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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 2020

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 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	93,555	73,324
Cost of sales and services rendered		(74,940)	(51,536)
Gross profit		18,615	21,788
Other income and gains	5	10,338	12,992
Administrative expenses		(36,169)	(48,018)
Reversal of impairment loss/(impairment loss) for intangible assets		4,340	(835)
(Impairment loss)/reversal of impairment loss for trade and other receivables, net		(1,512)	185
Reversal of impairment loss for prepayments		6,156	—
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries		—	2,726
Reversal of impairment loss for loan receivables, net		427	2,174

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) from operations		2,195	(8,988)
Finance costs	6	<u>(2,023)</u>	<u>(2,121)</u>
Profit/(loss) before tax		172	(11,109)
Income tax credit/(expenses)	7	<u>49</u>	<u>(2,586)</u>
Profit/(loss) for the year	8	<u>221</u>	<u>(13,695)</u>
Profit/(loss) attributable to:			
Owners of the Company		1,643	(14,174)
Non-controlling interests		<u>(1,422)</u>	<u>479</u>
		<u>221</u>	<u>(13,695)</u>
Earnings/(loss) per share	10		
Basis and diluted (HK cents per share)		<u>0.74</u>	<u>(7.47)</u>

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

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) for the year	221	(13,695)
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity instruments at fair value through other comprehensive income (“FVTOCI”)	—	3,113
Gain on revaluation of land and buildings	—	6,544
Income tax relating to revaluation of land and buildings	—	(1,758)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	14,407	(6,294)
Other comprehensive income for the year, net of tax	14,407	1,605
Total comprehensive income/(expense) for the year	<u>14,628</u>	<u>(12,090)</u>
Other comprehensive income/(expense) attributable to:		
Owners of the Company	17,163	(12,747)
Non-controlling interests	<u>(2,535)</u>	<u>657</u>
	<u>14,628</u>	<u>(12,090)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,098	3,882
Investment properties		293,802	270,219
Right-of-use assets		12,798	14,433
Intangible assets		13,365	8,976
		<hr/>	<hr/>
Total non-current assets		324,063	297,510
		<hr/>	<hr/>
Current assets			
Inventories — raw materials		84	235
Trade and other receivables	<i>11</i>	11,692	9,797
Loan receivables		6,505	—
Financial assets at fair value through profit or loss ("FVTPL")		1,365	2,626
Bank and cash balances		16,293	22,131
		<hr/>	<hr/>
Total current assets		35,939	34,789
		<hr/>	<hr/>
TOTAL ASSETS		360,002	332,299
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY			
Share capital		24,429	20,939
Reserves		189,951	171,323
Equity attributable to owners of the Company		214,380	192,262
Non-controlling interests		(9,904)	(7,369)
Total equity		204,476	184,893
LIABILITIES			
Non-current liabilities			
Bank borrowings		26,105	—
Deferred income		4,139	4,176
Lease liabilities — non-current		1,554	3,709
Deferred tax liabilities		47,041	42,615
Total non-current liabilities		78,839	50,500
Current liabilities			
Bank borrowings		4,746	33,519
Lease liabilities — current		2,331	1,677
Trade and other payables	<i>12</i>	30,512	23,919
Contract liabilities		3,787	2,234
Amounts due to an ex-substantial shareholder and its subsidiaries		2,784	2,622
Current tax liabilities		32,527	32,935
Total current liabilities		76,687	96,906
TOTAL EQUITY AND LIABILITIES		360,002	332,299
Net current liabilities		(40,748)	(62,117)
Total assets less current liabilities		283,315	235,393

