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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 2017

The board (the “Board”) of directors (the “Directors”) 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 2017 (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 2017*

	Notes	Six months ended 30 June 2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Revenue	4	8,368	9,526
Cost of sales		(4,269)	(2,729)
Gross profit		4,099	6,797
Other income and gains	5	1,159	13,458
Impairment loss recognised in respect of deposit, receivables and amount due from a shareholder and its subsidiaries, net	6	(151,242)	–
Loss on early redemption of convertible bonds	7	(3,994)	–
Administrative expenses		(25,740)	(53,234)
Finance costs	8	(3,627)	(1,236)
Loss before tax		(179,345)	(34,215)
Income tax expense	9	–	(494)
Loss for the period	10	<u>(179,345)</u>	<u>(34,709)</u>
Loss for the period attributable to:			
Owners of the Company		(175,565)	(33,510)
Non-controlling interests		(3,780)	(1,199)
		<u>(179,345)</u>	<u>(34,709)</u>
Loss per share			
Basic and diluted ( <i>HK cent</i> )	11	<u>(13.07)</u>	<u>(2.51)</u>

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

*For the six months ended 30 June 2017*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Loss for the period	<u>(179,345)</u>	<u>(34,709)</u>
Other comprehensive income (expense)		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translating of foreign operations	<u>6,225</u>	<u>(8,376)</u>
Total comprehensive expense for the period	<u><b>(173,120)</b></u>	<u><b>(43,085)</b></u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<b>(169,340)</b>	(41,864)
Non-controlling interests	<u><b>(3,780)</b></u>	<u>(1,221)</u>
	<u><b>(173,120)</b></u>	<u><b>(43,085)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2017*

		30 June 2017	31 December 2016
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	3,355	5,322
Prepaid lease payments		4,406	4,319
Investment properties		250,969	243,264
Intangible assets		10,435	10,178
Interest in an associate		1,307	1,307
Deposit paid for potential acquisition of a subsidiary	14	–	15,000
Deferred tax assets		837	811
		<b>271,309</b>	280,201
<b>Current assets</b>			
Trade and other receivables	15	19,888	51,001
Loan receivables	16	–	40,233
Prepaid lease payments		98	95
Amount due from a shareholder and its subsidiaries	17	–	70,686
Financial assets through profit or loss		2,879	2,233
Pledged bank deposit		11,597	11,142
Bank balances and cash		15,094	37,860
		<b>49,556</b>	213,250
<b>Current liabilities</b>			
Trade and other payables	18	27,225	29,696
Amounts due to a shareholder and its subsidiaries	17	1,022	2,620
Tax payable		43,449	40,726
Bank and other borrowings	19	49,410	26,423
		<b>121,106</b>	99,465
<b>Net current (liabilities) assets</b>		<b>(71,550)</b>	113,785
<b>Total assets less current liabilities</b>		<b>199,759</b>	393,986

		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Deferred income		<b>16,654</b>	16,282
Convertible bonds		–	24,861
Deferred tax liabilities		<b>43,037</b>	41,716
		<u><b>59,691</b></u>	<u>82,859</u>
		<u><b>140,068</b></u>	<u>311,127</u>
<b>Capital and reserves</b>			
Share capital	20	<b>134,293</b>	134,293
Reserves		<b>11,279</b>	178,427
		<u><b>145,572</b></u>	<u>312,720</u>
Equity attributable to owners of the Company		<b>145,572</b>	312,720
Non-controlling interests		<b>(5,504)</b>	(1,593)
		<u><b>140,068</b></u>	<u>311,127</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2017*

## 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. The subsidiaries of the Company are principally engaged in the public procurement related businesses, including bulk commodity trading, the development and operation of online public procurement platforms, provision of procurement information and value added services to users of the procurement platforms. Services include the supplier authentication, financial services, supply chain management, etc. Furthermore, rental income from investment properties located in Wuhan city, Hubei province, PRC.

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 2017 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.

During the period ended 30 June 2017, the Group incurred a net loss of approximately HK\$179,345,000 and net current liabilities of approximately HK\$71,550,000 as at 30 June 2017. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

In order to improve the Group’s financial position and liquidity, the directors of the Company have adopted or in the process of adopting the following measures:

- (a) The Group has been taking stringent cost controls; and
- (b) The Group has obtained the credit facilities of RMB80,000,000 (equivalents to approximately HK\$92,141,000) from a bank in the PRC by pledging the Group’s non-current assets. In July 2017, the Group has withdrawn RMB40,000,000 (equivalents to HK\$46,070,000).

