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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)

**SUPPLEMENTARY ANNOUNCEMENT
IN RELATION TO
(1) THE ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED
31 DECEMBER 2016; AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION**

**ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31
DECEMBER 2016**

Reference is made to the annual results announcement of China Public Procurement Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2016 (the “**2016 Annual Results Announcement**”) dated 31 March 2017, and the supplementary announcement of the Company dated 13 April 2017 in relation to the 2016 Annual Results Announcement. Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2016 Annual Results Announcement.

Qualified opinion

As disclosed in the 2016 Annual Results Announcement, the auditors of the Company (the “**Auditors**”) have issued a qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2015, since, among others, no sufficient appropriate audit evidence was received to assess the recoverability of the (i) trade and other receivables; (ii) loan receivables; and (iii) amounts due from a shareholder and its subsidiaries of approximately HK\$159,637,000, HK\$100,534,000 and HK\$66,942,000, respectively, as at 31 December 2015.

As at 31 December 2016, the Group had (i) deposit paid for potential acquisition of a subsidiary; (ii) trade and other receivables; (iii) loan receivables; and (iv) amounts due from a shareholder and its subsidiaries, of approximately HK\$15,000,000, HK\$51,001,000, HK\$40,233,000 and HK\$70,686,000, respectively. The Auditors were of the opinion that they were not provided with sufficient appropriate audit evidence to assess whether the carrying amounts of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK\$15,000,000, HK\$37,089,000, HK\$40,200,000 and HK\$70,686,000 could be recovered in full or whether the provisions for impairment loss recognised of approximately nil, HK\$54,963,000, HK\$60,300,000 and nil are adequate.

The board (“**Board**”) of directors (“**Director(s)**”) of the Company wishes to supplement the following information in relation to the abovementioned four items that result in the qualified opinion from the Auditors.

(i) Deposit paid for potential acquisition of a subsidiary (i.e. HK\$15,000,000)

Reference is made to the announcements of the Company dated 21 December 2015, 11 January 2016, 3 February 2016, 21 March 2016, 29 April 2016, 6 May 2016, 17 May 2016, 17 June 2016, 30 September 2016, 30 November 2016, 29 December 2016, 28 April 2017, 3 July 2017 and 4 July 2017 in relation to the potential acquisition (the “**Potential Acquisition**”) of Pioneer Spot Limited by the Group from Moonride Holdings Limited (“**Moonride**”). The deposit of approximately HK\$15,000,000 was due from Moonride in relation to the Potential Acquisition, and the repayment of which was warranted by China Public Procurement (Hong Kong) Technology Company Limited (the “**Warrantor**”).

Moonride is 100% owned by China Public Procurement (Hong Kong) Technology Company Limited, which is 100% owned by 國採科技集團股份有限公司 (Guocai Technology Group Holding Co. Ltd.*), previously known as 國採科技股份有限公司 (Guocai Technology Co. Ltd.) (“**Guocai**”). Mr. Cheng Yuanzhong, a former Director who resigned on 27 March 2017, was the authorised representative, a director and chairman, and one of the beneficial owners of Guocai who held more than 30% of its voting rights as at 21 December 2015 (i.e. the date of the sale and purchase agreement (the “**Potential Acquisition Agreement**”) in relation to the Potential Acquisition); by virtue of Mr. Cheng Yuanzhong’s relationship with Guocai, Moonride was a connected person of the Company under the Listing Rules as at the date of the Potential Acquisition Agreement, and the Potential Acquisition was a connected transaction for the Company.

As disclosed in the Company’s announcement dated 21 December 2015 in relation to the Potential Acquisition, and according to the Potential Acquisition Agreement, the total cash consideration of the Potential Acquisition was HK\$30,000,000, of which approximately HK\$15,000,000 has been paid as deposit which is refundable in full within five business days if the conditions precedent to completion of the Potential Acquisition were not satisfied on or before the long stop date of the Potential Acquisition Agreement, i.e. 30 June 2016 or a later date as agreed by the parties thereto.

As disclosed in the announcement of the Company dated 17 June 2016, the vendor and the purchaser to the Potential Acquisition Agreement have agreed to postpone the long stop date of the sale and purchase agreement from 30 June 2016 to 31 December 2016. Further, as disclosed in the announcement of the Company dated 29 December 2016, the parties have agreed to further extend the long stop date of the Potential Acquisition Agreement from 31 December 2016 to 30 June 2017.