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	172	(11,109)
Adjustments for:		
Amortisation of deferred income	(281)	(284)
Amortisation of intangible assets	120	125
Depreciation of property, plant and equipment	669	931
Depreciation of right-of-use assets	2,346	943
Dividend income	—	(4)
Equity-settled share-based payments	—	1,574
Net fair value gains on investment properties	(6,469)	(9,030)
Finance costs	2,023	2,121
(Reversal of impairment loss)/impairment loss for intangible assets	(4,340)	835
Written-off of intangible assets	587	—
Interest income	(268)	(1,650)
Loss on disposal of property, plant and equipment	—	89
Impairment loss/(reversal of impairment loss) for trade and other receivables, net	1,512	(185)
Reversal of impairment loss for prepayment	(6,156)	—
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	—	(2,726)
Reversal of impairment loss for loan receivables, net	(427)	(2,174)
Operating loss before working capital changes	(10,512)	(20,544)
Decrease in inventories	157	72
Decrease in trade and other receivables	3,790	2,215
Decrease/(increase) in financial assets at FVTPL	1,350	(170)
Decrease in restricted bank balance	458	4,749
Increase/(decrease) in trade and other payables	5,298	(600)
Increase in contract liabilities	1,341	466
Cash generated from/(used in) operations	1,882	(13,812)
Income taxes paid	(8)	(66)
Interest received	—	874
Interest on lease liabilities	(263)	(105)
Net cash generated from/(used in) operating activities	1,611	(13,109)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	—	4
Interest received	37	58
Loans advanced	(5,736)	(10,222)
Proceeds from disposal of property, plant and equipment	—	10
Proceeds from disposal of equity instrument at FVTOCI	—	6,304
Purchases of property, plant and equipment	(391)	(1,652)
Payments for right-of-use assets	—	(593)
Repayment from an ex-substantial shareholder and its subsidiaries	—	2,726
Settlement of loans advanced	—	14,538
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(6,090)	11,173
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	—	(341)
Interest paid	(1,760)	(2,016)
Proceeds from issue of shares	4,955	11,760
Repayment of bank and other borrowings	(4,500)	(4,543)
Principal elements of lease payments	(1,685)	(291)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(2,990)	4,569
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(7,469)	2,633
Effect of foreign exchange rate changes	2,034	(2,097)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		
	20,837	20,301
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
	<u>15,402</u>	<u>20,837</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	16,293	22,131
Less: Restricted bank balances	(891)	(1,294)
	<hr/>	<hr/>
	<u>15,402</u>	<u>20,837</u>

NOTES:

1. GENERAL INFORMATION

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 501, 5/F., Tower Two, Lippo Centre, 89 Queensway, Admiralty, 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 goods, provision of corporate IT solution services and leasing of the Group's investment properties located in Wuhan, Hubei Province, the People's Republic of China (the "**PRC**").

2. GOING CONCERN BASIS

As at 31 December 2020, the Group had net current liabilities of approximately HK\$40,748,000. This condition indicates 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.

The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2020 after taking into consideration of the following:

- (a) the Group has been taking stringent cost controls;
- (b) the Group has obtained credit facilities of RMB80,000,000 (equivalents to approximately HK\$94,928,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, rental income and certain bank and cash balances. As at 31 December 2020, facilities of RMB26,000,000 (equivalent to approximately HK\$30,851,000) has been utilised by the Group. The Group will also negotiate with its banks for additional banking facilities when necessary; and
- (c) the Company will continue to adopt the equity financing approach to strengthen the financial position of the Group and to raise additional funds for the Group to replenish its working capital.

Accordingly, the Directors 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 to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16 *Covid-19-Related Rent Concessions*.

The application of *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of public procurement services	10,649	9,651
Trading of goods	55,446	37,703
Provision of corporate IT solution services	12,032	12,906
Rental income	15,428	13,064
	<u>93,555</u>	<u>73,324</u>

Disaggregation of revenue from contracts with customers by services and the timing of revenue recognition for the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time		
— Trading of goods	55,446	37,703
— Provision of public procurement services	10,649	9,651
— Sales of online procurement software	7,106	8,287
Recognised over time		
— Licensing online procurement platform income	991	1,434
— Provision of maintenance services	3,935	3,185
	78,127	60,260
Revenue from other sources		
— Rental income	15,428	13,064
	<u>93,555</u>	<u>73,324</u>

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Directors that make 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

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 administrative expenses, other income and gains, finance costs, reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries, impairment loss/(reversal of impairment loss) for certain trade and other receivables, reversal of impairment loss for certain prepayments and reversal of impairment loss for loan receivables.

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 2020					
Revenue from external customers	10,649	55,446	12,032	15,428	93,555
Segment profit	11,534	6,155	1,970	8,412	28,071
<i>Amounts included in the measure of segment profit or loss:</i>					
Reversal of impairment loss for intangible assets	(4,340)	—	—	—	(4,340)
Impairment loss for trade and other receivables	6	—	947	16	969
Reversal of impairment loss for prepayment	—	(6,085)	—	—	(6,085)
<i>Amounts not included in the measure of segment profit or loss but regularly reported to CODM:</i>					
Depreciation	<u>20</u>	<u>—</u>	<u>32</u>	<u>—</u>	<u>52</u>
	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 2019					
Revenue from external customers	9,651	37,703	12,906	13,064	73,324
Segment profit	7,498	39	6,795	6,564	20,896
<i>Amounts included in the measure of segment profit or loss:</i>					
Impairment loss for intangible assets	835	—	—	—	835
Impairment loss/(reversal of impairment loss) for trade and other receivables	2	—	56	(1)	57
<i>Amounts not included in the measure of segment profit or loss but regularly reported to CODM:</i>					
Depreciation	<u>38</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>69</u>

