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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	NOTES	**2016** ***HK$'000***	2015 *HK$'000* (Restated)
Continuing operations			
Revenue	*3*	**40,127**	2,516,060
Cost of sales		**(33,047)**	(2,506,197)
Gross profit		**7,080**	9,863
Other income and gains	*4*	**59,492**	22,499
Impairment loss recognised in respect of goodwill		**–**	(935,361)
Impairment loss recognised in respect of intangible assets		**(35,651)**	(58,478)
Impairment loss recognised in respect of property, plant and equipment		**(2,683)**	(2,313)
Impairment/write-off of trade, other and loan receivables		**(118,998)**	(2,384)
Administrative expenses		**(109,477)**	(109,668)
Finance costs	*5*	**(2,006)**	(1,992)

	NOTES	2016 HK$'000	2015 HK$'000 (Restated)
Loss before tax		**(202,243)**	(1,077,834)
Income tax (expenses) credit	6	**(12,940)**	2,349
Loss for the year from continuing operation	7	**(215,183)**	(1,075,485)
Discontinued operations			
Loss for the year from discontinued operation		**–**	(5,976)
Loss for the year		**(215,183)**	(1,081,461)
Loss for the year attributable to owners of the Company			
– From continuing operations		**(212,606)**	(1,067,926)
– From discontinued operation		**–**	(5,976)
		(212,606)	(1,073,902)
Loss for the year attributable to non-controlling interests			
– From continuing operations		**(2,577)**	(7,559)
– From discontinued operations		**–**	–
		(2,577)	(7,559)
Loss for the year		**(215,183)**	(1,081,461)
Loss per share			
From continuing and discontinued operations			
– Basic and diluted	9	**(HK1.59) cents**	(HK8.39) cents
From continuing operations			
– Basic and diluted		**(HK1.59) cents**	(HK8.34) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(215,183)**	(1,081,461)
Other comprehensive expenses		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(24,546)**	(75,577)
Items that may not be reclassified subsequently to profit or loss:		
Changes in fair value of properties transferred to investment properties	**–**	5,478
Income tax relating to changes in fair value	**–**	(1,986)
	–	3,492
Total comprehensive expenses for the year	**(239,729)**	(1,153,546)
Total comprehensive expenses attributable to:		
Owners of the Company	**(237,152)**	(1,145,305)
Non-controlling interests	**(2,577)**	(8,241)
	(239,729)	(1,153,546)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**5,322**	13,101
Prepaid lease payments		**4,319**	4,727
Investment properties		**243,264**	236,288
Goodwill		**–**	–
Intangible assets		**10,178**	49,155
Interest in an associate		**1,307**	1,307
Deposit paid for potential acquisition of a subsidiary		**15,000**	–
Deferred tax assets		**811**	866
		280,201	305,444
Current assets			
Trade and other receivables	*10*	**51,001**	159,637
Loan receivables		**40,233**	100,534
Prepaid lease payments		**95**	95
Amount due from a director		**–**	1,000
Amounts due from a shareholder and its subsidiaries		**70,686**	66,942
Financial assets through profit or loss		**2,233**	–
Pledged bank deposit		**11,142**	11,917
Bank balances and cash		**37,860**	51,529
		213,250	391,654
Current liabilities			
Trade and other payables	*11*	**29,696**	41,008
Amounts due to a shareholder and its subsidiaries		**2,620**	9,606
Tax payable		**40,726**	42,921
Bank and other borrowings		**26,423**	35,792
		99,465	129,327
Net current assets		**113,785**	262,327
Total assets less current liabilities		**393,986**	567,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Deferred income		**16,282**	17,713
Convertible bonds		**24,861**	–
Deferred tax liabilities		**41,716**	32,064
		82,859	49,777
		311,127	517,994
Capital and reserves			
Share capital	*12*	**134,293**	132,880
Convertible preference shares	*13*	**–**	43
Reserves		**178,427**	384,245
Equity attributable to owners of the Company		**312,720**	517,168
Non-controlling interests		**(1,593)**	826
		311,127	517,994

1. GENERAL AND BASIS OF PREPARATION

China Public Procurement Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

During the year ended 31 December 2016, the Group incurred a net loss of approximately HK$215,183,000 and net operating cash outflows of approximately HK$46,428,000 during the year ended 31 December 2016. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

(a) The Group has been taking stringent cost controls; and
(b) The Group is able to obtain the additional financing by pledging the Group's non-current assets whenever necessary.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRS that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 5	Annual Improvements to HKFRS, 2014 – 2016 Cycle[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS	Annual improvements to HKFRS 2014 – 2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2017.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

[4] Effective date not yet been determined.

