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## CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

### ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Public Procurement Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the twelve months ended 31 December 2021 (the “**Period**”) with comparative figures for the corresponding period in 2020. The condensed consolidated interim results had not been reviewed or audited by the Company’s auditor, but had been reviewed by the audit committee of the Company.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021 — UNAUDITED

	<i>Notes</i>	Twelve months ended	
		2021	2020
		<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Audited)
<b>Revenue</b>	6	<b>119,160</b>	93,555
Cost of sales and services rendered		<b>(94,690)</b>	(74,940)
<b>Gross profit</b>		<b>24,470</b>	18,615
Other income and other (losses)/gains	7	<b>(1,039)</b>	10,338
Administrative expenses		<b>(36,875)</b>	(36,169)
Reversal of impairment loss for intangible assets		—	4,340
Reversal of impairment loss/(impairment loss) for trade and other receivables, net		<b>97</b>	(1,512)
(Impairment loss)/reversal of impairment loss for prepayments		<b>(6,035)</b>	6,156

		<b>Twelve months ended</b>	
		<b>31 December</b>	
		<b>2021</b>	<b>2020</b>
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
(Impairment loss)/reversal of impairment loss for loan receivables, net		<u>(6,078)</u>	<u>427</u>
<b>(Loss)/profit from operations</b>		<b>(25,460)</b>	<b>2,195</b>
Finance costs	8	<u>(1,763)</u>	<u>(2,023)</u>
<b>(Loss)/profit before tax</b>		<b>(27,223)</b>	<b>172</b>
Income tax credit	9	<u>4,408</u>	<u>49</u>
<b>(Loss)/profit for the period</b>		<b><u>(22,815)</u></b>	<b><u>221</u></b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(21,860)</b>	<b>1,643</b>
Non-controlling interests		<u>(955)</u>	<u>(1,422)</u>
		<b><u>(22,815)</u></b>	<b><u>221</u></b>
<b>(Loss)/earnings per share</b>			
Basic and diluted (HK cents per share)	11	<b><u>(8.65)</u></b>	<b><u>0.74</u></b>

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

*FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021 — UNAUDITED*

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>(Loss)/profit for the period</b>	<u><b>(22,815)</b></u>	<u>221</u>
<b>Other comprehensive income/(expense):</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>5,389</b>	14,407
Reclassification of cumulative foreign currency translation reserve upon disposal/deregistration of subsidiaries	<u><b>(53)</b></u>	<u>—</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>5,336</b></u>	<u>14,407</u>
<b>Total comprehensive (expense)/income for the period</b>	<u><u><b>(17,479)</b></u></u>	<u><u>14,628</u></u>
<b>Comprehensive (expense)/income attributable to:</b>		
Owners of the Company	<b>(16,251)</b>	17,163
Non-controlling interests	<u><b>(1,228)</b></u>	<u>(2,535)</u>
	<u><u><b>(17,479)</b></u></u>	<u><u>14,628</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

		<b>31 December</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>3,285</b>	4,098
Investment properties		<b>297,705</b>	293,802
Right-of-use assets	14	<b>10,673</b>	12,798
Intangible assets		<b>13,678</b>	13,365
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>325,341</b>	324,063
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories — raw materials		<b>68</b>	84
Trade and other receivables	15	<b>8,238</b>	11,692
Contract assets		<b>833</b>	—
Loan receivables	16	<b>—</b>	6,505
Financial assets at fair value through profit or loss ("FVTPL")		<b>—</b>	1,365
Bank and cash balances		<b>19,853</b>	16,293
		<hr/>	<hr/>
<b>Total current assets</b>		<b>28,992</b>	35,939
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>354,333</b>	360,002
		<hr/> <hr/>	<hr/> <hr/>

		<b>31 December 2021</b>	31 December 2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>EQUITY</b>			
Share capital		<b>29,309</b>	24,429
Reserves		<b>186,437</b>	189,951
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>215,746</b>	214,380
Non-controlling interests		<b>(11,132)</b>	(9,904)
		<hr/>	<hr/>
<b>Total equity</b>		<b>204,614</b>	204,476
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowing	17	<b>22,020</b>	26,105
Deferred income		<b>3,777</b>	4,139
Lease liabilities		<b>—</b>	1,554
Deferred tax liabilities		<b>44,004</b>	47,041
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>69,801</b>	78,839
		<hr/>	<hr/>
<b>Current liabilities</b>			
Bank borrowing	17	<b>4,893</b>	4,746
Lease liabilities		<b>1,596</b>	2,331
Trade and other payables	18	<b>36,087</b>	33,296
Contract liabilities		<b>4,133</b>	3,787
Current tax liabilities		<b>33,209</b>	32,527
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>79,918</b>	76,687
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>354,333</b>	360,002
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current liabilities</b>		<b>(50,926)</b>	(40,748)
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>274,415</b>	283,315
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021**