Reconciliations of reportable segment profit or loss:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total profit of reportable segments	28,071	20,896
Administrative expenses	(36,169)	(48,018)
Other income and gains	10,338	12,992
Finance costs	(2,023)	(2,121)
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	—	2,726
Unallocated (impairment loss)/reversal of impairment loss for trade and other receivables	(543)	242
Unallocated reversal of impairment loss for prepayments	71	—
Reversal of impairment loss for loan receivables, net	427	2,174
	<u>172</u>	<u>(11,109)</u>
Consolidated profit/(loss) before tax	<u>172</u>	<u>(11,109)</u>

5. OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	37	58
Dividend income	—	4
Net foreign exchange gain	—	25
Net fair value gains on investment properties	6,469	9,030
Gains on disposals of financial assets at FVTPL	130	33
Government grants — amortisation of deferred income	281	284
Government grants (<i>Note i</i>)	563	1,475
Interest income from an ex-substantial shareholder and its subsidiaries	—	599
Interest income from loan receivables	231	993
Sundry income (<i>Note ii</i>)	2,627	491
	<u>10,338</u>	<u>12,992</u>

Notes:

- (i) 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 the sole discretion of relevant government authorities.
- (ii) The sundry income included a consultancy fee of approximately RMB1,427,000 (equivalent to approximately HK\$1,606,000) paid in 2015 for a potential acquisition of the Group, which was received during the year ended 31 December 2020 after a successful legal action initiated by the Group against an independent third party (2019: Nil).

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowing	1,760	2,016
Interest on lease liabilities	<u>263</u>	<u>105</u>
	<u>2,023</u>	<u>2,121</u>

7. INCOME TAX (CREDIT)/EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax — Hong Kong		
Over-provision in prior years	(1,771)	—
Current tax — the PRC		
Provision for the year	<u>32</u>	<u>35</u>
	<u>(1,739)</u>	<u>35</u>
Deferred tax	<u>1,690</u>	<u>2,551</u>
	<u>(49)</u>	<u>2,586</u>

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% (2019: 25%).

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in Bermuda and BVI.

8. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	120	125
Auditor's remuneration		
— current year	890	900
— under-provision of prior year	180	—
Cost of inventories sold	55,376	37,660
Depreciation of property, plant and equipment	669	931
Depreciation of right-of-use assets	2,346	943
Direct operating expenses of investment properties that generate rental income	4,747	4,671
Written-off intangible assets	587	—
Net foreign exchange loss/(gain)	194	(25)
Loss on disposal of property, plant and equipment	—	89
Employee benefits expense (including directors):		
Salaries, bonuses and allowances	25,871	28,780
Retirement benefits scheme contributions	197	2,082
Equity-settled share-based payments	—	1,574
	<u> </u>	<u> </u>

9. DIVIDENDS

No dividend was paid or proposed for both years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share (2019: loss per share) attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$1,643,000 (2019: loss of approximately HK\$14,174,000), and the weighted average number of ordinary shares of 221,782,000 (2019: 189,691,000) for the year ended 31 December 2020.

Diluted earnings/(loss) per share

For the year ended 31 December 2020, the computation of diluted earnings per share did not assume the exercise of share options because their exercise price is higher than the average share price.

There was no dilutive potential ordinary share outstanding for the year ended 31 December 2019.

11. TRADE AND OTHER RECEIVABLES

For trading business, the Group generally grants a credit period of 30 days (2019: 30 days) to its 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 (2019: 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.

Included in trade and other receivables are trade receivables, net of allowance for impairment, of HK\$2,016,000 (2019: HK\$5,841,000) and an aged analysis based on the invoice date at the end of the reporting period, is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	1,951	5,735
91 to 180 days	17	23
181 to 365 days	36	32
Over 365 days	12	51
	<u>2,016</u>	<u>5,841</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$264,000 (2019: HK\$167,000) and an aged analysis based on the invoice date at the end of the reporting period, is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	95	8
Over 365 days	169	159
	<u>264</u>	<u>167</u>

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2020:

Material Uncertainty Related To Going Concern

We draw attention to note 2(b) to the consolidated financial statements which indicates that as at 31 December 2020, the Group had net current liabilities of approximately HK\$40,748,000. This condition, along with other matters as set forth in note 2(b), indicates the existence of a material uncertainty which 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

During the year ended 31 December 2020, the Group had four operating business segments, namely, public procurement, trading business, provision of corporate IT solution and rental income. The Group has always adhered to the development strategy of informatisation and successfully obtained international authoritative certifications, namely ISO9000 Quality Management System, ISO20000 Information Technology Service Management System and ISO27001 Information Security Management System, which provided a better operational foundation for the Group's business development.