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the condensed consolidated interim financial information.

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle:
	Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

#### **Annual Improvements to HKFRSs 2014 – 2016 Cycle**

*Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The amendment to HKFRS 12 clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests.

The application of the amendments included in the Annual Improvements to HKFRSs 2014-2016 Cycle has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated interim financial information.

#### **Amendments to HKAS 7 Disclosure Initiative**

The amendments require entities to provide disclosures that enable users of financial information to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

#### **Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

The amendments should be applied retrospectively. The directors of the Company considered that the application of the amendments to HKAS 12 has had no material impact on the Group's condensed consolidated interim financial information.

#### 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) Rental income generated from investment property located in Wuhan, Hubei Province, PRC.

During the period, the rental income provided stable capital resources for the Group, and supported part of Group's operating and development expenses. Due to its great significance, the rental income became one of the businesses under the management's concern. In compliance with the requirements of HKFRS 8 "Operating Segments", the Group is now organised into four operating and reportable segments as above.

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 2017

	Public procurement <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Provision of corporate IT solution <i>HK\$'000</i> (Unaudited)	Rental income <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>2,299</u>	-	<u>1,265</u>	<u>4,804</u>	<u>8,368</u>
Segment profit/(loss)	<u>510</u>	-	<u>(751)</u>	<u>4,340</u>	4,099
Unallocated income					1,159
Unallocated expenses					(180,976)
Finance costs					<u>(3,627)</u>
Consolidated loss before tax					<u>(179,345)</u>

**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)	Rental income <i>HK\$'000</i> (Unaudited) (Restated)	Total <i>HK\$'000</i> (Unaudited) (Restated)
Segment revenue	4,333	–	–	5,193	9,526
Segment profit	888	–	–	4,157	5,045
Unallocated income					13,458
Unallocated expenses					(51,482)
Finance costs					(1,236)
Consolidated loss before tax					(34,215)

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 Board, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

**5. OTHER INCOME AND GAINS**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
Interest income	198	60
Exchange gains, net	–	25
Sundry income	961	1,280
Gain on settlement of other borrowing ( <i>note</i> )	–	12,093
	<b>1,159</b>	<b>13,458</b>

*Note :* On 4 May 2016, 87,000,000 ordinary shares of the Company were issued for the settlement of other borrowing of RMB20,300,000 (equivalents to approximately HK\$24,360,000). At the date of issue of the shares, the aggregate fair values of the shares issued amounted to approximately HK\$12,267,000 and a gain of HK\$12,093,000 was recognised.

**6. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF DEPOSIT, RECEIVABLES AND AMOUNT DUE FROM A SHAREHOLDER AND ITS SUBSIDIARIES, NET**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Impairment loss recognised in respect of:		
Deposit paid for potential acquisition of a subsidiary ( <i>note 14</i> )	<b>15,000</b>	–
Trade and others receivables	<b>36,401</b>	–
Loan receivables ( <i>note 16</i> )	<b>40,203</b>	–
Amount due from a shareholder and its subsidiaries ( <i>note 17</i> )	<b>69,621</b>	–
	<b>161,225</b>	–
Impairment loss reversed in respect of:		
Trade and other receivables	<b>(9,983)</b>	–
	<b>151,242</b>	–

**7. LOSS ON EARLY REDEMPTION OF CONVERTIBLE BONDS**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Carrying amount of convertible bonds as at redemption date	<b>24,861</b>	–
Effective interest expense on convertible bonds ( <i>note 8</i> )	<b>2,134</b>	–
Amount paid on redemption, including accrued interest	<b>(30,989)</b>	–
Loss on early redemption of convertible bonds	<b>(3,994)</b>	–

On 30 December 2016, the Company issued 7% convertible bonds (“CBs”) which will be due on 15 December 2018 with an aggregate principal amount of HK\$30,000,000.

The effective interest expense on convertible bonds of approximately HK\$2,134,000 is calculated based on the effective interest rate of the liability component of 18.2% per annum.

On 20 June 2017, the Company redeemed all the outstanding CBs with a principal amount of HK\$30,000,000 and the relevant accrued interest at approximately HK\$30,989,000 and a loss on early redemption of convertible bonds of HK\$3,994,000 was recognised.