[5] Amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017, and amendments to HKFRS 1 and Amendments to HKAS 28 are effective for annual periods beginning on or after 1 January 2018.

The Directors anticipate that, except as described below, the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the impacts on the consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company are in the process of assessing the impacts on the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements.

Amendment to HKAS 7 Disclosure Initiative

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

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. REVENUE AND SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the executive directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and performance assessment are as follows:

(1) Public procurement segment engages in the provision of public procurement services;

(2) Trading business segment engages in trading of different products; and

(3) Provision of corporate IT solution segment engages in the development of software and provision of maintenance services to the customers;

During the current year, the Group decided to cease its business on EMC which engages in the provision of energy management services.

The chief operating decision maker assesses the performance of the operating segments based on types of goods delivered or services provided.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

For the year ended 31 December 2016

	Public procurement *HK$'000*	Trading business *HK$'000*	Provision of corporate IT solution *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
SEGMENT REVENUE					
External sales	6,358	26,081	7,688	–	40,127
Inter-segment sales	–	–	6,126	(6,126)	–
	6,358	26,081	13,814	(6,126)	40,127
Contribution to segment profit	2,731	48	4,301		7,080
Impairment loss on intangible assets	(35,651)	–	–		(35,651)
Impairment loss on property, plant and equipment	(2,683)	–	–		(2,683)
Impairment (write-off) of trade and other receivables	–	(35,684)	(4,027)		(39,711)
Segment (loss) profit	(35,603)	(35,636)	274		(70,965)
Unallocated income and gains					59,492
Unallocated expenses					(109,477)
Impairment of other and loan receivables					(79,287)
Finance costs					(2,006)
Consolidated loss before tax (continuing operation)					(202,243)

For the year ended 31 December 2015

	Public procurement *HK$'000*	Trading business *HK$'000*	Provision of corporate IT solution *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
SEGMENT REVENUE					
External sales	9,700	2,493,334	13,026	–	2,516,060
Inter-segment sales	752	–	981	(1,733)	–
	10,452	2,493,334	14,007	(1,733)	2,516,060
Contribution to segment profit	5,075	2,747	2,041		9,863
Amortisation of deferred income	6,984	–	–		6,984
Impairment loss on goodwill	(935,361)	–	–		(935,361)
Impairment loss on intangible assets	(48,191)	–	(10,287)		(58,478)
Impairment loss on property, plant and equipment	(2,313)	–	–		(2,313)
Impairment of trade receivable	–	–	(1,201)		(1,201)
Segment (loss) profit	(973,806)	2,747	(9,447)		(980,506)
Unallocated income and gains					15,515
Unallocated expenses					(109,668)
Impairment of other receivable					(1,183)
Finance costs					(1,992)
Consolidated loss before tax (continuing operations)					(1,077,834)

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

	2016	2015
	HK$'000	*HK$'000*
Rendering of services	**14,046**	22,726
Sales of goods	**26,081**	2,493,334
	40,127	2,516,060

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable and operating segments:

Segment assets

	Continuing operations At 31 December	
	2016	2015
	HK$'000	*HK$'000*
Segment assets		
Public procurement	**9,903**	56,511
Trading business	**33,699**	92,090
Provision of corporate IT solution	**3,383**	5,742
Total segment assets	**46,985**	154,343
Unallocated corporate assets	**446,466**	542,755
Consolidated assets	**493,451**	697,098

	Continuing operations	
	At 31 December	
	2016	2015
	HK$'000	*HK$'000*
Segment liabilities		
Public procurement	**3,470**	12,164
Trading business	**761**	1,856
Provision of corporate IT solution	**565**	578
Total segment liabilities	**4,796**	14,598
Unallocated corporate liabilities	**170,009**	164,506
Consolidated liabilities	**174,805**	179,104

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in an associate, loan receivables, certain property, plant and equipment, investment properties, prepaid lease payments, certain intangible assets, deferred tax asset, certain other receivables, amounts due from a director and a substantial shareholder and its subsidiaries, financial assets at fair value through profit or loss, pledged bank deposit and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than certain other payables, tax payable, amounts due to a substantial shareholder and its subsidiaries, bank and other borrowings, convertible bonds and deferred tax liabilities as these liabilities are managed on a group basis.

(c) Geographical information

The Group operates principally in the PRC (the county of domicile).