Public procurement

In 2020, in the domestic public procurement sector, the Group continued to operate electronic trading platforms for government procurement, management systems for government procurement and electronic procurement platforms for universities and colleges. Due to our continuous efforts in improving the functions of the electronic procurement platforms and enhancing our technical and service standards, both the number of customers who used the platform and the number of suppliers increased significantly, and technical service and related income continued to increase.

In addition to the Group's existing provincial and municipal government clients in Hubei Province, Inner Mongolia Autonomous Region, Tianjin City and Qinghai Province are further expanded our client base through our newly launched government procurement platforms of Ningxia Hui Autonomous Region, Panjin City in Liaoning Province, Ulanqab City in Inner Mongolia Autonomous Region as well as enterprise procurement platforms for clients such as Inner Mongolia Power Group, state-owned enterprises in Weihai, Shandong Province, Jiangxi Provincial Expressway Group and Qinghai Normal University. These platforms were put into operation during the year and have been running smoothly.

Trading business

Our trading business is conducted on a “demand and supply” basis. The Group has been seeking trading opportunities from its potential customers and suppliers. During the year, the Group had conducted trading business which amounted to HK\$55,446,000 (2019: HK\$37,703,000), which had seen profit contribution to the Group this year.

Provision of corporate IT solution

The Group has been generating income from providing corporate IT solutions by the development of software and provision of maintenance services to customers. The Group has been expanding its coverage to certain second and third tier cities within the PRC and is in the progress of developing this business segment.

During the year, the Group participated in the preparation of the industry standards of “Procurement Operating Standards for State-owned Enterprises”, which was applied in the Sunshine Procurement Electronic Service Platform for state-owned enterprises in Weihai, Shandong Province.

Rental income

The Group also generates income from leasing of a commercial building it owned, located in Donghu New Technology Development Zone, Wuhan, Hubei Province, the PRC. The recurrent rental income generated stable cash inflow to the Group and funded part of the operation and development expenses of the Group.

II. Financial Review

Operational Performance

1. Revenue

Revenue of the Group for the year was HK\$93,555,000 (2019: HK\$73,324,000), representing an increase of HK\$20,231,000, or 27.6% as compared to last year.

The revenue included revenue from public procurement of HK\$10,649,000, accounting for 11.4% of the total revenue; revenue from trading business of HK\$55,446,000, accounting for 59.3% of the total revenue; revenue from provision of corporate IT solution of HK\$12,032,000, accounting for 12.8% of the total revenue; and rental income of HK\$15,428,000, accounting for 16.5% of the total revenue.

The increase in revenue for the year was mainly due to an increase in revenue in trading businesses, complemented by an increase in revenue in the provision of public procurement services, an increase in rental income and a slight decrease in revenue in the provision of corporate IT solution services.

The increase in revenue from trading of goods was mainly due to more matching of sales and purchases this year. The increase in revenue from provision of public procurement services was due to increased efforts devoted in the promotion of our public procurement platform and increased income derived from the sales of public key with a digital certificate issued by a certificate authority during the year. The slight decrease in revenue from provision of corporate IT solution services was mainly due to decrease in service orders of certain customers in one location during the year. Furthermore, the increase in occupancy ratio and increase in rental prices of renewal or new tenancy agreements of our commercial building in Wuhan, Hubei Province led to an increase in rental income this year.

2. *Cost of sales*

Cost of sales for the year was HK\$74,940,000 (2019: HK\$51,536,000), representing an increase of HK\$23,404,000, or 45.4% as compared to last year. Cost of sales mainly comprised cost of goods purchased for trading business, technical staff cost which could generate income in the year, the cost of authentication key and the water and electricity of properties rented. Such increase was mainly due to the increase in purchase costs incurred for the trading business this year, staff cost classified as direct cost due to our successful projects which could generate income in the year, and reallocation of certain technical staff costs from administrative expenses to direct costs in light of a more accurate project cost controls implemented in the year. As a result, the cost of provision of corporate IT solution increased and administrative expenses decreased during the year.

