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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of China Public Procurement Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000 (Restated)
Revenue	5	**64,837**	51,216
Cost of sales		**(47,608)**	(33,848)
Gross profit		**17,229**	17,368
Other income and gains	6	**26,482**	48,971
Administrative expenses		**(53,005)**	(108,676)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries		**(72,495)**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary		**(15,000)**	—
Impairment loss of intangible assets		**—**	(35,651)
Impairment loss of loan receivables		**(40,207)**	(60,300)
Impairment loss of property, plant and equipment		**—**	(2,683)

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Impairment loss/ write-off of trade and other receivables		**(38,961)**	(58,990)
Loss on early redemption of convertible bonds		**(3,994)**	—
Reversal of impairment loss of trade and other receivables		**10,183**	292
Write-off of an associate		**(1,181)**	—
Loss from operations		**(170,949)**	(199,669)
Finance costs	*7*	**(11,164)**	(2,006)
Loss before tax		**(182,113)**	(201,675)
Income tax credit/ (expense)	*8*	**2,569**	(9,126)
Loss for the year	*9*	**(179,544)**	(210,801)
Attributable to:			
Owners of the Company		**(176,395)**	(208,224)
Non-controlling interests		**(3,149)**	(2,577)
		(179,544)	(210,801)
Loss per share	*11*		
Basis (HK cents per share)		**(12.81)**	(15.54)
Diluted (HK cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(179,544)**	(210,801)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**16,039**	(25,846)
Fair value loss of available-for-sale financial assets	**(1,093)**	—
Other comprehensive income for the year, net of tax	**14,946**	(25,846)
Total comprehensive income for the year	**(164,598)**	(236,647)
Attributable to:		
Owners of the Company	**(161,070)**	(234,070)
Non-controlling interests	**(3,528)**	(2,577)
	(164,598)	(236,647)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	At 31/12/2017 HK$'000	At 31/12/2016 HK$'000 (Restated)	At 01/01/2016 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**3,442**	5,322	13,101
Prepaid land lease payments		**4,544**	4,319	4,727
Investment properties		**279,052**	243,264	236,288
Intangible assets		**10,813**	10,178	49,155
Investment in an associate		**—**	1,307	1,307
Available-for-sale financial assets		**4,871**	—	—
Deposit paid for potential acquisition of a subsidiary		**—**	15,000	—
Deferred tax assets		**—**	811	866
Total non-current assets		**302,722**	280,201	305,444
Current assets				
Prepaid land lease payments		**102**	95	95
Inventories — raw materials		**480**	—	—
Trade and other receivables	*12*	**21,312**	51,001	159,637
Loan receivables		**25,221**	40,233	100,534
Amount due from a director		**—**	—	1,000
Amounts due from an ex-substantial shareholder and its subsidiaries		**—**	70,686	66,942
Financial assets at fair value through profit or loss		**4,564**	2,233	—
Current tax assets		**617**	—	—
Pledged bank deposits	*13*	**96,080**	11,142	11,917
Bank and cash balances		**43,270**	37,860	51,529
Total current assets		**191,646**	213,250	391,654
TOTAL ASSETS		**494,368**	493,451	697,098

	Note	At 31/12/2017 HK$'000	At 31/12/2016 HK$'000 (Restated)	At 01/01/2016 HK$'000 (Restated)
EQUITY AND LIABILITIES				
Share capital	14	**161,152**	134,293	132,880
Convertible preference shares		**—**	—	43
Reserves		**74,583**	197,949	400,685
Equity attributable to owners of the Company		**235,735**	332,242	533,608
Non-controlling interests		**(6,073)**	(1,593)	826
Total equity		**229,662**	330,649	534,434
LIABILITIES				
Non-current liabilities				
Bank and other borrowings		**40,834**	—	—
Deferred income		**5,090**	5,010	6,264
Convertible bonds		**—**	24,861	—
Deferred tax liabilities		**42,383**	33,466	27,073
Total non-current liabilities		**88,307**	63,337	33,337
Current liabilities				
Bank and other borrowings		**13,211**	26,423	35,792
Trade and other payables	15	**125,818**	29,696	41,008
Amounts due to an ex-substantial shareholder and its subsidiaries		**2,816**	2,620	9,606
Current tax liabilities		**34,554**	40,726	42,921
Total current liabilities		**176,399**	99,465	129,327
TOTAL EQUITY AND LIABILITIES		**494,368**	493,451	697,098
Net current assets		**15,247**	113,785	262,327
Total assets less current liabilities		**317,969**	393,986	567,771

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(182,113)**	(201,675)
Adjustments for:		
Amortisation of deferred income	**(289)**	(860)
Amortisation of intangible assets	**131**	134
Amortisation of prepaid land lease payments	**99**	100
Depreciation	**2,001**	4,368
Equity-settled share-based payments	**304**	36,180
Fair value gains on investment properties	**(16,717)**	(23,394)
Finance costs	**11,164**	2,006
Gain on disposal of property, plant and equipment	**(1,180)**	—
Gain on settlement of indebtedness	—	(12,093)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	**72,495**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary	**15,000**	—
Impairment loss for intangible assets	—	35,651
Impairment loss for loan receivables	**40,207**	60,300
Impairment loss for property, plant and equipment	—	2,683
Impairment loss/ write-off of trade and other receivables	**38,961**	58,990
Interest income	**(1,422)**	(3,744)
Loss on early redemption of convertible bonds	**3,994**	—
Reversal of impairment loss of trade and other receivables	**(10,183)**	(292)
Reversal of provision of other tax payables	**(4,859)**	—
Write-off of an associate	**1,181**	—
Write-off of property, plant and equipment	**755**	40
Write-back of agency payable to an ex-substantial shareholder	**—**	(8,180)