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

	Revenue from external customers		Carrying amounts of non-current assets *(Note)*	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**40,127**	2,516,060	**269,221**	304,410
Hong Kong	**–**	–	**104**	168
	40,127	2,516,060	**269,325**	304,578

Note: Non-current assets excluded deposit paid for potential acquisition of a subsidiary and deferred tax assets.

(d) Information about major customers

Revenue from customers of the Group contributing over 10% of the total sales of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
– Customer A*	**–**	429,648

* From the Group's trading business segment.

4. OTHER INCOME AND GAINS

Continuing operations	**2016** **HK$'000**	2015 HK$'000
Government grants		
– amortisation of deferred income	**292**	7,295
Rental income	**11,089**	8,962
Exchange gain	**278**	1,631
Bank interest income	**93**	179
Interest income from a shareholder and its subsidiaries	**3,651**	–
Gain on settlement of other indebtedness	**12,093**	2,095
Investment income	**–**	924
Gain on change in fair value of investment properties	**23,394**	–
Gain on disposal of property, plant and equipment	**–**	380
Write-back of agency fee payable to a shareholder	**8,180**	–
Sundry income	**422**	1,033
	59,492	22,499

5. FINANCE COSTS

Continuing operations	**2016** **HK$'000**	2015 HK$'000
Interest on:		
– bank loans	**165**	–
– other borrowing	**1,841**	1,992
	2,006	1,992

6. INCOME TAX (CREDIT) EXPENSES

Continuing operations	**2016** ***HK$'000***	2015 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT") – current year provision	**1,094**	1,362
Under provision in prior year	**48**	–
	1,142	1,362
Deferred taxation	**11,798**	(3,711)
	12,940	(2,349)

7. LOSS FOR THE YEAR

Continuing operations

Loss for the year has arrived at after charging (crediting):

	2016 ***HK$'000***	2015 *HK$'000*
Staff costs		
– Directors' emoluments	**10,454**	16,930
– Other staff costs	**21,603**	39,918
– Retirement scheme contributions	**3,398**	5,415
– Equity-settled share-based payment expenses	**775**	1,822
Total staff costs	**36,230**	64,085
Auditor's remunerations	**800**	2,300
Amortisation of prepaid lease payments	**100**	100
Rental income from investment properties	**(12,673)**	(8,962)
Written off of property, plant and equipment	**40**	–
Cost of inventories recognised as expense	**26,033**	2,490,587
Depreciation of property, plant and equipment	**4,368**	4,669
Amortisation of intangible assets	**134**	4,999
Minimum lease payments under operating leases	**7,459**	13,431
Equity settled share-based payment expenses (excluding directors and employers)	**31,882**	–

8. DIVIDENDS

No dividend was paid or proposed during both years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share for the year attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(212,606)**	(1,073,902)

Number of shares

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares and preference shares for the purpose of basic and diluted loss per share	**13,398,471**	12,797,715

As the exercise prices of the outstanding share options are higher than the average market price for shares, the computation of diluted loss per share for the year ended 31 December 2016 and 2015 does not assume the exercise of the Company's outstanding share options.

As the exercise of the Group's outstanding convertible bonds will result in a reduction of loss per share, the computation of diluted loss per share to the year ended 31 December 2016 (2015: N/A) does not assume the conversion of the Group's outstanding convertible bonds.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**17,590**	21,172
Impairment for trade receivables	**(9,045)**	–
	8,545	21,172
Other receivables	**46,336**	130,975
Impairment for other receivables	**(43,763)**	(128,153)
	2,573	2,822
Compensation income receivable	**8,473**	8,473
Impairment for compensation income receivable	**(5,084)**	–
	3,389	8,473
Prepayments for goods	**68,881**	75,402
Impairment for prepayments for goods	**(40,834)**	–
	28,047	75,402
Other prepayments	**7,652**	48,695
Deposits	**795**	3,073
	51,001	159,637

The Group does not hold any collateral over its trade and other receivables.