3. *Gross profit*

Gross profit for the year was HK\$18,615,000 (2019: HK\$21,788,000), representing a decrease of HK\$3,173,000, or 14.6% as compared to last year. Gross profit margin for the year was 19.9%, representing a decrease of 9.8 percentage points as compared to the gross profit margin of 29.7% last year.

The decrease in gross profit margin was mainly due to an increase in trading business which has a low gross profit margin. Further, cost of provision of IT solution increased as more direct costs were reallocated from administrative expenses due to more projects realised in the year and more accurate project cost controls were implemented in the year. Thus, the gross profit amount and gross profit margin decreased compared to last year.

4. *Other income and gains*

Other income and gains for the year was HK\$10,338,000 (2019: HK\$12,992,000), representing a decrease of HK\$2,654,000, or 20.4% as compared to last year. The other income and gains mainly comprised fair value gain on investment properties, government grants and interest income. The decrease in other income and gains for the year was primarily due to decrease in fair value gain on investment properties as compared to last year off-set by the amount received due to a successful legal action brought against an independent third party in the year for a refund of consultancy fee are paid in 2015.

5. *Administrative expenses*

Administrative expenses for the year was HK\$36,169,000 (2019: HK\$48,018,000), representing a decrease of HK\$11,849,000, or 24.7% as compared to last year. The administrative expenses mainly comprised staff cost and benefits, legal and professional fee, and general office expenses. The decrease in administrative expenses was mainly due to reallocation of some technical staff costs from administrative expenses to direct cost due to more IT solution projects were realised in the year and more accurate direct cost control were implemented in the year, decrease in travelling expenses and number of staffs and no equity settled share-based payment. Besides, in view of the influence of COVID-19 pandemic, the Chinese government has rolled out, since February this year, a contribution relief towards enterprises in relation to the pension insurance, unemployment insurance and occupational injury insurance programs. Domestic subsidiaries of the Group which are entitled to such contribution relief have had their administrative expenses further decreased.

6. *Reversal of impairment loss for intangible assets, net impairment loss for trade and other receivables, reversal of impairment loss for prepayment and reversal of impairment loss of loan receivables*

As at 31 December 2020, based on the valuation conducted by a professional valuer, the Group made a reversal of impairment loss for intangible assets, which amounted to HK\$4,340,000 arising from an increase in valuation of intangible assets of software technology knowhow. Based on an impairment assessment under expected credit loss model, the Group also made an impairment loss for trade and other receivables of HK\$1,512,000 and a reversal of impairment for loan receivables of HK\$427,000. Further, the reversal of impairment loss for prepayments for goods was HK\$6,156,000 for amounts received from the successful legal actions in the year.

7. *Finance costs*

Finance costs for the year was HK\$2,023,000 (2019: HK\$2,121,000), representing a decrease of HK\$98,000, or 4.6% as compared to last year due to the repayment of bank borrowings made according to repayment schedule.

8. *Income tax credit/expenses*

Income tax credit of the Group for the year amounted to HK\$49,000 (2019: income tax expenses HK\$2,586,000). The income tax credit mainly arise from the reversal of over-provision of Hong Kong Profits Tax in prior years offset by the deferred taxation on land appreciation of our properties located in Wuhan, Hubei Province, the PRC.

9. *Profit/loss for the year*

Profit for the year amounted to HK\$221,000 (2019: Loss for the year HK\$13,695,000). The profit for the year was mainly due to the reversal of provision for impairment loss of intangible assets and certain receivables, fair value gains on investment properties, decrease in administrative expenses and the amounts received as the results of certain successful legal actions.

Financial Position

1. *Liquidity and capital structure*

As at 31 December 2020, the Group maintained bank and cash balances of HK\$16,293,000 (2019: HK\$22,131,000), representing a decrease of HK\$5,838,000, or 26.4% as compared to last year. The Group's total assets amounted to HK\$360,002,000 (2019: HK\$332,299,000), total equity amounted to HK\$204,476,000 (2019: HK\$184,893,000), and total liabilities amounted to HK\$155,526,000 (2019: HK\$147,406,000). The assets-liabilities ratio (total assets over total liabilities) was 2.31:1 (2019: 2.25:1), the current ratio (current assets over current liabilities) was 0.47:1 (2019: 0.36:1) and the gearing ratio (total bank borrowings over total equity) was 0.15:1 (2019: 0.18:1).