## 8. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank borrowing	303	114
Interest on other borrowings	1,190	1,122
Effective interest on convertible bonds ( <i>note 7</i> )	<u>2,134</u>	<u>–</u>
	<u><b>3,627</b></u>	<u><b>1,236</b></u>

## 9. INCOME TAX EXPENSE

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
Provision for PRC Enterprise Income Tax (“EIT”)	<u>–</u>	<u>494</u>

No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2017 (six months ended 30 June 2016: 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%.

## 10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
– Directors' emoluments	1,734	4,205
– Other staff costs	8,141	11,140
– Retirement scheme contributions	1,212	964
– Equity-settled share-based payment expenses*	<u>2,029</u>	<u>2,994</u>
Total staff costs	<u><u>13,116</u></u>	<u><u>19,303</u></u>

\* included in the equity-settled share-based payment expenses below

Amortisation and depreciation	2,394	2,051
Equity-settled share-based payment expenses	2,029	18,805
Minimum lease payments under operating leases	<u><u>1,617</u></u>	<u><u>3,501</u></u>

## 11. 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:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<b><u>(175,565)</u></b>	<b><u>(33,510)</u></b>

### Number of shares

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
Weighted average number of ordinary shares for the purpose of basic loss per share	<b><u>1,342,931</u></b>	<b><u>1,336,484</u></b>

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 2017 and 2016 since the exercise prices of the remaining options are higher than the average market price of the Company's shares.

The weighted average number of ordinary shares for the purpose of basic loss per share for both periods have been adjusted to reflect the effect of share consolidation (note 24) on 11 August 2017.

## **12. DIVIDEND**

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## **13. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2017, additions to the Group's property, plant and equipment were approximately HK\$23,000 (six months ended 30 June 2016: approximately HK\$15,000).

## **14. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF A SUBSIDIARY**

On 21 December 2015, the Group entered into a sale and purchase agreement with one of its shareholders to acquire the entire issued share capital of a company incorporated in the BVI with limited liability (the "Target Company") for a consideration of approximately HK\$1,250,551,000. A refundable cash deposit of approximately HK\$15,000,000 had been paid in 2016 in such respect. The deposit paid is only refundable when the proposed transaction is terminated.

As at 30 June 2017, as certain conditions precedent under the acquisition agreement (as supplemented) have not been fulfilled or waived, the acquisition agreement (as supplemented) has lapsed on 30 June 2017. Further details were set out in the Company's announcements dated 21 December 2015, 11 January 2016, 3 February 2016, 19 February 2016, 21 March 2016, 31 March 2016, 29 April 2016, 6 May 2016, 17 May 2016, 17 June 2016, 30 September 2016, 30 November 2016, 29 December 2016, 3 July 2017 and 4 July 2017.

In respect of the major and connected transaction of acquisition of Target Company, as certain conditions precedent have not been fulfilled on or before the long stop date (i.e. 30 June 2017), the acquisition has lapsed on 30 June 2017 pursuant to the acquisition agreement and its supplemental agreements.

As at 30 June 2017, a provision of impairment of approximately HK\$15,000,000 (2016: nil) was recognised (note 6).

## 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Trade receivables	12,223	17,590
Impairment for trade receivables	—	(9,045)
	<b>12,223</b>	8,545
Other receivables	47,926	46,336
Impairment for other receivables	(44,259)	(43,763)
	<b>3,667</b>	2,573
Compensation income receivable	8,473	8,473
Impairment for compensation income receivable	(8,473)	(5,084)
	—	3,389
Prepayments for goods	75,513	68,881
Impairment for prepayments for goods	(75,189)	(40,834)
	<b>324</b>	28,047
Other prepayments	2,466	7,652
Deposits	1,208	795
	<b>19,888</b>	51,001

The movements in impairment of trade and other receivables are as follows:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
At the beginning of the financial period/year	98,726	128,153
Recognised during the period/year	36,401	54,963
Reversed during the period/year	(9,983)	(292)
Written off as uncollectible	—	(78,148)
Exchange realignment	2,777	(5,950)
	<b>127,921</b>	98,726

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.

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:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Within 90 days	–	2,514
Over 365 days	<u>12,223</u>	<u>6,031</u>
	<u><b>12,223</b></u>	<u><b>8,545</b></u>

## 16. 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 2017 was a loan of HK\$100,000,000 (31 December 2016: HK\$100,000,000) repayable in 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%.