The Group normally grants to its customers credit periods ranging from 30 days to 90 days which are subject to periodic review by management. The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**2,514**	3,310
181 days to 365 days	**–**	16,124
Over 365 days	**6,031**	1,738
	8,545	21,172

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**1,178**	1,576
Accruals	**7,292**	10,404
Security deposits	**589**	9,662
Receipt in advance	**1,295**	683
Other payables	**14,855**	12,270
Payables for acquisition of property, plant and equipment	**2,539**	4,060
Payables for acquisition of intangible assets	**1,948**	2,353
	29,696	41,008

The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**258**	592
91 days to 180 days	**–**	814
Over 365 days	**920**	170
	1,178	1,576

12. SHARE CAPITAL

	Number of shares	**Nominal value of ordinary shares**
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	20,000,000	200,000
Issued and fully paid:		
At 1 January 2015	12,083,731	120,837
Increase on conversion of preference shares *(note a)*	54,620	546
Issued by capitalisation of other payable *(note b)*	149,677	1,497
Issue of shares *(note c)*	1,000,000	10,000
At 31 December 2015 and 1 January 2016	13,288,028	132,880
Increase on conversion of preference shares *(note a)*	4,284	43
Issued by capitalisation of other borrowing *(note d)*	87,000	870
Issue of shares *(note e)*	50,000	500
At 31 December 2016	13,429,312	134,293

Notes:

a. During the year ended 31 December 2016, 4,284,725 (2015: 54,620,000) ordinary shares of HK$0.01 each was issued and allotted, credited as fully paid, upon conversion of 4,284,725 (2015: 54,620,000) preference shares.

b. On 3 August 2015, 149,677,419 ordinary shares of the Company of HK$0.01 each were issued for the settlement of other payables of HK$23,200,000. The aggregate fair values of the shares issued amounted to approximately HK$21,105,000 and a gain of HK$2,095,000 (note 9) was recognised.

c. On 29 May 2015, the Company issued 1,000,000,000 ordinary shares of HK$0.01 each for HK$0.1705 per share, raising total proceeds of HK$170,500,000, before direct issue costs of HK$9,000,000.

d. On 4 May 2016, 87,000,000 ordinary shares of the Company of HK$0.01 each were issued for the settlement of other borrowing of HK$24,360,000. The aggregate fair values of the shares issued amounted to approximately HK$12,267,000 and a gain of HK$12,093,000 was recognised. The settlement is considered as a non cash transaction for the purpose of the statement of cash flow.

e. On 11 January 2016, the Company issued 50,000,000 ordinary shares of HK$0.01 each for HK$0.22 per share, raising total proceeds of HK$11,000,000, with no material direct issue costs.

   These shares rank pari passu with the existing shares in all respects.

13. CONVERTIBLE PREFERENCE SHARES

Convertible preference shares at HK$0.01 each, issued and fully paid:

	Number of shares *'000*	**Nominal value of preference shares** *HK$'000*
At 1 January 2015	58,904	589
Conversion into ordinary shares	(54,620)	(546)
At 31 December 2015	4,284	43
Conversion into ordinary shares	(4,284)	(43)
At 31 December 2016	–	–

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Basis for qualified opinion

Limitation of scope on deposit paid for potential acquisition of subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries

As set out in our report dated 31 March 2016 on the Group's consolidated financial statements for the year ended 31 December 2015, we were not provided with sufficient appropriate audit evidence we considered necessary to assess whether the carrying amounts of trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$159,637,000, HK$100,534,000 and HK$66,942,000 as at 31 December 2015 could be recovered in full. Accordingly, we qualified our opinion on the Group's consolidated financial statements for the year ended 31 December 2015 in respect of the above scope limitation.

Therefore, the opening balances and comparative figures shown may not be comparable and any adjustments found to be necessary of the prior year's qualification would have an effect on the opening balances of the Group as at 1 January 2016 and a consequential effect on the consolidated loss of the year ended 31 December 2016.

As at 31 December 2016, the Group had deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$15,000,000, HK$51,001,000, HK$40,233,000 and HK$70,686,000 respectively. We were not provided with sufficient appropriate audit evidence to assess whether the carrying amounts of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of approximately HK$15,000,000, HK$37,089,000, HK$40,200,000 and HK$70,686,000 could be recovered in full or whether the provisions for impairment loss recognised of approximately nil, HK$54,963,000, HK$60,300,000 and nil are adequate. In addition, we were unable to obtain direct confirmations to verify the accuracy of the balances of trade and other receivables and amounts due from a shareholder and its subsidiaries of approximately HK$33,442,000 and HK$70,686,000 as at 31 December 2016 included in the aforesaid balances.

There were no practical alternative audit procedures that we could perform to satisfy ourselves that the carrying amount of the Group's deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries and the relevant provision for impairment losses were fairly stated as at 31 December 2016. Any adjustment found to be necessary to the carrying amount of the above balances as at 31 December 2016 would affect the Group's net assets as at 31 December 2016 and the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements.