III. Other issues

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

The Group did not have any material investment and material acquisition or disposal of subsidiaries during the year.

2. ***Pledge of assets***

As at 31 December 2020, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$94,928,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, rental income and certain bank and cash balances. As at 31 December 2020, facilities of RMB26,000,000 (equivalent to approximately HK\$30,851,000) have been utilised by the Group.

3. *Litigation and contingent liabilities*

In November 2019, the Beijing Dongcheng District People’s Court (“**Beijing Dongcheng District Court**”) published an announcement regarding a summons issued to Gongcai Network Technology Limited (公採網絡科技有限公司) (“**Gongcai Network**”), a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group in 2012. Guocai South China Metal Exchange Service Limited (the “**Plaintiff**”) claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK\$16,019,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately HK\$8,907,000) (collectively the “**Claimed Amounts**”). Due to the outbreak of COVID-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

On 12 January 2021, the Plaintiff filed an appeal (the “**Appeal**”) to No. 2 Intermediate People’s Court of Beijing Municipality on the Claimed Amounts. As at the date of this announcement, the date of the relevant hearing is not fixed. As advised by the Group’s PRC legal advisers, the Directors consider that the ground for the Appeal is invalid and no provision for the Claimed Amounts is necessary.

Other than the above, the Group did not have any contingent liabilities.

4. *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.

5. *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 2020, the Group employed approximately 120 employees, and the total remuneration of employees (including the Directors) was approximately HK\$26,068,000. 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.

6. *Issue of shares*

On 27 July 2020, the Company and a subscriber entered into a subscription agreement under the general mandate, pursuant to which the subscriber has agreed to subscribe for, and the Company agreed to allot and issue 34,897,000 shares (being approximately 16.67% of the existing issued share capital of the Company as at the date of the agreement, being approximately 14.29% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares) at the subscription price of HK\$0.142. The net proceeds from the subscription are approximately HK\$4.9 million. The proceeds have been used to replenish the general working capital of the Group to support its day-to-day operation. The subscription of new shares was completed on 24 August 2020.

IV. Business prospects

In response to national calls, local governments at all levels in China have optimised the business environment, adopted a series of methods to promote the reform of streamlining government and delegating authority, enhancement of regulation and optimisation of services, to improve the transparency of government office information, and also gradually intensified the electronic application of transparent procurement. With the help of the Internet Plus bidding and procurement method, the e-commerce procurement becomes a more prominent trend, and the demand for upgrading of the functions realised by the platform has increased. The COVID-19 pandemic had made it impossible to implement traditional on-site bidding. Therefore, institutions are pushed to use electronic procurement methods to optimise their inherent processes and methods, which is collectively reflected in the significant increase in the demand for the establishment of electronic procurement platforms by large local state-owned enterprises and universities. The increase in demand provides more room for the sustainable development of the Group's businesses.

In the past ten years of development, the Group has formed a relatively mature product system, including government procurement and trading platform, electronic procurement platform for colleges and universities, electronic procurement platform for state-owned enterprises, and financial services platform, to meet the customer needs of various industries.

The demand for electronic procurement is not limited to government procurement. Based on the first-mover advantage of electronic procurement for state-owned enterprises, the Group will continue to strengthen the capability of the technical research and development to increase the market share in the field of procurement platform for state-owned enterprises.

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 2020.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: 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 deviation.

According to code provision A.2.1 of the CG Code, 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 of the CG Code, 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 of the CG Code by identifying and appointing a suitable and qualified candidate to the position of the chief executive in the future.

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 2020.

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 Mr. Deng Xiang (chairman), Mr. Jiang Jun and Mr. Wang Shuai. All of them are independent non-executive Directors.

The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2020.

APPOINTMENT OF NEW EXTERNAL AUDITOR

On 16 December 2020, RSM Hong Kong resigned as auditor of the Company and Crowe (HK) CPA Limited (“**Crowe**”) was appointed as the new auditor of the Company to fill the casual vacancy. Save as disclosed, there were no other changes in the Company's external auditor in the past three years. The Group's consolidated financial statements for the year ended 31 December 2020 were audited by Crowe.

SCOPE OF WORK OF CROWE

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by Crowe, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Crowe in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Crowe on this announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2020 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 2021.

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

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive) and Ms. He Qian; two non-executive Directors, namely Mr. Zhang Jianguo and Mr. Xu Peng; and three independent non-executive Directors, namely Mr. Deng Xiang, Mr. Jiang Jun and Mr. Wang Shuai.