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Operating loss before working capital changes	**(30,471)**	(49,786)
Increase in inventories	**(480)**	—
Decrease in trade and other receivables	**1,351**	12,501
Increase in amounts due from an ex-substantial shareholder and its subsidiaries	**—**	(358)
Increase in financial assets at fair value through profit or loss	**(2,331)**	(2,233)
Increase/ (decrease) in trade and other payables	**4,901**	(8,957)
Cash used in operations	**(27,030)**	(48,833)
Income taxes paid	**(877)**	(544)
Interest received	**644**	—
Net cash used in operating activities	**(27,263)**	(49,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to an ex-substantial shareholder and its subsidiaries	**—**	(11)
Deposit paid for potential acquisition of a subsidiary	**—**	(15,000)
Increase in pledged bank deposit	**(84,938)**	—
Interest received	**355**	93
Loans advanced	**(24,295)**	—
Proceeds from disposal of property, plant and equipment	**1,180**	—
Purchase of available-for-sale financial assets	**(5,784)**	—
Purchases of property, plant and equipment	**(197)**	(127)
Repayment from an ex-substantial shareholder and its subsidiaries	**—**	47
Repayment from a director	**—**	1,000
Net cash used in investing activities	**(113,679)**	(13,998)

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from an ex-substantial shareholder and its subsidiaries	**—**	11
Bank and other borrowings raised	**131,887**	14,513
Capital injection from non-controlling interests	**—**	1,911
Dividend paid to non-controlling interests	**—**	(1,753)
Interest paid	**(10,019)**	(1,646)
Proceeds from discounting of bills payables	**96,080**	—
Proceeds from issue of convertible bonds	**—**	30,000
Proceeds from issue of shares	**63,307**	11,000
Redemption of convertible bonds	**(30,000)**	—
Repayment of bank and other borrowings	**(106,776)**	—
Repayment to an ex-substantial shareholder and its subsidiaries	**—**	(1,653)
Net cash generated from financing activities	**144,479**	52,383
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,537**	(10,992)
Effect of foreign exchange rate changes	**1,873**	(2,677)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**37,860**	51,529
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**43,270**	37,860
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**43,270**	37,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Public Procurement Limited (the "**Company**") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business in Hong Kong is Unit 1802, 18/F, No. 88 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of public procurement services, trading of different products, development of software, provision of maintenance services and leasing of the Group's investment properties located in Wuhan, Hubei Province, the Peoples' Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Company and its subsidiaries (collectively referred to as the "**Group**") incurred a net loss and net operating cash outflows of approximately HK$179,544,000 and HK$27,263,000 respectively during the year ended 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

In order to improve the Group's financial position, liquidity and cash flows, 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$96,080,000) from a bank in the PRC by pledging the Group's non-current assets. As at 31 December 2017, facilities of RMB40,000,000 (equivalents to approximately HK$48,040,000) has been utilised by the Group.

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 consolidated financial statements 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.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those equity security currently classified as available-for-sale as at fair value through other comprehensive income.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses but the amount cannot be quantified until a detailed credit loss valuation has been performed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, certain revenue arising from the provision of corporate IT solution services is recognised over time, whereas remaining revenue arising from the provision of corporate IT solution services and that arising from the provision of public procurement services and trading business is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements but is unable to estimate the impact of the new standards on the consolidated financial statements until more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. Certain of the Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. RETROSPECTIVE RESTATEMENT

In preparing the consolidated financial statements for the year ended 31 December 2017, the directors of the Company have revisited the accounting treatments for certain transaction entered into by the Group in previous years and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the consolidated financial statements presented are in compliance with HKFRSs. A detailed description of the nature of prior year restatements is provided in note 4(a) and note 4(b) below.

In addition, certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the financial performance and state of affairs of the Group. A detailed description of the nature of each reclassification is provided in note 4(c) below.

(a) Restatement of deferred income

During the years ended 31 December 2015 and 2016, impairment loss for certain intangible assets were made without appropriately taking into account the effect of relevant government grants received. Loss for both years were overstated.

(b) Restatement of deferred tax liabilities

During the years ended 31 December 2015 and 2016, calculations of deferred tax liabilities in respect of fair value gains on investment properties were not in accordance with relevant rules and regulations related to land appreciation tax in the PRC, and deferred tax liabilities for respective years were overstated.

(c) Reclassification adjustments

Reclassification adjustments are summarised as follows:

— Reclassification of rental income from other income to revenue. Details refer to note 5;

— Reclassification of cost related to rental income from administrative expenses to cost of sales in response to reclassification of rental income as revenue;

— Reclassification of reversal of impairment loss for trade and other receivables from impairment/ write-off of trade, other and loan receivables; and

— Reclassification of impairment loss of loan receivables from impairment/ write-off of trade, other and loan receivables.