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

The remaining loan receivables were repayable on demand.

An impairment of approximately HK\$40,203,000 (2016: approximately HK\$60,300,000) was made on such receivables during the period.

## 17. AMOUNTS DUE FROM (TO) A SHAREHOLDER AND ITS SUBSIDIARIES

As at 30 June 2017, the amounts are unsecured, interest free and repayable on demand.

As at 31 December 2016, except for an amount of HK\$58,158,000 that are interest-bearing at fixed rate of 3.2%, balances are interest-free, unsecured and repayable on demand.

An impairment of approximately HK\$69,621,000 (2016: nil) was made on amounts due from a shareholder and its subsidiaries during the period.

## 18. TRADE AND OTHER PAYABLES

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	950	1,178
Accruals	3,024	7,292
Security deposits	1,462	589
Receipts in advance	1,213	1,295
Payables for acquisition of intangible assets	2,156	1,948
Other payables	18,420	14,855
Payables for acquisition of property, plant and equipment	—	2,539
	<u>27,225</u>	<u>29,696</u>

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

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 90 days	—	258
Over 365 days	950	920
	<u>950</u>	<u>1,178</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.

## 19. BANK AND OTHER BORROWINGS

		<b>30 June 2017</b>	31 December 2016
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
Bank borrowing	<i>(i)</i>	<b>10,250</b>	11,910
Other borrowings	<i>(ii)</i>	<b>39,160</b>	14,513
		<b>49,410</b>	26,423

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 21.
- (ii) The Group's other borrowings consist of two loans were denominated in RMB. A loan of RMB7,000,000, carrying interest at fixed-rate of 2.5% per annum and unsecured and a loan of RMB27,000,000, carrying interest at fixed-rate of 5% per annum, unsecured and repayable on demand.

## 20. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value of ordinary shares</b>
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2017 (audited) and 30 June 2017 (unaudited)	<b>20,000,000</b>	<b>200,000</b>
Issued and fully paid:		
At 1 January 2017 (audited) and 30 June 2017 (unaudited)	<b>13,429,312</b>	<b>134,293</b>

## 21. 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:

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Buildings	1,428	1,428
Prepaid lease payments	4,504	4,414
Investment properties	211,809	74,241
Pledged bank deposit	11,597	11,142
	<u>229,338</u>	<u>91,225</u>

## 22. 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\$4,804,000 (2016: approximately HK\$5,193,000).

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

	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	6,135	8,732
In the second to fifth years inclusive	4,897	9,138
	<u>11,032</u>	<u>17,870</u>

*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:

	<b>30 June</b> <b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2016 <i>HK\$'000</i> (Audited)
Within one year	<b>2,884</b>	2,668
In the second to fifth years inclusive	<b>1,317</b>	1,840
	<b><u>4,201</u></b>	<b><u>4,508</u></b>

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 (2016: 1 to 3 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:

	<b>30 June</b> <b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2016 <i>HK\$'000</i> (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of		
– acquisition of intangible assets	<b>7,228</b>	7,007
– further capital injection to the associates	<b>19,810</b>	49,345
– proposed acquisition of an associate	<b>–</b>	1,235,551
	<b><u>27,038</u></b>	<b><u>1,291,903</u></b>

## 23. RELATED PARTY TRANSACTIONS

### Key management compensation

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

	Six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries and directors' fees	3,539	5,930
Equity-settled share-based payment expense	<u>1,801</u>	<u>2,994</u>
	<u><u>5,340</u></u>	<u><u>8,924</u></u>

## 24. EVENTS AFTER THE REPORTING PERIOD

### Share consolidation

Pursuant to a special resolution passed on 10 August 2017, a share consolidation was approved by the shareholders that with effect from 11 August 2017, every 10 of the existing issued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.1 per share.

### Termination of the subscription agreement

Reference is made to the announcement of the Company dated 31 August 2017 in relation to the termination of the subscription agreement (the "Announcement"). Unless otherwise defined herein, terms used herein shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

The Company and the Subscriber entered into a deed of termination and settlement on 31 August 2017.