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	<b>(27,223)</b>	172
Adjustments for:		
Depreciation of property, plant and equipment	<b>833</b>	669
Depreciation of right-of-use assets	<b>2,470</b>	2,346
Net fair value losses/(gain) on investment properties	<b>5,129</b>	(6,469)
(Net reversal of impairment loss)/impairment loss for trade and other receivables	<b>(97)</b>	1,512
Loss on disposal of property, plant and equipment	<b>99</b>	—
Impairment loss/(reversal of impairment loss) for prepayments	<b>6,035</b>	(6,156)
Impairment loss/(reversal of impairment loss) for loan receivables	<b>6,078</b>	(427)
Gains on deregistration of subsidiaries	<b>(53)</b>	—
Gains on disposal of subsidiaries	<b>(27)</b>	—
Other operating activities	<b>2,626</b>	9,964
	<hr/>	<hr/>
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(4,130)</b>	1,611
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans advanced	<b>—</b>	(5,736)
Loans repaid	<b>540</b>	—
Other investing activities	<b>15</b>	(354)
Net cash outflows from the disposal of a subsidiary	<b>(10)</b>	—
	<hr/>	<hr/>

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NET CASH GENERATED FROM/(USED IN)</b>		
<b>  INVESTING ACTIVITIES</b>	<b>545</b>	(6,090)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowing	(4,828)	(4,500)
Principal elements of lease payments	(2,360)	(1,685)
Interest paid	(1,615)	(1,760)
Proceeds from issue of shares	17,617	4,955
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM/(USED IN)</b>		
<b>  IN FINANCING ACTIVITIES</b>	<b>8,814</b>	(2,990)
	<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH</b>		
<b>  EQUIVALENTS</b>	<b>5,229</b>	(7,469)
Effect of foreign exchange rate changes	(907)	2,034
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>15,402</b>	20,837
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT</b>		
<b>  31 DECEMBER</b>	<b>19,724</b>	15,402
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	19,853	16,293
Less: Restricted bank balances	(129)	(891)
	<hr/>	<hr/>
	<b>19,724</b>	15,402
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2021

## 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 HM 11, Bermuda. The address of its principal place of business 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 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 PRC.

## 2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the resolution of the Board of the Company dated 30 November 2021, the financial year end date of the Company has been changed from 31 December to 31 March. Accordingly, the next published audited financial statements of the Group will cover the 15-month period from 1 January 2021 to 31 March 2022. Therefore, the financial period of these interim results covers the twelve months ended 31 December 2021 and comparable data covers the year ended 31 December 2020.

## 3. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**").

The Group incurred a net loss and net operating cash outflows of approximately HK\$22,815,000 and HK\$4,130,000, respectively, during the twelve months ended 31 December 2021, and as at that date, the Group had net current liabilities of approximately HK\$50,926,000. 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.



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 2021 after taking into consideration of the following:

- (a) The Group has been taking stringent cost controls;
- (b) The Group has obtained the credit facilities of RMB80,000,000 (equivalent to approximately HK\$97,869,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income. As at 31 December 2021, facilities of RMB22,000,000 (equivalent to approximately HK\$26,913,000) has been utilised by the Group. The Group will also negotiate with its banks for additional banking facilities when necessary; and
- (c) The Group has entered into a placing agreement for the issue of convertible bonds of up to HK\$75,000,000 for future funding and development needs through arrangement.
- (d) 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 condensed 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 carrying amounts of assets to their estimated recoverable amounts, to provide for future liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

#### **4. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL, which are measured at fair values.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements due to the amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which came into effect during the Period. Details of any changes in accounting policies and the amendments to the HKFRSs which came into effect during the Period are set out below.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

### **Application of amendments to Hong Kong Financial Reporting Standards**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 5. 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 that makes strategic and operating decisions.

The Group has four operating segments as follows:

Provision of procurement services	—	provision of procurement services to governmental authorities and private enterprises
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.

	Provision of procurement services <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Provision of corporate IT solution <i>HK\$'000</i>	Rental income <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Twelve months ended 31 December 2021</b>					
<b>(unaudited):</b>					
Revenue from external customers	12,472	73,218	12,870	20,600	119,160
Segment profit	<u>8,153</u>	<u>(5,803)</u>	<u>3,170</u>	<u>13,012</u>	<u>18,532</u>
<i>Amounts included in the measure of segment profit or loss:</i>					
Impairment loss/(reversal of impairment loss) for impairment loss for trade and other receivables	—	59	(151)	(5)	(97)
Impairment loss for prepayments	<u>—</u>	<u>6,035</u>	<u>—</u>	<u>—</u>	<u>6,035</u>
<b>As at 31 December 2021 (unaudited):</b>					
Segment assets	<u>13,508</u>	<u>2,948</u>	<u>1,418</u>	<u>299,239</u>	<u>317,113</u>
Segment liabilities	<u>2,537</u>	<u>2,588</u>	<u>5,459</u>	<u>5,777</u>	<u>16,361</u>
<b>Twelve months ended 31 December 2020</b>					
<b>(audited):</b>					
Revenue from external customers	10,649	55,446	12,032	15,428	93,555
Segment profit	<u>11,534</u>	<u>6,155</u>	<u>1,970</u>	<u>8,412</u>	<u>28,071</u>
<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	<u>—</u>	<u>(6,085)</u>	<u>—</u>	<u>—</u>	<u>(6,085)</u>
<b>As at 31 December 2020 (audited):</b>					
Segment assets	<u>13,159</u>	<u>5,933</u>	<u>1,778</u>	<u>294,499</u>	<u>315,369</u>
Segment liabilities	<u>2,806</u>	<u>—</u>	<u>4,084</u>	<u>7,733</u>	<u>14,623</u>