The effects of the restatements and reclassification on consolidated statement of profit or loss for the year ended 31 December 2016:

	As previously Reported *HK$'000*	Restatement adjustments (note 4(a)) *HK$'000*	Restatement adjustments (note 4(b)) *HK$'000*	Reclassification adjustments (note 4(c)) *HK$'000*	As restated *HK$'000*
Revenue	40,127	–	–	11,089	51,216
Cost of sales	(33,047)	–	–	(801)	(33,848)
Gross profit	7,080	–	–	10,288	17,368
Other income and gains	59,492	568	–	(11,089)	48,971
Administrative expenses	(109,477)	–	–	801	(108,676)
Impairment loss of intangible assets	(35,651)	–	–	–	(35,651)
Impairment loss of loan receivables	–	–	–	(60,300)	(60,300)
Impairment loss of property, plant and equipment	(2,683)	–	–	–	(2,683)
Impairment loss/ write-off of trade, other and loan receivables	(118,998)	–	–	118,998	–
Impairment loss/ write-off of trade and other receivables	–	–	–	(58,990)	(58,990)
Reversal of impairment loss of trade and other receivables	–	–	–	292	292
Loss from operations	(200,237)	568	–	–	(199,669)
Finance costs	(2,006)	–	–	–	(2,006)
Loss before tax	(202,243)	568	–	–	(201,675)
Income tax expense	(12,940)	–	3,814	–	(9,126)
Loss for the year	(215,183)	568	3,814	–	(210,801)
Attributable to:					
Owners of the Company	(212,606)	568	3,814	–	(208,224)
Non-controlling interests	(2,577)	–	–	–	(2,577)
	(215,183)	568	3,814	–	(210,801)
Loss per share					
Basic (HK cents per share)*	(15.87)	0.04	0.29	–	(15.54)
Dilute (HK cents per share)	N/A	N/A	N/A	N/A	N/A

* As adjusted to reflect the share consolidation on 11 August 2017.

The effects of the restatements on consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016:

	As previously reported *HK$'000*	Restatement adjustments (note 4(a)) *HK$'000*	Restatement adjustments (note 4(b)) *HK$'000*	As restated *HK$'000*
Loss for the year	(215,183)	568	3,814	(210,801)
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	(24,546)	(745)	(555)	(25,846)
Other comprehensive income for the year, net of tax	(24,546)	(745)	(555)	(25,846)
Total comprehensive income for the year	(239,729)	(177)	3,259	(236,647)
Attributable to:				
Owners of the Company	(237,152)	(177)	3,259	(234,070)
Non-controlling interests	(2,577)	—	—	(2,577)
	(239,729)	(177)	3,259	(236,647)

The effects of the restatements on consolidated statement of financial position at 31 December 2016:

Increase/ (decrease)	As previously Reported *HK$'000*	Restatement adjustments (note 4(a)) *HK$'000*	Restatement adjustments (note 4(b)) *HK$'000*	As restated *HK$'000*
Deferred income	16,282	(11,272)	—	5,010
Deferred tax liabilities	41,716	—	(8,250)	33,466
Reserves	178,427	11,272	8,250	197,949
Equity attributable to owners of the Company	312,720	11,272	8,250	332,242
Total equity	311,127	11,272	8,250	330,649

The effects of the restatements on consolidated statement of financial position at 1 January 2016:

Increase/ (decrease)	As previously Reported	Restatement adjustments (note 4(a))	Restatement adjustments (note 4(b))	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income	17,713	(11,449)	—	6,264
Deferred tax liabilities	32,064	—	(4,991)	27,073
Reserves	384,245	11,449	4,991	400,685
Equity attributable to owners of the Company	517,168	11,449	4,991	533,608
Total equity	517,994	11,449	4,991	534,434

5. REVENUE AND SEGMENT INFORMATION

Revenue

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Provision of public procurement services	**6,623**	6,358
Trading of goods	**39,766**	26,081
Provision of corporate IT solution services	**8,547**	7,688
Rental income	**9,901**	11,089
	64,837	51,216

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic and operating decisions.

The Group has four operating segments as follows:

Public procurement	—	provision of public procurement services
Trading business	—	trading of different products
Provision of corporate IT solution	—	development of software and provision of maintenance services to customers
Rental income	—	leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC

During the year, the rental income provided stable capital resources for the Group, and supported part of the 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 (2016: three) operating and reportable segments as above.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include directors' emoluments and remaining administrative expenses, fair value gains on investment properties and remaining other income and gains, finance costs, impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries, impairment loss of deposit paid for potential acquisition of a subsidiary, impairment loss/ reversal of impairment loss of certain receivables, loss on early redemption of convertible bonds and write-off of an associate. Segment assets do not include amounts due from an ex-substantial shareholder and its subsidiaries, available-for-sale financial assets, bank and cash balances, certain intangible assets, certain property, plant and equipment, certain other receivables, current tax assets, deferred tax assets, deposit paid for potential acquisition of a subsidiary, financial assets at fair value through profit or loss, investment in an associate, loan receivables, pledged bank deposits and prepaid land lease payments. Segment liabilities do not include amounts due to an ex-substantial shareholder and its subsidiaries, bank and other borrowings, certain other payables, convertible bonds, current tax liabilities, deferred income and deferred tax liabilities. Segment non-current assets do not include deferred tax assets and deposit paid for potential acquisition of a subsidiary. This is the measure reported to CODM for the purposes of resources allocation and performance assessment.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss:

	Public procurement *HK$'000*	Trading business *HK$'000*	Provision of corporate IT solution *HK$'000*	Rental income *HK$'000*	Total *HK$'000*
Year ended 31 December 2017					
Revenue from external customers	**6,623**	**39,766**	**8,547**	**9,901**	**64,837**
Intersegment revenue	**—**	**—**	**—**	**1,251**	**1,251**
Segment profit/ (loss)	**5,272**	**(14,233)**	**2,910**	**8,903**	**2,852**
Amounts included in the measure of segment profit or loss:					
Impairment loss/ write-off of trade and other receivables	**—**	**23,750**	**—**	**—**	**23,750**
Reversal of impairment loss of trade and other receivables	**—**	**(9,373)**	**—**	**—**	**(9,373)**
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	**57**	**—**	**—**	**—**	**57**
As at 31 December 2017					
Segment assets	**9,884**	**10,197**	**2,057**	**279,419**	**301,557**
Segment liabilities	**4,720**	**427**	**4,735**	**1,504**	**11,386**
Amounts included in the measure of segment assets:					
Additions to segment non-current assets	**70**	**—**	**—**	**—**	**70**

