of existing share certificates) temporarily closes.	9:00 a.m. on 11 August 2017
Temporary counter for trading in the Consolidated Ordinary Shares in board lots of 400 Consolidated Ordinary Shares (in the form of existing share certificates) opens	9:00 a.m. on 11 August 2017
Original counter for trading in the Consolidated Ordinary Shares in board lots of 8,000 Consolidated Ordinary Shares (in the form of new share certificates) re-opens	9:00 a.m. on 25 August 2017
Parallel trading in the Consolidated Ordinary Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on 25 August 2017
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Ordinary Shares.	9:00 a.m. on 25 August 2017
Temporary counter for trading in the Consolidated Ordinary Shares in board lots of 400 Consolidated Ordinary Shares (in the form of existing share certificates) closes . . .	4:00 p.m. on 14 September 2017
Parallel trading in Consolidated Ordinary Shares (in form of new share certificates and existing share certificates) ends	4:00 p.m. on 14 September 2017

Event	Date and time
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Ordinary Shares . . .	4:00 p.m. on 14 September 2017
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Ordinary Shares	18 September 2017”

(3) The following definitions set out in the section headed “**DEFINITIONS**” on pages 17 to 20 of the Initial Announcement should be replaced as follows:

“ “2013 Share Option(s)”	the option(s) to subscribe for new Existing Ordinary Shares granted under the 2013 Share Option Scheme
“2015 Convertible Bonds”	the non-interest bearing convertible bonds in the principal amount of HK\$357,300,303.75 entitling the holder(s) thereof to convert such convertible bonds into an aggregate of 1,476,447,536 Existing Ordinary Shares pursuant to the Acquisition Agreement
“2016 Convertible Bonds”	the 7% convertible bonds in the principal amount of HK\$30,000,000 entitling the holder(s) thereof to convert such convertible bonds into an aggregate of 393,442,622 Existing Ordinary Shares pursuant to a subscription agreement entered into by the Company and Great Reach Investments Limited on 16 December 2016

“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 4,000 Existing Ordinary Shares to 8,000 Consolidated Ordinary Shares
“Consideration Shares”	a maximum of 3,567,151,898 new Existing Ordinary Shares to be allotted and issued by the Company to Moonride Holdings Limited pursuant to the Acquisition Agreement
“Consolidated Ordinary Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company upon the Share Consolidation becoming effective, whether issued or unissued
“Consolidated Preference Share(s)”	convertible preference share(s) of HK\$0.1 each in the capital of the Company upon the Share Consolidation becoming effective, whether issued or unissued
“Consolidated Share(s)”	collectively, the Consolidated Ordinary Shares and the Consolidated Preference Shares
“Existing Ordinary Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company before the Share Consolidation becoming effective, whether issued or unissued
“Existing Preference Share(s)”	convertible preference share(s) of HK\$0.01 each in the capital of the Company before the Share Consolidation becoming effective, whether issued or unissued
“Existing Share(s)”	collectively, the Existing Ordinary Shares and Existing Preference Shares

“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be, whether issued or unissued
“Share Consolidation”	the proposed consolidation of: (i) every ten (10) Existing Ordinary Shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Ordinary Share of HK\$0.1 each; and (ii) every ten (10) Existing Preference Shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Preference Share of HK\$0.1 each”

UPDATES

As disclosed in the Initial Announcement, among others:

- (a) as at the date of the Initial Announcement, the Company had outstanding 2016 Convertible Bonds in the principal amount of HK\$30,000,000 entitling the holder(s) thereof to convert such 2016 Convertible Bonds into an aggregate of 393,442,622 Existing Ordinary Shares upon exercise of the conversion rights attached thereto; and
- (b) pursuant to the Acquisition Agreement, in settlement of part of the consideration payable by the Company under the Acquisition Agreement, the Company shall, upon completion of the Acquisition Agreement, issue: (i) a maximum of 3,567,151,898 Existing Ordinary Shares; and (ii) 2015 Convertible Bonds in the principal amount of HK\$357,300,303.75 entitling the holder(s) thereof to convert such 2015 Convertible Bonds into an aggregate of 3,567,151,898 Existing Ordinary Shares,

as such, if the Share Consolidation becomes effective, corresponding adjustments to, among others, the exercise price or issue price in respect of the abovementioned securities will be made in accordance with the terms of the Bye-laws, the terms of the 2016 Convertible Bonds, the terms of the Acquisition Agreement and the Listing Rules.

The Company would like to update the Shareholders that, subsequent to the publication of the Initial Announcement, among others:

- (1) as disclosed in the announcement of the Company dated 4 July 2017, as certain conditions precedent under the Acquisition Agreement have not been fulfilled or waived (if applicable) on or before 30 June 2017 (being the long stop date agreed between the parties to the Acquisition Agreement), and the parties to the Acquisition Agreement have not agreed on any further extension of the abovementioned long stop date, the Acquisition Agreement has lapsed and has become of no further effect. As such, the Consideration Shares and the 2015 Convertible Bonds will no longer be issued, and accordingly no adjustment will need to be made by virtue of the Acquisition Agreement upon the Share Consolidation becoming effective; and
- (2) the Company has redeemed all of the 2016 Convertible Bonds on 20 June 2017. As such, there are no outstanding 2016 Convertible Bonds as at the date of this clarification and update announcement, and accordingly no adjustment will need to be made by virtue of the 2016 Convertible Bonds upon the Share Consolidation becoming effective.

Accordingly, the paragraph headed “***Adjustments in relation to other securities of the Company***” on pages 13 to 14 of the Initial Announcement shall be updated as follows:

Adjustments in relation to other securities of the Company

As at the date of this clarification and update announcement, the Company has:

- (i) outstanding 2013 Share Options entitling the holders thereof to subscribe for a total of 113,780,000 new Existing Ordinary Shares upon exercise of the subscription rights attached thereto; and
- (ii) the power to issue up to 10,000,000,000 Existing Preference Shares of HK\$0.01 each under its authorized share capital, none of which are currently in issue.

Save as disclosed above, as at the date of this clarification and update announcement, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Ordinary Shares or Consolidated Ordinary Shares, as the case may be.

If the Share Consolidation becomes effective, corresponding adjustments to, among others, the exercise price or issue price in respect of the abovementioned securities will be made in accordance with the terms of the Bye-laws, the 2013 Share Option Scheme and the Listing Rules.

The Company will make further announcement(s) on such adjustments (if any) as and when appropriate.

GENERAL

The above clarifications do not affect any other information contained in the Announcements.

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

Hong Kong, 12 July 2017

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), Miss. Ng Weng Sin and Ms. He Qian; a non-executive Director, namely Mr. Chen Limin; and three independent non-executive Directors, namely Ms. Wong Yan Ki, Angel, Mr. Deng Xiang and Mr. Jiang Jun.