The Directors believe that the termination of the subscription agreement and the subscription to be contemplated thereunder have no material adverse impact on the financial position and operations of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (I) BUSINESS REVIEW

During the Period, the Group continued with the development and operation of the online trading platforms and online management platforms for government procurement and online procurement platforms for universities and colleges. During the Period, we have put the procurement management system for Tianjin Finance Bureau, new government procurement online platform for the procurement center of Hubei provincial government and online procurement system for Hubei University online, and have launched various value-added services, such as certification authority certificates (“CA certificates”), electronic private key, and electronic signature. Our universities and colleges procurement platforms have already signed contracts with 56 universities and colleges from Hubei, Hunan, Jiangxi, Guizhou and other provinces, and have already had 6,500 suppliers and completed transaction of RMB130 million.

In respect of our investment properties, the rental income generated by a commercial building located in Donghu New Technology Development Zone, Wuhan, Hubei Province, PRC has provided stable cash flow for the Group and financed part of the Group’s operating and development expenses.

### (II) FINANCIAL REVIEW

#### *Operational Performance*

#### **1. Revenue**

Revenue for the Period was HK\$8.368 million, representing a decrease of HK\$1.158 million or 12.2% as compared to HK\$9.526 million for the same period of last year.

Such revenue included revenue from public procurement of HK\$2.299 million, accounting for 27.5% of the total revenue, revenue from provision of corporate IT solution of HK\$1.265 million, accounting for 15.1% of the total revenue, and rental income of HK\$4.804 million, accounting for 57.4% of the total revenue.

During the Period, the rental income was reclassified from other income and gains to revenue. It is because such rental income provided stable cash inflow for the Group and financed part of Group's operating and development expenses. Accordingly, the rental income is also one of the core businesses of the Group.

## **2. Cost of Sales**

Cost of sales for the Period was HK\$4.269 million, representing an increase of HK\$1.540 million or 56.4% as compared to HK\$2.729 million for the same period of last year. Cost of sales mainly comprised technical staff cost, relevant fixed assets depreciation and authentication key, and the increase in cost of sales was mainly due to the development expenses for the provision of corporate IT solution incurred during the Period, while there was no such income and corresponding costs during the same period of last year.

## **3. Gross Profit**

Gross Profit for the Period was HK\$4.099 million, representing a decrease of HK\$2.698 million or 39.7% as compared to HK\$6.797 million for the same period of last year. Gross profit margin for the Period was 49.0%, representing a decrease of 22.4 percentage point as compared to the gross profit margin of 71.4% for the same period of last year. The decrease in gross profit margin for the Period was mainly due to the increase in income from provision of corporate IT solution business, while the gross profit margin of which was lower than the overall profit margin due to the keen competition.

## **4. Other Income and Gains**

Other income and gains for the Period was HK\$1.159 million, representing a decrease of HK\$12.299 million or 91.4% as compared to HK\$13.458 million for the same period of last year. Other income and gains mainly comprised of interest income, exchange gains, sundry income and gains on settlement of other borrowings. The decrease in other income and gains for the Period was primarily because there was no one-off gain on settlement of other borrowings in the Period as recorded in the same period of last year.

## 5. Impairment loss

During the Period, impairment loss of HK\$151.242 million was recognised for the following items, while no such expense was incurred during the corresponding period of last year.

	<b>30 June 2017 HK\$'000</b>	30 June 2016 HK\$'000
Deposit paid for potential acquisition of a subsidiary	<b>15,000</b>	–
Trade and other receivables	<b>36,401</b>	–
Loan receivables	<b>40,203</b>	–
Amounts due from a shareholder and its subsidiaries	<b>69,621</b>	–
	<b>161,225</b>	–
Reversal of provision of trade and other receivables	<b>(9,983)</b>	–
	<b>151,242</b>	–

The above impairment was recognised due to the fact that such amounts were have already been due for a prolonged period and the repayment ability of the companies related was in doubt. The provision for such impairment does not mean that the Company has waived its recovery right. The management is determined to recover the amounts due to the Company through legal proceedings. Up to the date of this announcement, we have recovered HK\$5.839 million in cash through legal action. During the Period, the Company reached repayment agreements with two debtors. Therefore, the impairment loss provided for these two debtors were reversed during the Period.

## 6. Administrative Expenses

Administrative expenses for the Period was HK\$25.740 million, representing a decrease of HK\$27.494 million or 51.6% as compared to HK\$53.234 million for the same period of last year. The administrative expenses mainly comprised of staff costs, rental, professional fees, office expenses and share options expenses. During the Period, the management strived to control costs and expenses. The decrease in expenses was mainly due to the lapse of share options leading to the decrease in expenses. There was also substantial decrease in rental, staff costs, professional fees, office expenses and utility fees.