	Public procurement *HK$'000*	Trading business *HK$'000*	Provision of corporate IT solution *HK$'000*	Rental income *HK$'000*	Total *HK$'000*
Year ended 31 December 2016					
Revenue from external customers	6,358	26,081	7,688	11,089	51,216
Intersegment revenue	—	—	6,126	1,169	7,295
Segment profit/ (loss)	(35,603)	(35,636)	274	10,288	(60,677)
Amounts included in the measure of segment profit or loss:					
Impairment loss of intangible assets	35,651	—	—	—	35,651
Impairment loss of property, plant and equipment	2,683	—	—	—	2,683
Impairment loss/ write-off of trade and other receivables	—	35,684	4,027	—	39,711
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	2,337	—	13	—	2,350
As at 31 December 2016					
Segment assets	9,903	33,699	3,383	244,355	291,340
Segment liabilities	3,470	761	565	—	4,796
Amounts included in the measure of segment assets:					
Additions to segment non-current assets	127	—	—	—	127
Amounts not included in the measure of segment assets but regularly reported to CODM:					
Investment in an associate	1,307	—	—	—	1,307

Reconciliations of reportable segment revenue and profit or loss:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**66,088**	58,511
Elimination of intersegment revenue	**(1,251)**	(7,295)
Consolidated revenue	**64,837**	51,216
Profit or loss		
Total profit or loss of reportable segments	**2,852**	(60,677)
Administrative expenses	**(53,005)**	(108,676)
Finance costs	**(11,164)**	(2,006)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	**(72,495)**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary	**(15,000)**	—
Impairment loss of loan receivables	**(40,207)**	(60,300)
Loss on early redemption of convertible bonds	**(3,994)**	—
Other income and gains	**26,482**	48,971
Unallocated impairment loss of other receivables	**(15,211)**	(19,279)
Unallocated reversal of impairment loss of other receivables	**810**	292
Write-off of an associate	**(1,181)**	—
Consolidated loss before tax	**(182,113)**	(201,675)

Reconciliations of segment assets, liabilities and other material items:

	2017	2016
	HK$'000	*HK$'000*
Assets		
Total assets of reportable segments	**301,557**	291,340
Unallocated corporate assets	**192,811**	202,111
Consolidated total assets	**494,368**	493,451
Liabilities		
Total liabilities of reportable segments	**11,386**	4,796
Unallocated corporate liabilities	**253,320**	158,006
Consolidated total liabilities	**264,706**	162,802
Other material items — impairment loss/ write-off of trade and other receivables		
Total impairment loss/ write-off of trade and other receivables of reportable segments	**23,750**	39,711
Unallocated amounts	**15,211**	19,279
Consolidated impairment loss/ write-off of trade and other receivables	**38,961**	58,990
Other material items — reversal of impairment loss of trade and other receivables		
Total reversal of impairment loss of trade and other receivables	**9,373**	—
Unallocated amounts	**810**	292
Consolidated reversal of impairment loss of trade and other receivables	**10,183**	292
Other material items — depreciation		
Total depreciation of reportable segments	**57**	2,350
Unallocated amounts	**1,944**	2,018
Consolidated depreciation	**2,001**	4,368

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	—	**200**	104
PRC except Hong Kong	**64,837**	51,216	**302,522**	264,286
Consolidated total	**64,837**	51,216	**302,722**	264,390

Revenue from major customers:

	2017	2016
	HK$'000	*HK$'000*
Trading business segment		
Customer A	**39,766**	26,081

6. OTHER INCOME AND GAINS

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**355**	93
Exchange gains	**—**	278
Fair value gains on investment properties	**16,717**	23,394
Gain on disposals of financial assets at fair value through profit or loss — held for trading	**14**	—
Gain on disposal of property, plant and equipment	**1,180**	—
Gain on settlement of indebtedness	**—**	12,093
Government grants — amortisation of deferred income	**289**	860
Government grants *(note)*	**479**	—
Interest income from a debtor	**1,067**	—
Interest income from an ex-substantial shareholder and its subsidiaries	**—**	3,651
Reversal of provision of other tax payables	**4,859**	—
Sundry income	**1,522**	422
Write-back of agency fee payable to an ex-substantial shareholder	**—**	8,180
	26,482	48,971

Note:

The government grants represented financial subsidies for compensating expenses already incurred or giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies in relation to the grants and the grants were determined at sole discretion of relevant government authorities in the PRC.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on discounting bills *(Note)*	**5,147**	—
Interest on bank borrowing	**1,455**	165
Interest on convertible bonds	**2,134**	—
Interest on other borrowings	**2,428**	1,841
	11,164	2,006

Note:

During the year, the Group issued bills of RMB80,000,000 (equivalents to approximately HK$96,080,000). The Group later cleared the aforesaid bills before maturity date with a bank in the PRC ("PRC Bank") and bank charges of approximately RMB4,449,000 (equivalents to approximately HK$5,147,000) was paid to the PRC Bank.

8. INCOME TAX (CREDIT)/ EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax — the PRC		
Provision for the year	**15**	—
(Over)/ under-provision in prior years	**(9,571)**	591
	(9,556)	591
Deferred tax	**6,987**	8,535
	(2,569)	9,126

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2016: 25%).