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Total profit of reportable segments	<b>18,532</b>	28,071
Administrative expenses	<b>(36,875)</b>	(36,169)
Other income and other (losses)/gains	<b>(1,039)</b>	10,338
Finance costs	<b>(1,763)</b>	(2,023)
Unallocated impairment loss for trade and other receivables	—	(543)
Unallocated reversal of impairment loss for prepayments	—	71
(Impairment loss)/reversal of impairment loss for loan receivables, net	<b>(6,078)</b>	427
	<u><b>(27,223)</b></u>	<u>172</u>
Consolidated (loss)/profit before tax	<u><b>(27,223)</b></u>	<u>172</u>

The Group's operation are located in the PRC. All the Group's revenue from external customers is derived from the PRC for both periods.

## 6. REVENUE

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

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Provision of procurement services	<b>12,472</b>	10,649
Trading of goods	<b>73,218</b>	55,446
Provision of corporate IT solution services	<b>12,870</b>	12,032
Rental income	<b>20,600</b>	15,428
	<u><b>119,160</b></u>	<u>93,555</u>

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

	<b>Twelve months ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Recognised at point in time		
— Trading of goods	<b>73,218</b>	55,446
— Provision of procurement services	<b>12,472</b>	10,649
— Sales of online procurement software	<b>7,035</b>	7,106
Recognised over time		
— Licensing online procurement platform income	<b>1,333</b>	991
— Provision of maintenance services	<b>4,502</b>	3,935
	<b>98,560</b>	78,127
<b>Revenue from other sources</b>		
— Rental income	<b>20,600</b>	15,428
	<b>119,160</b>	93,555

## 7. OTHER INCOME AND OTHER (LOSSES)/GAINS

	Twelve months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	22	37
Net foreign exchange gain	1,060	—
Net fair value (losses)/gains on investment properties	(5,129)	6,469
Gains on disposals of financial assets at FVTPL	18	130
Government grants — amortisation of deferred income	483	281
Government grants ( <i>Note</i> )	385	563
Interest income from loan receivables	174	231
Gains on deregistration of subsidiaries	53	—
Gains on disposal of a subsidiary	27	—
Sundry income	1,868	2,627
	<u>1,039</u>	<u>10,338</u>

*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 the sole discretion of relevant government authorities.

## 8. FINANCE COSTS

	Twelve months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Interest on bank borrowing	1,615	1,760
Interest on lease liabilities	148	263
	<u>1,763</u>	<u>2,023</u>

## 9. INCOME TAX CREDIT

	Twelve months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current tax — Hong Kong		
— Over-provision in prior years	—	(1,771)
Current tax — the PRC		
— Provision for the year	26	32
	<u>26</u>	<u>(1,739)</u>
Deferred tax	<u>(4,434)</u>	<u>1,690</u>
	<u>(4,408)</u>	<u>(49)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the twelve months ended 31 December 2021 (2020: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (2020: 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 for both periods.



## 10. (LOSS)/PROFIT FOR THE PERIOD

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

	Twelve months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Staff costs		
— Directors' emoluments	2,413	3,065
— Salaries, bonuses and allowances	25,746	22,806
— Retirement benefits scheme contributions	1,440	197
	<u>29,599</u>	<u>26,068</u>
Total staff costs	<u>29,599</u>	<u>26,068</u>
Amortisation of intangible assets (included in administrative expenses)	100	120
Depreciation of property, plant and equipment (included in administrative expenses)	833	669
Depreciation of right-of-use assets (included in administrative expenses)	2,470	2,346
	<u>2,470</u>	<u>2,346</u>

## 11. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of basic loss per share (2020: earnings per share) attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of approximately HK\$21,860,000 (unaudited) (2020: profit of HK\$1,643,000 (audited)) and the weighted average number of ordinary shares of approximately 252,840,000 (unaudited) (2020: 221,782,000 (audited)) for the twelve months ended 31 December 2021.

### Diluted (loss)/earnings per share

For the twelve months ended 31 December 2021, the computation of diluted loss per share (2020: earnings per share) did not assume the exercise of share options because their exercise price is higher than the average share price.

## **12. DIVIDEND**

The Directors do not recommend the payment of any dividend for the twelve months ended 31 December 2021 (2020: Nil).

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

During the twelve months ended 31 December 2021, the Group acquired property, plant and equipment of approximately HK\$22,000 (unaudited) (2020: HK\$391,000 (audited)). Certain property, plant and equipment with a carrying amount of approximately HK\$114,000 (unaudited) (2020: Nil (audited)) was disposed of during the twelve months ended 31 December 2021, resulting a loss on disposal of HK\$99,000 (unaudited) (2020: Nil (audited)).

## **14. RIGHT-OF-USE ASSETS**

During the twelve months ended 31 December 2021 and 2020, there was no new lease entered by the Group which is within the scope of HKFRS 16. As at 31 December 2021, the right-of-use assets' carrying amount was approximately HK\$10,673,000 (unaudited) (2020: HK\$12,798,000 (audited)).