## **7. Finance Costs**

Finance costs for the Period was HK\$3.627 million, representing an increase of HK\$2.391 million or 1.9 times as compared to HK\$1.236 million for the same period of last year. The finance costs mainly comprised of interests for bank borrowing, other borrowings and convertible bonds. During the Period, the cost was increased due to interests incurred for the convertible bonds issued in last December.

## **8. Income Tax**

During the Period, no income tax was incurred as we suffered from operating loss.

## **9. Loss for the Period**

The loss for the Period was HK\$179.345 million, representing an increase of HK\$144.636 million or 4.2 times as compared to HK\$34.709 million for the corresponding period of last year, which was primarily due to the impairment loss provision made for certain trade and other receivables, loan receivables, amounts due from a shareholder and its subsidiaries and deposit paid for potential acquisition of a subsidiary during the Period. The main reason considered for making such impairment provision was that such amounts have already been due for a prolonged period and/or the repayment ability of the companies related was in doubt.

## ***Financial position***

### **1. Liquidity and capital resources**

As at 30 June 2017, the Group maintained cash and bank balances of HK\$15.094 million, representing a decrease of HK\$22.766 million as compared to HK\$37.860 million as at 31 December 2016. During the Period, the Group increased the bank and other borrowings, cash on hand and operating income to finance operational requirements.

As at 30 June 2017, the gearing ratios (total assets over total liabilities) was 1.77:1 (31 December 2016: 2.71:1). The current debt ratios (current assets over current liabilities) was 0.41:1 (31 December 2016: 2.14:1).

At the end of the Period, the Group recorded net current liabilities of HK\$71.550 million. Despite such net current liabilities, the Group still possesses considerable fixed assets, such as investment properties, that could be pledged to the bank for cash loan to satisfy our short-term payables and other needs. In addition, the Company will also consider to raise capital through other channels, such as share placing and issue of convertible bonds, to cover the Company's expenses and for business development or expansion, so as to enhance the Group's operating ability.

## **2. Pledge of Assets**

As at 30 June 2017, the Group had pledged bank deposit of HK\$11.597 million to secure a credit facility of similar amount.

During the Period, the Group has pledged its investment properties to a bank (in PRC) to secure the mid-term and long-term loan of RMB80,000,000 (approximately to HK\$92,141,000).

## **3. Capital Commitments and Contingent Liabilities**

As at 30 June 2017, the capital commitment of the Group was HK\$27,038,000. Such commitment was mainly related to the acquisition of intangible assets and further capital injection to an associate.

The Group did not have any contingent liabilities as at 30 June 2017.

# **(III) OTHER ISSUES**

## **1. Capital Structure**

As at 30 June 2017, the Company's issued ordinary share capital was HK\$134,293,125.48 divided into 13,429,312,548 shares of HK\$0.01 each ("Shares") (31 December 2016: HK\$134,293,125.48 divided into 13,429,312,548 shares of HK\$0.01 each).

At the special general meeting held on 10 August 2017, it was approved that every 10 issued and unissued ordinary share of HK\$0.01 each in the capital of the Company to be consolidated into 1 consolidated ordinary share of HK\$0.1 each; and every 10 issued and unissued convertible preference shares of HK\$0.01 each in the capital of the Company to be consolidated into 1 consolidated convertible preference shares of HK\$0.1 each ("Share Consolidation"). The Share Consolidation became effective on 11 August 2017.

## **2. Lapse of Acquisition Agreement to Acquire Pioneer Spot Limited**

On 21 December 2015, 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 Limited (the “Warrantor”), pursuant to which, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell Pioneer Spot Limited (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. The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser after taking into consideration of the signed professional valuation report on the Target Company dated 30 November 2015. The reason for acquisition is that the Target Group is principally engaged in the operation of an online platform for clearing and settlement services. The business of the Target Group may create synergies with the Group’s business and the acquisition will broaden the client base and income source of the Group.

As certain conditions precedent have not been fulfilled on or before the long stop date (i.e. 30 June 2017), the acquisition has lapsed on 30 June 2017 pursuant to the Acquisition Agreement and its supplemental agreements.

### **3. Foreign Exchange Exposure**

For the six months ended 30 June 2017, the Group mainly earns revenue in RMB and incurred costs in HK\$, RMB and US\$. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK\$ may have impact on the Group's results and financial positions.