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**131**	134
Auditor's remuneration	**700**	800
Cost of inventories sold	**39,622**	26,033
Depreciation	**2,001**	4,368
Direct operating expenses of investment properties that generate rental income	**998**	801
Equity-settled share-based payments	**304**	35,570
Exchange loss, net	**55**	–
Operating lease charges — land and buildings	**3,285**	5,471
Write-off of property, plant and equipment	**755**	40
Employee benefits expenses (including directors' emoluments):		
Salaries, bonuses and allowances	**27,152**	29,803
Retirement benefits scheme contributions	**1,898**	2,129
Equity-settled share-based payments	**304**	4,298

10. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$176,395,000 (2016: HK$208,224,000) and the weighted average number of ordinary shares and preference shares of 1,377,516,000 (2016: 1,339,847,000 as adjusted to reflect the share consolidation on 11 August 2017) in issue during the year.

Diluted loss per share

There was no dilutive potential ordinary shares for the Company's share options for the years ended 31 December 2017 and 2016.

The exercise of the Group's convertible bonds for the years ended 31 December 2016 would be anti-dilutive.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**8,873**	17,590
Allowance for trade receivables	**—**	(9,045)
	8,873	8,545
Other receivables	**2,548**	46,336
Allowance for other receivables	**—**	(43,763)
	2,548	2,573
Compensation income receivable	**8,473**	8,473
Allowance for compensation income receivable	**(8,473)**	(5,084)
	—	3,389
Prepayments for goods	**72,598**	68,881
Allowance for prepayments for goods	**(68,884)**	(40,834)
	3,714	28,047
Other prepayments	**12,107**	7,652
Allowance for other prepayments	**(6,835)**	—
	5,272	7,652
Deposits	**905**	795
	21,312	51,001

For trading business, the Group generally grants a credit period of 30 days to customers. Rental income is paid in accordance with the terms of respective agreements. For provision of public procurement services and corporate IT solution services, the Group mainly requires customers to pay certain of the contract sum in advance and settle the remaining balances within 30 days from the date of acceptance. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**2,332**	2,514
91 to 180 days	**57**	—
Over 365 days	**6,484**	6,031
	8,873	8,545

13. PLEDGED BANK DEPOSITS

As at 31 December 2017, the Group's pledged bank deposits represented deposits pledged to a bank to secure the Group's banking facilities related to the acceptance of discounting bills issued by the Group (2016: bank loan).

14. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Ordinary shares, authorised:			
At 1 January 2016, 31 December 2016 and 1 January 2017 (HK$0.01 each)		20,000,000	200,000
Share consolidation	(a)	(18,000,000)	—
At 31 December 2017 (HK$0.1 each)		2,000,000	200,000
Ordinary shares, issued and fully paid:			
At 1 January 2016 (HK$0.01 each)		13,288,028	132,880
Issue of shares by subscription (HK$0.01 each)	(b)	50,000	500
Issue of shares by capitalisation of other borrowing (HK$0.01 each)	(c)	87,000	870
Issue of shares by conversion of preference shares (HK$0.01 each)	(d)	4,284	43
At 31 December 2016 and 1 January 2017 (HK$0.01 each)		13,429,312	134,293
Share consolidation	(a)	(12,086,381)	—
Issue of shares by subscription (HK$0.1 each)	(e)	268,586	26,859
At 31 December 2017 (HK$0.1 each)		1,611,517	161,152

Notes:

(a) On 10 August 2017, a special resolution was passed at a special general meeting to consolidate every 10 shares in the authorised and issued share capital of the Company of HK$0.01 each into one consolidated share of HK$0.1 each. The share consolidation had become effective on 11 August 2017 and the authorised and issued share capital of the Company was consolidated into 2,000,000,000 shares and 1,342,931,000 shares of HK$0.1 each respectively.

(b) On 11 January 2016, 50,000,000 ordinary shares of the Company of HK$0.01 each were issued at HK$0.22 per share. The premium on the issue of shares, amounting to HK$10,500,000, with no material direct issue costs, was credited to the Company's share premium account.

(c) On 4 May 2016, 87,000,000 ordinary shares of the Company of HK$0.01 each were issued for settlement of other borrowing and relevant interest of aggregately HK$24,360,000. The fair value of the shares at the date of issue amounted to approximately HK$12,267,000 and a gain of HK$12,093,000 was recognised in profit or loss.

(d) During the year ended 31 December 2016, 4,284,000 ordinary shares of the Company of HK$0.01 each were issued and allotted, credited as fully paid, upon conversion of 4,284,000 preference shares of the Company.

(e) On 14 November 2017, 268,586,000 ordinary shares of the Company of HK$0.1 each were issued at HK$0.237 per share. The premium on the issue of shares, amounting to approximately HK$36,448,000 net off direct issue costs of approximately HK$348,000, was credited to the Company's share premium account.

15. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**171**	1,178
Bills payables *(Note b)*	**96,080**	—
Accruals	**9,760**	7,292
Security deposits	**2,077**	589
Receipt in advance	**5,450**	1,295
Other payables	**10,184**	14,855
Payables for acquisition of property, plant and equipment	**—**	2,539
Payables for acquisition of intangible assets	**2,096**	1,948
	125,818	29,696

Notes:

(a) The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The ageing analysis of trade payables, based on the invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**—**	258
Over 365 days	**171**	920
	171	1,178

(b) During the year, the Group issued bills payables of approximately HK$96,080,000. Bills payables of approximately HK$48,040,000 would be matured on 13 September 2018 while the remaining bills payables would be matured on 15 September 2018.

16. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2017	2016
	HK$'000	*HK$'000*
Acquisition of intangible assets	**8,164**	7,007
Further capital injection to an associate	**20,657**	49,345
Proposed acquisition of a subsidiary	**—**	1,235,551
	28,821	1,291,903

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinion

(a) The predecessor auditor expressed a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2016, which form the basis for the corresponding figures presented in the current year's consolidated financial statements, because of the possible effects of the limitation on the scope of the audit in relation to the recoverability of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$15,000,000, HK$37,089,000, HK$40,200,000 and HK$70,686,000 respectively and accuracy of trade and other receivables and amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$33,442,000 and HK$70,686,000 respectively. Details of which are set out in the report of the predecessor auditor dated 31 March 2017.

The balances qualified by the predecessor auditor in relation to their recoverability include certain trade and other receivables of approximately HK$6,589,000 and loan receivables of HK$40,000,000. These balances were fully impaired during the year ended 31 December 2017 as they were long outstanding and the results of dunning and legal actions taken had been unfavourable. These factors were also present as at 31 December 2016. No further audit evidence was provided to us for the year ended 31 December 2017. Accordingly, we consider that the impairment losses should have been recognised during the year ended 31 December 2016. This constitutes a departure from Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement". Trade and other receivables and loan receivables were overstated by approximately HK$6,589,000 and $40,000,000 respectively as at 31 December 2016 and impairment losses were understated by approximately HK$46,589,000 for the year then ended.

(b) The remaining balances qualified by the predecessor auditor in relation to their recoverability, net of impairment provisions, included a deposit paid for potential acquisition of a subsidiary of HK$15,000,000, trade and other receivables of approximately HK$30,500,000, loan receivables of approximately HK$200,000 and amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$70,686,000. The Group made impairment provisions of approximately HK$45,525,000 on trade and other receivables and approximately HK$300,000 on loan receivables during the year ended 31 December 2016.

During the year ended 31 December 2017, having considered that these amounts were long overdue, the repayment ability of counter parties had deteriorated and the unfavourable results of dunning and legal actions taken, the Group made further impairment provisions on the above balances being HK$15,000,000 on a deposit paid for potential acquisition of a subsidiary, approximately HK$25,357,000 on trade and other receivables, approximately HK$200,000 on loan receivables and approximately HK$70,686,000 on amounts due from an ex-substantial shareholder and its subsidiaries. We were not provided with credit information to support the recoverability of the unprovided amounts as at 31 December 2016. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whatever or not the impairment losses recognised in the year ended 31 December 2017 should have been recorded in the prior year. Any adjustments found to be necessary to the opening balances as at 1 January 2017 would have a consequential effect on the Group's loss for the year ended 31 December 2017 and the impairment disclosures in the consolidated financial statements. In addition, the corresponding figures may not be comparable in these respects.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

The Group incurred a net loss and net operating cash outflows of approximately HK$179,544,000 and HK$27,263,000 respectively during the year ended 31 December 2017. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

In 2017, the Group continued to develop and operate electronic trading platforms and management systems for government procurement and electronic procurement platforms for universities and colleges in the domestic public procurement area. The functions of the platforms became more advanced, both the number of users who used the platform to carry out procurement and the number of suppliers increased significantly, technical and service standards were further enhanced, and service income continued to increase.

The volume of transactions on the electronic procurement platforms developed and constructed by the Group for provincial and municipal governments such as Hubei Province, Hainan Province, Qinghai Province, Inner Mongolia Autonomous Region, Tianjin and Shenzhen, continued to grow. Of which, the procurement platform for governments in Hainan Province and Hubei Province started to extend to their subordinate cities and counties. During the year, procurement management system of Tianjin Government and the electronic procurement platform for enterprises of IM Power Group was put into operation, and the procurement system for six universities and colleges such as Wuhan Textile University also commenced operation. The income from technical service fees from the platforms exceeded HK$8,500,000; the number of registered suppliers surpassed 20,000, and revenue was also received from value-added services such as digital certification authentication, electronic signature, and financing facilitating services. Qinghai subsidiary also recorded income in bidding agency services, diversifying the source of profits of the Company.

The investment properties of the Group, a commercial office building, are located in Donghu New Technological Development Area, Wuhan City, Hubei Province, the PRC. The rental income generated from the investment properties provided stable cash inflow to the Group and supported part of the Group's operation and development expenses. Accordingly, it was classified as one of the core business of the Group in this year.

II. Financial Review

Operational Performance

1. *Revenue*

   Revenue of the Group for the year was HK$64,837,000 (2016: HK$51,216,000), representing an increase of HK$13,621,000, or 26.6% as compared to last year.

The revenue included revenue from public procurement of HK$6,623,000, accounting for 10.2% of the total revenue; revenue from trading business of HK$39,766,000, accounting for 61.3% of the total revenue; revenue from provision of corporate IT solution of HK$8,547,000, accounting for 13.2% of the total revenue; and rental income of HK$9,901,000, accounting for 15.3% of the total revenue.

In this year, the management reclassified the rental income from other income to revenue. It was because the rental income provided stable cash inflow to the Group and financed part of the Group's operating and development expenses. Accordingly, it is also one of the core businesses of the Group.

2. *Cost of sales*

Cost of sales for the year was HK$47,608,000 (2016: HK$33,848,000), representing an increase of HK$13,760,000, or 40.7% as compared to last year. Cost of sales mainly comprised cost of goods purchased for trading business, technical staff cost, relevant fixed assets depreciation, the cost of authentication key and the water and electricity of properties rented. The increase was mainly due to the increase in revenue this year.

3. *Gross profit*

Gross profit for the year was HK$17,229,000 (2016: HK$17,368,000), representing a decrease of HK$139,000, or 0.8% as compared to last year. Gross profit margin for the year was 26.6%, representing a decrease of 7.3 percentage point as compared to the gross profit margin of 33.9% last year.

The decrease in gross profit and gross profit margin were mainly due to increase in trading business as compared to last year, and its gross profit margin was lower than the revenue of other segments of the Group, dragging down the overall gross profit margin.