## 15. TRADE AND OTHER RECEIVABLES

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade receivables	<b>5,846</b>	3,206
Provision for impairment loss	<b>(968)</b>	(1,190)
	<b>4,878</b>	2,016
Other receivables	<b>1,942</b>	1,319
Provision for impairment loss	<b>(859)</b>	(799)
	<b>1,083</b>	520
Compensation income receivable	<b>8,473</b>	8,473
Provision for impairment loss	<b>(8,473)</b>	(8,473)
	<b>—</b>	—
Prepayments for goods	<b>47,230</b>	63,821
Provision for impairment loss	<b>(47,230)</b>	(57,888)
	<b>—</b>	5,933
Other prepayments	<b>6,548</b>	9,321
Provision for impairment loss	<b>(5,000)</b>	(6,814)
	<b>1,548</b>	2,507
Deposits	<b>886</b>	886
Provision for impairment loss	<b>(157)</b>	(170)
	<b>729</b>	716
	<b>8,238</b>	11,692

During the twelve months ended 31 December 2021, impairment loss for prepayments of approximately HK\$6,035,000 (unaudited) (2020: reversal of impairment loss: HK\$6,156,000 (audited)) was recognised in the profit or loss. The main reason for the provision was that a supplier failed to deliver goods as scheduled after the receipt of payment and the requests of such refund were not successful. The Group considers the chance to recover such amount is low and full impairment was made on such prepayment, and the Group will consider to take all possible ways, including but not limited to, legal proceedings, to recover the amount.

Reconciliation of provision for impairment loss of trade and other receivables:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
At the beginning of the period	75,334	84,452
Net impairment/(reversal) for the period	5,938	(4,644)
Written off for the period	(20,136)	(8,000)
Exchange differences	1,551	3,526
	<u>62,687</u>	<u>75,334</u>
At the end of the period	<u><b>62,687</b></u>	<u><b>75,334</b></u>

At 31 December 2021, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK\$1,534,000 (unaudited) (2020: HK\$697,000 (audited)).

Rental income is paid in accordance with the terms of respective agreements. For provision of 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.

Included in trade and other receivables are trade receivables, net of provision for impairment loss, of approximately HK\$4,878,000 (unaudited) (2020: HK\$2,016,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0 to 90 days	4,808	1,951
91 to 180 days	33	17
181 to 365 days	32	36
Over 365 days	5	12
	<u>4,878</u>	<u>2,016</u>
	<u><b>4,878</b></u>	<u><b>2,016</b></u>

## 16. LOAN RECEIVABLES

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Loan receivables ( <i>Note</i> )	<b>125,689</b>	125,567
Provision for impairment loss	<b>(125,689)</b>	(119,062)
	<u>—</u>	<u>6,505</u>

Reconciliation of provision for impairment loss of loan receivables:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
At the beginning of the period	<b>119,062</b>	118,377
Net impairment/(reversal) for the period	<b>6,078</b>	(427)
Exchange differences	<b>549</b>	1,112
At the end of the period	<u><b>125,689</b></u>	<u>119,062</u>

*Note:*

As at 31 December 2021, loan receivables included a loan of HK\$100,000,000 (unaudited) (2020: HK\$100,000,000 (audited)) of which accumulated provision for impairment loss of HK\$100,000,000 (unaudited) (2020: HK\$100,000,000 (audited)) was made. The loan was unsecured, interest-free and repayable in June 2015 and correlated to a cooperation arrangement with an independent third party. Pursuant to the cooperation arrangement, the independent third party had undertaken to engage the Group for procurement services for a transaction volume of not less than RMB950 million during the year ended 31 December 2014 at an agreed service charge of 1.5%. Further details of such were set out in the Company's announcement dated 5 June 2014.

At 31 December 2021, loan receivables also included loans of approximately HK\$25,689,000 (unaudited) (2020: HK\$25,567,000 (audited)) in aggregate, with provision for impairment loss of approximately HK\$25,689,000 (unaudited) (2020: HK\$19,062,000 (audited)) in aggregate. These loans were unsecured, interest bearing at a range of 0.3% to 0.6% (unaudited) (2020: 0.3% to 0.6% (audited)) per month and repayable on respective due dates. In view of the uncertainty in recoverability, the Group recognised impairment losses on the overdue loan receivables of approximately HK\$6,078,000 (unaudited) (2020: Nil (audited)) and related interest receivables of approximately of HK\$76,000 (unaudited) (2020: Nil (audited)) to reflect the expected credit losses during the twelve months ended 31 December 2021. The Group will consider to take all possible ways including but not limited to legal proceedings, to recover the respective loans.

## 17. BANK BORROWING

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Bank borrowing	<b><u>26,913</u></b>	<b><u>30,851</u></b>

The bank borrowing is repayable as follows:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within one year	<b>4,893</b>	4,746
More than one year, but not exceeding two years	<b>4,893</b>	4,746
More than two year, but not exceeding five years	<b>14,680</b>	14,239
More than five years	<b><u>2,447</u></b>	<u>7,120</u>
	<b>26,913</b>	30,851
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b><u>(4,893)</u></b>	<u>(4,746)</u>
Amount due for settlement after 12 months	<b><u>22,020</u></b>	<b><u>26,105</u></b>

The carrying amount of the Group's bank borrowing is denominated in RMB.