### **4. Staff and Remuneration Policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2017, the Group employed approximately 120 employees, and the total remuneration of employees (including the Directors of the Company) was approximately HK\$13.116 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.

### **5. Subscription of new shares**

On 5 June 2017, the Company and Ngongful Science and Technology Limited, the subscriber, entered into a subscription agreement, pursuant to which the subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, the subscription shares (being 2,290,220,400 new existing shares as at 5 June 2017 or 229,022,040 consolidated shares in the event that the subscription takes place after the share consolidation becoming effective) at the subscription price of HK\$0.0303 (or HK\$0.303 in the event that the subscription takes place after the share consolidation becoming effective) for subscription share. The 2,290,220,400 subscription shares (or 229,022,040 subscription shares in the event that the subscription takes place after the share consolidation becoming effective) represent (i) approximately 17.05% of existing share capital as at 5 June 2017; and (ii) approximately 14.57% of the then issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.

On 31 August 2017, the Company and the subscriber entered into a deed of termination and settlement. Pursuant to the deed, the Company and the subscriber shall unconditionally and irrevocably terminate with full force and immediate effect the subscription agreement and all existing or potential rights, obligations and liabilities arising under the subscription agreement shall forthwith terminate and extinguish for all purposes and effect. The subscriber shall pay to the Company compensation for the costs incurred and the damages suffered by the Company in connection with the subscription and share consolidation in accordance with the terms of the deed of termination and settlement.

#### **(IV) BUSINESS PROSPECTS**

The online platform for government procurement will be the major tool for government procurement in the future. In recent years, as China further improved the government procurement system and standardized the technical requirements for online procurement platform, the government procurement process has been gradually extended from provincial level to district, city and prefecture level. In addition to the government, colleges and universities, hospitals, state-owned enterprises also have needs for online procurement platform, and it will become a major trend for procurement in the future. With our experience in research and development and market connection built over the years, we have already secured a foothold in the market and laid a solid foundation for the future development of the Group.

At present, the Company's business of online platform for government procurement is growing steadily. Although the market for online procurement platform for provincial government in China is basically saturated, but there are still ample of opportunities in the primary market in different districts, cities and prefectures. In order to capture the abovesaid markets in short time, the Company plans to leverage on the existing established provincial platform as a hub to strengthen its promotion effort targeting the primary government procurement center at district, city and prefecture level. At present, more than ten universities and colleges have shown interests in joining the online procurement platform for universities and colleges as cooperation partners, and are expected to sign up with the platforms in the second half of 2017. Our Company will also provide relevant support with an aim to conclude the cooperation agreement as soon as possible. Besides, there is huge demand for online procurement platform from large state-owned enterprises in China, the Company expects to launch an online procurement platform for enterprises at the end of this year, and will enhance the promotion effort targeted at enterprises. This business will become the Company's new growth point.

## **CORPORATE GOVERNANCE**

### **1. 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 Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”) except for the following deviations.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive in Mr. Zheng Jinwei can facilitate execution of the Group’s business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive in future.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. All independent non-executive Directors and other non-executive Directors except Ms. Wong Yan Ki, Angel, were not able to attend the annual general meeting held on 8 June 2017 (the “Annual General Meeting”) due to their respective business engagements. Other Board members who attend the Annual General Meeting were already of sufficient calibre and number for answering questions raised by the Shareholders at the Annual General Meeting.

According to code provision A.5.1, the company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. On 2 March 2017, following the resignation of Mr. Chan Tze See, Kevin, the composition of the nomination committee of the Company (the “Nomination Committee”) did not comprise a majority of independent non-executive Directors. The composition of the Nomination Committee comprises a majority of independent non-executive Directors from 2 June 2017 following the appointment of Mr. Jiang Jun.

## **2. Audit Committee**

As at the date of this announcement, the audit committee of the Company (the “Audit Committee”) comprises three members namely, Ms. Wong Yan Ki, Angel (chairman), Mr. Chen Limin and Mr. Deng Xiang. Mr. Chen Limin is a non-executive Director whereas the other two are 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 2017, 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.

## **3. 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 2017.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

On 20 June 2017, the Company redeemed 7% convertible bonds which will be due on 15 December 2018 with an aggregate principal amount of HK\$30,000,000. 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 2017.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2017 (30 June 2016: nil).

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

Hong Kong, 31 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.*