Furthermore, the gross profits amount of rental was less than last year due to the longer vacancy time.

4. *Other income and gains*

Other income and gains for the year was HK$26,482,000 (2016: 48,971,000), representing a decrease of HK$22,489,000, or 45.9% as compared to last year. The other income and gains mainly comprised fair value gain on investment properties, reversal of provision of other tax payables, interest income and government grants. The decrease in other income and gains for the year was primarily because the fair value gain on investment properties was less than last year. Furthermore, there were no one-off gain on write-back of agency fee payable to an ex-substantial shareholder and gain on settlement of indebtedness during the year.

5. *Administrative expenses*

Administrative expenses for the year was HK$53,005,000 (2016: HK$108,676,000), representing a decrease of HK$55,671,000, or 51.2% as compared to last year. The administrative expenses mainly comprised staff cost and benefits, legal and professional fee, rental expenses, office expenses and share option expenses. During the year, the management continuously strived to control costs and expenses, including staff cost, rental expenses, legal fee and office expenses, and the results were significant. Furthermore, due to the lapse of share options, the amortization cost of share option also decreased substantially.

6. *Impairment loss and reversal of impairment loss of receivables*

The Group made further provision for impairment loss for those receivables not yet received during the year.

The details of the provision is as below:

	2017 ***HK$'000***	2016 *HK$'000*
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	**(72,495)**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary	**(15,000)**	—
Impairment loss of loan receivables	**(40,207)**	(60,300)
Impairment loss/ write off of trade and other receivables	**(38,961)**	(58,990)
	(166,663)	(119,290)
Reversal of impairment loss of trade and other receivables	**10,183**	292
	(156,480)	(118,998)

The above impairment was recognized due to the fact that such amounts have already been due for a prolonged period of time and the repayment ability of the companies related was in doubt. During the year, the provision of impairment was HK166,663,000 (2016: HK$119,290,000). 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 Group through legal proceedings.

During the year, the Group reached repayment agreements with certain debtors and the repayments of those debtors are as the schedules agreed. Therefore, the Group reversed the impairment loss of HK$10,183,000 in the year (2016: HK$292,000).

7. *Financial costs*

Financial costs for the year was HK$11,164,000 (2016: HK$2,006,000), representing an increase of HK$9,158,000, or 4.6 times as compared to last year.

The financial costs mainly comprised interests for discounting bills, bank borrowing, other borrowings and convertible bonds.

The increase in financial costs as compared to last year was mainly due to the interests increased for the convertible bonds issued in last December, the charges paid for the bills issued and the borrowing from bank by the Group during the year, which was partially for the repayment of the convertible bonds.

8. *Income tax*

Income tax credit of the Group for the year amounted to HK$2,569,000 (2016: income tax expense HK$9,126,000). This credit amount was due to the over-provision in prior years.

9. *Loss for the year*

Loss of the Group for the year amounted to HK$179,544,000 (2016: HK$210,801,000), representing a decrease of HK$31,257,000, or 14.8% as compared to last year. The loss for the year was mainly due to the impairment loss, totally HK$156,480,000 (net), for receivables. Excluding the items of impairment losses, loss on early redemption of convertible bonds, write off of an associate, financial costs, income tax and other income and gains, the loss was HK$35,776,000 (2016: HK$91,308,000), representing a decrease of HK$55,532,000, or 60.8% as compared to last year. The improvement in operating results was mainly due to the management endeavoured to control the administrative expenses during the year.

Financial Position

1. *Liquidity and capital resources*

As at the year ended date, the Group maintained bank and cash balances of HK$43,270,000, representing an increase of HK$5,410,000, or 14.3% as compared to HK$37,860,000 as at the year ended date of last year. During the year, the net cash used in operating activities amounted to HK$27,263,000; the net cash used in investing activities amounted to HK$113,679,000; and the net cash generated from financing activities amounted to HK$144,479,000, of which HK$63,307,000 were the proceeds from issue of new shares.

2. *Capital structure*

As at the year ended date, the total assets of the Group amounted to HK$494,368,000, the total equity amounted to HK$229,662,000, the total liabilities amounted to HK$264,706,000. The gearing ratio (total assets over total liabilities) was 1.87:1 (2016: 3.03:1). The current debt ratio (current assets over current liabilities) was 1.09:1 (2016: 2.14:1).

III. Other issues

1. Material investment, material acquisition and disposal of subsidiaries and future material investment or capital and assets acquisition plan

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 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 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 independent valuation report on the Target Company dated 30 November 2015. The reason for acquisition is that Pioneer Payment and Settlement Company Limited, China Public Procurement Settlement Technology Company Limited, 珠海恒信鋭捷信息技術服務有限公司 (Zhuhai Hengxin Ruijie Information Technology Service Company Limited*) and 北京易安通寶電子商務有限公司 (Beijing Yian Tongbao Electronic Commercial Company Limited*) (collectively, the "**Project Company Group**") are principally engaged in the operation of an electronic platform for clearing and settlement services. The business of the Project Company Group may create synergies with the Group's business and the acquisition will broaden the client base and income source of the Group.

The Purchaser, the Vendor and the Warrantor entered into five supplemental agreements to the Acquisition Agreement to amend certain terms and conditions thereto on 3 February 2016, 21 March 2016, 6 May 2016, 17 June 2016 and 29 December 2016, respectively.

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

Save as disclosed in this announcement, the Group did not have any material investment and material acquisition or disposal of subsidiaries during the year.