The effective interest rate of bank borrowing was as follows:

	<b>31 December 2021 (Unaudited)</b>	31 December 2020 (Audited)
Bank borrowing	<b><u>5.6%</u></b>	<b><u>5.39%</u></b>

Bank borrowing at 31 December 2021 and 2020 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income.

## 18. TRADE AND OTHER PAYABLES

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade payables	5,516	264
Accruals	8,521	9,139
Security deposits	2,105	2,609
Receipt in advance	1,093	2,691
Other payables	13,914	13,792
Payables for acquisition of intangible assets	2,080	2,017
Amounts due to an ex-substantial shareholder and its subsidiaries ( <i>Note</i> )	2,858	2,784
	<u>36,087</u>	<u>33,296</u>

*Note:* The amounts are unsecured, interest-free and repayable on demand.

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

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
0 to 90 days	4,363	95
Over 365 days	1,153	169
	<u>5,516</u>	<u>264</u>

The carrying amounts of the Group's trade payables are denominated in RMB.

## 19. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged or charged the following assets to secure the credit facilities granted by a bank:

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Property, plant and equipment — building	2,134	2,236
Right-of-use assets	9,280	9,241
Investment properties	302,904	293,802
Trade receivables — rental receivables	1,534	697
Bank and cash balances — restricted bank balances	129	891
	<u>315,891</u>	<u>306,867</u>

## 20. CAPITAL COMMITMENTS

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

	<b>31 December 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Acquisition of intangible assets	<u>8,262</u>	<u>8,014</u>

In addition, as at 31 December 2021, there is a capital commitment in further capital injection to an associate, namely Guocai South China Metal Exchange Service Limited, of approximately HK\$21,042,000 (unaudited) (2020: approximately HK\$20,410,000 (audited)).

## 21. EVENTS AFTER THE REPORTING PERIOD

On 3 December 2021, the Company entered into a convertible bond placing agreement (the “**CB Placing Agreement**”) with a placing agent (the “**Placing Agent**”), pursuant to which the Company proposed to offer for subscription, and the Placing Agent had agreed to procure subscriptions for, the convertible bonds of the Company in the principal amount of up to HK\$75,000,000 at an initial conversion price of HK\$1.5 per share on a best effort basis and subject to the terms and conditions set out in the CB Placing Agreement.

On 15 February 2022, a special general meeting was held by the Company, at which a specific mandate was granted to the Directors in relation to the allotment and issue of conversion shares upon conversion of the convertible bonds.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (I) BUSINESS REVIEW

The principal businesses of China Public Procurement Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are provision of procurement services, trading business, provision of corporate IT solution and rental income. Although the impact brought by the COVID-19 outbreak has caused economic activities in People’s Republic of China (the “**PRC**”) and the world to slow down and the global economy is still in the stage of gradual recovery during the Period, we are pleased to see that the accumulated total operating revenue of the Group during the Period achieved a positive growth of approximately 27.4%, and different business segments of the Company also achieved different degrees of growth, which was a recognition to the Group’s continued effort to develop and expand its businesses.

The governments’ policies and requirements with regards to governmental public procurements are often subject to changes and adjustments, which presents constant challenges to the Group. One of the latest examples is that certain local governments may develop their own procurement platforms to serve their procurement needs. With new challenges brought by the changes of policies as well as the market, the management of the Group is of the view that the Group must put efforts in technical innovation and market expansion and diversification, and we have achieved new progress in these aspects during the Period. In aspect of technical innovation, we have successfully developed and incorporated the more advanced functions such as cloud signature and electronic letter of guarantee on our existing procurement platform. We have also combined the needs of our governmental customers in the procurement business with the requirements under the Government Procurement Law of the PRC to formulate a set of internal regulations on the collection of transaction files (交易檔案歸集管理規範), and developed a cloud platform for transaction files collection, which has been promoted and used nationwide. These advances have further enriched the functions of our existing products and highlighted our market competitiveness of being able to continuously provide better, safer and more transparent solutions for governmental procurement. In aspect of market expansion and diversification, leveraging on our experience and technical advantage in governmental procurement, we have successfully developed software technique fit for private enterprises, further allowing the Group to directly provide software services to private enterprises with bidding and procurement needs, which is a big step forward in expanding the customer base from its traditional governmental clientele in the past. In addition, to enhance our competitiveness in private enterprise market, the Group plans to introduce the procurement services together with financial facilitation to private customers in the trading industry. For further details of the aforementioned business approach, please refer to the paragraph headed “Reasons for the CB Placing and Use of Proceeds” of the circular of the Company dated 13 January 2022.

Due to the impact caused by the COVID-19 pandemic and the escalating political and economic frictions between the PRC and the United States, the PRC's domestic economic environment still remains unfavorable for business. Recent financial distress events in various industries of the PRC have evidenced that the PRC's private enterprises, no matter large or small in size, are facing unprecedented financial and operational pressures. The Group therefore has implemented control measures to safeguard itself from the aforementioned potential risks and keeps alert of the repayment abilities of its certain customers as such risk may still exist or even get intensified in forthcoming year due to the resurgence of the COVID-19 pandemic, which may inevitably affect the Group's financial performance.