As disclosed in the announcement of the Company dated 4 July 2017, the Potential Acquisition Agreement lapsed after 30 June 2017, as such, the Company is entitled to the refund of the deposit from Moonride within five business days. On 3 July 2017, the Company issued a letter to Moonride (copying the Warrantor) to request for the refund of the deposit. As at the date of this announcement, the Company had not received any repayment or reply from Moonride regarding the deposit. The Company is seeking legal advice in relation to the recovery of the deposit. If the deposit has not been repaid by Moonride in accordance with the terms of the Potential Acquisition Agreement within a reasonable period, the management will consider to take legal action to recover the deposit and at the same time assess the likelihood of recovery of the deposit.

The management of the Company, including the audit committee, will assess the recoverability of the deposit, and make appropriate provisions, even full provisions if necessary, based on the principle of true and fair view with reference to:

- (i) the outstanding amount;
- (ii) the result of any legal actions taken, if any; and
- (iii) the financial ability of the counterparties to the agreements regarding the Potential Acquisition.

(ii) *Net trade and other receivables (i.e. HK\$37,089,000)*

The trade and other receivables (net of impairment provision) of HK\$37,089,000 was carried forward from the opening balance as at 1 January 2016. The Auditors sent out confirmation requests in respect of HK\$37,089,000, of which only HK\$3,647,000 was confirmed directly from the debtors. The Auditors were of the opinion that they were unable to confirm the accuracy of the trade and other receivables of HK\$33,442,000, and such amount was qualified by the Auditors as at 31 December 2016.

The Company has commenced legal actions against certain debtors, and such debtors were reluctant to confirm with the Auditors in relation to the balance of trade and other receivables of HK\$33,442,000.

If the Company fails to collect any or all of the trade and other receivables, the Company will make further provisions, or even full provisions if necessary, for impairment on the trade and other receivables in the Company's next interim and annual accounts as the amount has been outstanding for a period of time, with reference to the results of the legal actions taken by the Company and any subsequent settlement. The Company will also assess the result of its collection effort and determine the amount of impairment provision required.

(iii) Loan receivables (i.e. HK\$40,200,000)

The loan receivables of HK\$100,533,000 remained outstanding as at the date of this announcement, of which HK\$60,300,000 was provided for impairment as at 31 December 2016. The Auditors were of the opinion that they did not have any basis to assess its recoverability as financial information from the debtors was not available.

If the Company fails to collect any or all of the loan receivables during the year of 2017, the Company will make further provisions, or even full provisions if necessary, for impairment on the loan receivables in the Company's next interim and annual accounts with reference to the results of the legal actions taken by the Company and any subsequent settlement. The Company will assess the result of its collection effort and determine the amount of impairment provision that may be required.

(iv) Amounts due from a shareholder and its subsidiaries (i.e. HK\$70,686,000)

The amounts due from a shareholder and its subsidiaries of HK\$70,686,000 remained outstanding as at the date of this announcement. The Auditors issued a qualified opinion on this amount as they did not receive any confirmation from the relevant shareholder regarding the amounts due from a shareholder and its subsidiaries of HK\$70,686,000.

If the Company fails to collect any or all of the amounts due from a shareholder and its subsidiaries of HK\$70,686,000, the Company will make further provisions, or even full provisions if necessary, for impairment on the amounts due from a shareholder and its subsidiaries in the Company's next interim and annual accounts as the amount has been outstanding for a period of time, with reference to the results of the legal actions taken by the Company and any subsequent settlement.

The Board further supplements that the Company will review the progress of the Company's collection efforts regarding the outstanding amounts from time to time. When the Company receives the initial outcome of the legal actions taken against certain debtors, the Company will be at the position to decide on further actions and strategies to collect the debts.

Material uncertainty relating to going concern

The Board wishes to further supplement that the audit committee of the Company (the “**Audit Committee**”) has critically reviewed the judgmental area, namely the going concern assumptions of the Group, regarding the audit modifications in the 2016 Annual Results Announcement. There is no disagreement by the Audit Committee against the management’s position in relation to impairment provisions on (i) trade and other receivables; (ii) loan receivables; and (iii) amounts due from a shareholder and its subsidiaries as disclosed in the 2016 Annual Results Announcement. Further, the Audit Committee has reminded the management of the Company to consider making further impairment provision where necessary based on subsequent settlements.

DISCLOSEABLE AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 17 May 2017 in relation to the acquisition of 100% equity interest in 國採(湖北)技術有限公司 (Guocai (Hubei) Technology Company Limited*) (the “**Acquisition**”).

The Board wishes to supplement that the Acquisition was not conducted in the ordinary and usual course of business of the Group.

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

Hong Kong, 8 August 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; one 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.

* *For identification purposes only*