* *The English translation is for identification purpose only*

2. *Subscription of new shares*

On 5 June 2017, the Company and Ngongfull Science and Technology Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Subscriber agreed to subscribe for, and the Company 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 of the Company (the "**Share Consolidation**") becoming effective) (the "**Subscription Shares**") 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 Subscription Shares 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 (the "**Deed of Termination and Settlement**"). Pursuant to the Deed of Termination and Settlement, the Company and the Subscriber unconditionally and irrevocably terminated with full force and immediate effect the Subscription Agreement and all existing or potential rights, obligations and liabilities arising under the Subscription Agreement forthwith terminated and extinguished 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 the Share Consolidation in accordance with the terms of the Deed of Termination and Settlement.

On 3 October 2017, the Company and Mr. Zhao Liuqing (the "**New Subscriber**") entered into a subscription agreement (the "**New Subscription Agreement**"), pursuant to which the New Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, the subscription shares (being 268,586,000 new existing shares as at 3 October 2017) (the "**New Subscription Shares**") at the subscription price of HK$0.237. The New Subscription Shares represent (i) approximately 20% of the existing issued share capital of the Company as at 3 October 2017; and (ii) approximately 16.67% of the then issued share capital of the Company as enlarged by the allotment and issue of the New Subscription Shares. The New Subscription Shares were issued to the New Subscriber on 14 November 2017. Since then, the issued shares of the Company was increased from 1,342,931,254 shares to 1,611,517,254 shares.

The subscription has strengthened the financial position of the Group. The net proceeds (approximately HK$63,307,000) was used for general working capital of the Group and further development of its business.

3. Redemption of convertible bonds

On 16 December 2016, the Company and Great Reach Investments Limited (the "**Bond Subscriber**") entered into a subscription agreement (the "**Bond Subscription Agreement**") pursuant to which the Bond Subscriber agreed to subscribe for, and the Company agreed to issue 7% convertible bonds with maturity date of 29 December 2018, two years from the date of the issue of the convertible bonds with the principal amount of HK$30,000,000 for 393,442,662 conversion shares (before every 10 shares in the authorized and issued share capital of the Company into one consolidated share).

The Convertible Bond was early redeemed on 20 June 2017 pursuant to the Bond Subscription Agreement.

4. Pledge of assets

As at the year ended date, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK$96,080,000) from a bank in the PRC by pledging the Group's properties. As at 31 December 2017, facilities of RMB40,000,000 (equivalent to approximately HK$48,040,000) have been utilized by the Group.

5. Capital commitment and contingent liabilities

As at the year ended date, save as disclosed in this announcement, the Group did not have any capital commitment. Furthermore, the Group did not have any contingent liabilities.

6. Foreign exchange exposure

During the year, the Group mainly earned revenue in RMB and incurred costs mainly in HK$ and RMB. 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 an impact on the Group's results and financial positions.

7. Staff and remuneration

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion are based on individuals' merit and their development potential for the positions offered. As at 31 December 2017, the Group employed approximately 120 employees, and the total remuneration of employees (including the Directors) was approximately HK$29,354,000. The Company maintains a share option 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.

IV. Business prospects

Electronic procurement and e-commerce procurement by the Chinese government and public institutions are the future directions for development, and also the inevitable requirement for the Chinese government to continue to vigorously prevent corruption and increase the transparency of power. According to the "Proposal Relating to the Integration and Establishing of a Unified and Standardised Public Resources Trading Platform" issued by the State Council of the PRC, a public resources trading platform with government procurements, bidding and tendering process of construction projects and state-owned property right transaction as the core shall be established all over the PRC. Apart from the Chinese government, universities and colleges, public hospitals, state-owned enterprises and social organisations are also trying to use the electronic platforms in procurement of materials and services. After years of brand accumulation, products research and market development, the Company is well positioned in the market and has made a solid foundation for the rapid development of business in the future.

At present, by leveraging on the market strength of online public procurement, the Group will continue to enhance its technical research and development capacity for the platform and system and focus its resources on market exploration and brand promotion, striving for the fast expansion of market share by the Company. Our focus is to exploit the procurement market for governments, the market for universities and colleges as well as for state-owned enterprises in each prefecture-level city. Meanwhile, the Company will consolidate the three key products, including procurement for governments, universities and colleges and enterprises, to unify data standard, function module and service mode, in order to achieve the sharing of data and suppliers among the three systems, the scale economics effect and explore more value-added service items, so as to further enhance the leading position of the Company's online procurement platform across the PRC.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil).

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, which provides code provisions and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the applicable requirements of the code provisions of the CG Code. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate. The Company has complied throughout the year with the CG Code 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 of the Company 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 the future.

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 did not comprise a majority of independent non-executive Directors. The composition of the nomination committee of the Company comprises a majority of independent non-executive Directors since 2 June 2017 following the appointment of Mr. Jiang Jun as an independent non-executive Director.

CHANGE OF AUDITORS

SHINEWING (HK) CPA Limited ("**SHINEWING**"), resigned as the auditors of the Company with effect from 29 January 2018, as the Company cannot reach a mutual agreement with SHINEWING on the audit fee for the financial year ended 31 December 2017. Please refer to the announcement of the Company dated 29 January 2018 for details. RSM Hong Kong has been appointed as the new auditors of the Company to fill the casual vacancy with effect from the conclusion of the special general meeting of the Company held on 15 February 2018 and to hold office until the conclusion of the next annual general meeting of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry with all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference based on terms no less exacting than the required standard in the CG Code as set out in Appendix 14 to the Listing Rules. 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 audited consolidated annual results of the Group for the year ended 31 December 2017.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cpphk1094.com) on or before 30 April 2018.

By order of the Board
China Public Procurement Limited
Zheng Jinwei
Chairman

Hong Kong, 29 March 2018

As 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.