### **Provision of procurement services**

During the Period, while deepening the development of government procurement and trading system, procurement management system, trading system for state-owned enterprises and e-procurement platforms for universities and colleges, the Group has successfully expanded its technical capabilities to meet the needs of clients from the private business sector regarding procurement and tendering processes. One of the markets that the Group plans to tap into is the new energy market. In September 2020, President Xi Jinping publicly announced that the PRC has committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. Accordingly, the central government has implemented various initiatives and policies and has provided incentives to promote the use of new energy in enterprises nationwide. For example, on 26 October 2021, the State Council issued the Action Plan for Carbon Dioxide Peaking before 2030 (《二零三零年前碳達峰行動方案》), which is to vigorously develop new energy. The governments at all levels now comprehensively promote the large-scale and high-quality development of wind power and solar power; develop both centralised and distributed power generation, and accelerate the construction of wind power and photovoltaic power generation stations. On 20 June 2021, the National Energy Administration issued the Notice on Submitting the County (City, District) Roof Distributed Photovoltaic Development Pilot Scheme (《關於報送整縣(市、區)屋頂分佈式光伏開發試點方案的通知》) to promote the pilot county (city, district) distributed photovoltaic power projects throughout the country. Given the increasing popularity of the engineering, procurement and constructions (EPC) model within the new energy industry and the promotion of carbon neutrality in PRC, the Group believes that this would provide tremendous business opportunities for its future procurement business. To this end, the Company is actively deploying and striving to develop this new market.

## **Trading business**

Faced with the ongoing impact of the pandemic, the Group has made continuous efforts to expand the market and develop new customers to offset the adverse impact caused by external factors. The Group is pleased to see that the trading business has grown by over 30% compared with the same period last year. Moreover, the Group's new business of promoting bidding software technical services to customers in the trade sector is expected to bring in new trade customers and generate additional income.

## **Provision of corporate IT solution**

The Group traditionally provides software development services to meet the maintenance and technical improvement requirements of the government and its affiliated or related institutions. In 2021, the Group decided to expand its service offerings to private enterprise clients in the trading sector.

Different from the governmental clientele who must conform to unified and fixed regulatory procedures and standards for public procurement matters, the private sector clients' needs and requests vary widely, which means that the Group's software package (the "IT Solutions") must be restructured to accommodate the various needs of varied private business users. After many efforts and attempts, we are pleased to see that the technology team of the Group finally achieved a technological breakthrough and successfully launched a package of IT Solutions that can meet the bidding and procurement needs of private enterprises. The software provided to private users will enable the users to create and send bidding news via major public procurement websites and to receive tender proposals from interested bidders that satisfy the criteria set by the users. Then, the users may review and assess the tender proposals with reference to their skills, certifications, prices, etc., and, if needed, recommendations provided by practitioners in the relevant industries, which are available for viewing through the IT Solutions. Having selected the ideal bidders, the users could then enter into contracts with the selected bidders through the IT Solutions, which have built-in security settings and features, such as the electronic signature, to ensure the safety and reliability throughout the completion process.

The Group believes that the application of the Company's IT Solutions to private clients in the trading industry is favorable for the business prospect of the Group, especially in terms of the expansion of private client base, which is one of the primary drivers for future business growth.

## **Rental income**

The government's extremely stringent control measures against the COVID-19 pandemic has had an impact on the tenants of the Group's own commercial building located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC. Although the rental income for the Period has increased significantly compared with that of 2020, the Company is cautious and concerned about the prospect of rental market because the pandemic may continue in 2022.

## **(II) FINANCIAL REVIEW**

### **Operational Performance**

#### **1. Revenue**

Revenue for the Period was HK\$119,160,000, representing an increase of HK\$25,605,000 or 27.3% as compared to HK\$93,555,000 for the same period of last year.

The revenue included revenue from provision of procurement services of HK\$12,472,000, accounting for 10.5% of the total revenue; revenue from trading business of HK\$73,218,000, accounting for 61.4% of the total revenue; revenue from provision of corporate IT solution of HK\$12,870,000, accounting for 10.8% of the total revenue; and rental income of HK\$20,600,000, accounting for 17.3% of the total revenue.

During the Period, the major segments in which the Group recorded an increase in revenue were trading business, provision of procurement services and the rental income segments. Apart from the factor of RMB appreciation, the increase of revenue in trading business was mainly attributed to more matching of sales during this year, representing an increase of 32.1% from HK\$55,446,000 for the same period of last year to HK\$73,218,000 this year, and the revenue in provision of procurement services increased 17.1% from HK\$10,649,000 of last year to HK\$12,472,000 during the Period, which was mainly attributable to the increase of the sale of the authentication key. In addition, the rental and management fee income of our commercial building in Wuhan, Hubei Province, the PRC, also increased by 33.5% from HK\$15,428,000 last year to HK\$20,600,000 this year, which was primarily attributed to a lower vacancy rate during the Period.

**2. *Cost of sales and services rendered***

Cost of sales and services rendered for the Period was HK\$94,690,000, representing an increase of HK\$19,750,000 or 26.4% as compared to HK\$74,940,000 for the same period of last year. Cost of sales and services rendered mainly comprised technical staff cost, cost of authentication key, water, electricity and utility cost incurred by leased properties, direct surtax and costs of appointment of a property management company. The cost increase was mainly due to the increase in sales revenue.

**3. *Gross profit***

Gross profit for the Period was HK\$24,470,000, representing an increase of HK\$5,855,000 or 31.4% as compared to HK\$18,615,000 for the same period of last year. Gross profit margin for the Period was 20.5%, representing an increase of 0.6 percentage point as compared to the gross profit margin of 19.9% for the same period of last year.

**4. *Other income and other (losses)/gains***

Other income and other (losses)/gains for the Period amounted to losses of HK\$1,039,000, as compared to gains of HK\$10,338,000 for the same period of last year. Such change was mainly due to fair value change of investment properties.

**5. *Administrative expenses***

The administrative expenses for the Period was HK\$36,875,000, representing an increase of HK\$706,000 or 2% as compared to HK\$36,169,000 for the same period of last year. The administrative expenses mainly comprised staff cost and benefits, office expenses, rental expenses and professional fees. The slight increase mainly resulted from increase in staff costs as extra redundancy pay was incurred in the Period.

**6. *Reversal of impairment loss for trade and other receivables***

We made a reversal for the provision of the expected credit loss amounting to HK\$97,000 due to trade and other receivables recovered during the Period.

**7. *Impairment loss for prepayments and impairment loss for loan receivables***

During the Period, the impairment loss for prepayments was HK\$6,035,000. The main reason for the provision was that a supplier failed to deliver goods as scheduled after the receipt of payment and the requests of such refund were not successful.

During the Period, the impairment loss for loan receivables was HK\$6,078,000. The main reason considered for the impairment was that such companies failed to repay as scheduled and the repayment ability of such companies was in doubt.

The above provisions for such impairment do not mean that the Group has waived its recovery right, and the management will consider to take all possible ways, including but not limited to, legal proceedings, to recover the amounts.

**8. *Finance costs***

Finance costs for the Period was HK\$1,763,000, representing a decrease of HK\$260,000 or 12.9% as compared to HK\$2,023,000 for the same period of last year. The finance costs decreased mainly due to the repayment of bank borrowing in accordance with the repayment schedule during the Period and the decrease in the interest on relevant lease liabilities.

**9. *Income tax credit***

Income tax credit for the Period amounted to HK\$4,408,000, representing an increase of HK\$4,359,000 as compared to HK\$49,000 for the same period of last year. The tax credit mainly arose from the entitlement of additional tax allowance of land appreciation tax on our commercial building located in Wuhan City, Hubei Province, the PRC.

**10. *(Loss)/profit for the Period***

Loss for the Period was HK\$22,815,000 as compared to the profit of HK\$221,000 for the same period of last year. Such turnaround from profit to loss was mainly due to (i) impairment losses for prepayments and loan receivables for the Period as compared to a reversal of impairment losses made in these accounts for the same period in last year; (ii) fair value change on investment properties over the Period; and (iii) absence of reversal of impairment loss for intangible assets for the Period as compared to such reversal being made for the same period in last year.



## **Financial Position**

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

As at 31 December 2021, the Group maintained bank and cash balances of HK\$19,853,000, representing an increase of HK\$3,560,000 or 21.8% as compared to HK\$16,293,000 as at 31 December 2020. During the Period, the net cash used in operating activities amounted to HK\$4,130,000; the cash flows generated from investing activities amounted to HK\$545,000; the net cash generated from financing activities amounted to HK\$8,814,000.

### **2. *Capital structure***

As at 31 December 2021, the total assets of the Group amounted to HK\$354,333,000, the total equity amounted to HK\$204,614,000, the total liabilities amounted to HK\$149,719,000. The assets-liabilities ratio (total assets over total liabilities) was 2.37:1 (31 December 2020: 2.31:1), the current ratio (current assets over current liabilities) was 0.36:1 (31 December 2020: 0.47:1) and the gearing ratio (total bank borrowing over total equity) was 0.13:1 (31 December 2020: 0.15:1).

## **(III) OTHER ISSUES**

### **1. **Material investment and material acquisition and disposal of subsidiaries****

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

### **2. **Pledge of assets****

As at 31 December 2021, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$97,869,000) from a bank in the PRC by pledging the Group's properties. Bank borrowing as at 31 December 2021 and 31 December 2020 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income. As at 31 December 2021, the remaining balance to be repaid by the Group amounted to RMB22,000,000 (equivalent to approximately HK\$26,913,000).

### 3. **Litigation and contingent liabilities**

In November 2019, Beijing Dongcheng District People’s Court (北京市東城區人民法院) (“**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 recognized as other income by the Group during 2012. Guocai South China Metal Exchange Service Limited (國採華南金屬市場服務有限公司) (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 (equivalent to approximately of HK\$16,516,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (equivalent to approximately of HK\$9,183,000) (collectively the “**Claimed Amounts**”). 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 (“**No. 2 Intermediate Court**”) on the Claimed Amounts. Based on the judgement made by No. 2 Intermediate Court on 30 June 2021, the claims from the Plaintiff was rejected again, and the judgement was finalised.

On 22 October 2021, the Plaintiff filed a retrial application with the Beijing Higher People’s Court for the final judgment. On 11 February 2022, the Beijing Higher People’s Court made the final judgement and rejected the claim from the Plaintiff.

Therefore, the Group did not have any contingent liabilities at the end of the Period.

### 4. **Foreign exchange exposure**

For the Period, the Group mainly earned revenue in Renminbi (“**RMB**”) and incurred costs in Hong Kong Dollars (“**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 impact on the Group’s results and financial positions.



## **5. Staff and remuneration policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 31 December 2021, the Group employed approximately 108 employees, and the total remuneration of employees (including the directors of the Company (the “**Directors**”)), was approximately HK\$29,599,000. 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 new shares**

On 8 September 2021, the Company and a subscriber, Eastmount Global Limited, entered into a subscription agreement, pursuant to which the subscriber has agreed to subscribe for, and the Company has agreed to allot and issue 48,800,000 ordinary shares under the general mandate (being approximately 19.98% of the existing issued share capital of the Company as at the date of the agreement, being approximately 16.65% 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\$0.361 per share. The aggregate nominal value of the subscription shares is HK\$4,880,000. The closing price on 8 September 2021 was HK\$0.450 and the net price of each subscription share is approximately HK\$0.360. The net proceeds from the subscription are approximately HK\$17.6 million. The proceeds are being used to replenish the general working capital of the Group to support its day-to-day operations. The subscription of new shares was completed on 29 October 2021.

For details, please refer to the announcements of the Company dated 8 September 2021 and 29 October 2021.

## **7. Issue of convertible bonds and material events after the Period**

On 3 December 2021, the Company entered into a convertible bond placing agreement (the “**CB Placing Agreement**”) with a placing agent (the “**Placing Agent**”), pursuant to which the Company proposed to offer for subscription, and the Placing Agent had agreed to procure subscriptions for, the convertible bonds of the Company in the principal amount of up to HK\$75,000,000 at an initial conversion price of HK\$1.5 per share on a best effort basis and subject to the terms and conditions set out in the CB Placing Agreement.

For details, please refer to the announcement of the Company dated 3 December 2021.

On 15 February 2022, a special general meeting was held by the Company, at which a specific mandate was granted to the Directors in relation to the allotment and issue of conversion shares upon conversion of the convertible bonds.

As at the date of this announcement, the placing of the convertible bonds has not yet completed and no convertible bond has been issued.

#### **8. Purchase, sale or redemption of the Company's listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

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

Due to the ever-changing government procurement policies, the ongoing of the COVID-19 pandemic and the deteriorating relationship between the PRC and the U.S., the Group is cautiously optimistic about its future development. On one hand, the changing government procurement policies have led to an uncertain and competitive market for the Group, which brings us more challenges to achieve revenue growth for the software service business. In addition, the travel restrictions and the reshaping of the international supply chain have inevitably exerted an impact on domestic enterprises, which may affect not only the leasing customers of our buildings, but also our trading customers. On the other hand, the government is also taking measures to mitigate and offset the impact of external factors. Besides, the Group is making constant progress in its technical innovation and development, which allows the Group to maintain its advantage and business growth through continuing optimisation of products and expansion to new markets.

The management of the Group is of the view that the business opportunities in the new energy industry brought about by the carbon neutrality and carbon emission peak policy announced by the central government is one of the few economic highlights in 2021. In response to the central government, local governments have increased their support for new energy including photovoltaic power and wind power and encouraged the development of new energy projects. In addition, the engineering, procurement and construction (EPC) model has become more popular among the new energy projects. As new energy construction projects generally require long-term and stable relationships with the local governments, the Company believes that through its years of experience in the government procurement sector, it can provide energy companies and local governments with assistance by offering efficient, transparent and fair one-stop solutions for procurement services for new energy projects in the local areas. In

addition, the Group is also considering other ways to commence in-depth cooperation with large energy companies, such as investing in joint ventures with large energy companies to participate in new energy projects, as well as providing operational support and/or maintenance services to photovoltaic power facilities which are owned and managed by those large energy companies, thereby providing new growth momentum for the Group's sustainable development.

Looking forward, the Company intends to further grow its procurement and trading businesses by expanding its team to tap into clients in the private sector, exploring new opportunities in new energy segment and continuing to invest and deploy more capital into Group for its future development.

## **CORPORATE GOVERNANCE**

### **1. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the Period, the Company complied with the then applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

### **2. AUDIT COMMITTEE**

As at the date of this announcement, the Audit Committee comprises three members, namely, Mr. Zhong Dengyu (Chairman), Mr. Wang Shuai and Mr. Jiang Jun, all of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited second interim results of the Group for the twelve months ended 31 December 2021, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

### **3. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the twelve months ended 31 December 2021.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the twelve months ended 31 December 2021 (2020: Nil).

By order of the Board  
**CHINA PUBLIC PROCUREMENT LIMITED**  
**Wu Siyuan**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 February 2022

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zheng Jinwei (Chairman), Ms. He Qian and Ms. Wu Siyuan (Chief Executive); three non-executive Directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua; and three independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Mr. Wang Shuai.*