Material uncertainty relating to going concern

We draw attention to note 1 to the consolidated financial statements, which indicates the Group incurred a net loss of approximately HK$215,183,000 and net operating cash outflows of approximately HK$49,826,000 during the year ended 31 December 2016. In addition, as stated in the basis for qualified opinion paragraph, the timing and recoverability of the Group's deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries are uncertain. These indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Business Review

For the year ended 31 December 2016, the Group recorded a turnover of HK$40.1 million as compared to a turnover of HK$2,516.1 million for the year ended 31 December 2015. Loss attributable to equity holders was HK$212.6 million (2015: HK$1,073.9 million). The basic and diluted loss per share for 2016 were both 1.59 HK cents (2015: 8.34 HK cents).

Our Procurement Business Segment recorded revenue of HK$6.4 million for the year ended 31 December 2016 as compared to HK$9.7 million for the year ended 31 December 2015. While the Group continued to develop and serve electronic public resource trading procurement platforms, our revenue earned from providing value added services to users of the trading platforms decreased 34% for the year. This is mainly attributable to increased challenges in sourcing new contracts and customers caused by the gradual liberalisation of the public procurement market in the PRC.

Our Corporate IT Solution business recorded revenue of HK$7.7 million for the year ended 31 December 2016 as compared to HK$13.0 million for the year ended 31 December 2015. The lower revenue in 2016 was affected by corporate restructuring in the first half of 2016.

Our trading revenue decreased to HK$26.0 million for the year ended 31 December 2016 from HK$2,493 million for the year ended 31 December 2015. This significant decrease is caused by the drop in the Group's trading business, which has been impacted by liquidity and the tightening of credit in the PRC.

No revenue was generated from the Energy Management Services Segment (EMC) in 2016 and 2015. The Group has decided to discontinue this segment and resources relocated to other segments.

The Group recorded a gross profit of HK$7.1 million for the year ended 31 December 2016 (2015: HK$9.9 million), which represented a decrease of approximately 28.2%. The decrease was mainly attributed to lower revenue for the year.

The Group recorded a loss of approximately HK$215.2 million for the year ended 31 December 2016 as compared to a loss of approximately HK$1,081.5 million last year.

The loss for this year included the following provision for impairment of assets:

As at 31 December 2016 the Group had trade receivable and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries of HK$51,001,000 and HK$40,233,000 and HK$70,686,000 respectively. Certain of these amounts were past due. The Group has commenced legal action to pursue collection. A provision for impairment of HK$54,963,000 for trade receivable and other receivables, and HK$60,300,000 for loan receivables had been made for the year ended 31 December 2016.

In addition, the Group has also made a provision for impairment for intangible assets and property, plant and equipment in the amount of HK$38.3 million (2015: HK$60.8 million).

Despite the above impairment provision, the loss for the year was less than that of the previous year. This is mainly attributable to the impairment loss recognized in respect of goodwill made for the year ended 31 December 2015 which amounted to HK$935.4 million. No such provision was made in the current year as all goodwill has since been fully impaired.

Administrative expenses for the Group amounted to HK$109.5 million (2015: 109.7 million) which included non cash stock option expense of approximately HK$36.0 million (2015: HK$8.0 million).

Finance costs for the year amounted to approximately HK$2.0 million which was in line with that of the previous year.

Final Dividend

Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Business Review

In the year under review, the Group continue to build the procurement platform and push further the digitalisation and standardisation of the procurement services for colleges and universities across the PRC. It has entered into agreements with 46 colleges and universities in 9 provinces, including Hubei, Hunan, Jiangxi, Heilongjiang and Shaanxi. In particular, the procurement platforms were extended to serve the municipalities and counties of Hainan Province and Inner Mongolia Autonomous Region. Regional and centralised connectivity in 10 districts in Shenzhen, Guangdong Province as well as 8 counties in Jining, Shandong Province were also achieved. We now have 50,000 suppliers registered on the user platform ("公採通") using our services for sourcing pertinent procurement and marketing information, requesting for collection and refund of security deposits, and purchasing certified authenticated certificates.

Outlook

The Group has entered into an agreement to acquire a business engaged in the provision of cross-border payment and settlement services. The business and financial due diligence are currently in progress. The agreement is pending regulatory and Shareholders approval.

Liquidity and Financial Resources

As at 31 December 2016, the Group had unpledged cash and cash equivalents of HK$37.9 million, mainly denominated in RMB, and HK dollar (as at 31 December 2015: HK$51.5 million). As at 31 December 2016, the Group's working capital and current ratio were net current assets of approximately HK$113.8 million (2015: HK$262.3 million) and 2.1X (2015: 3.03X) respectively.

Gearing Ratios

As at 31 December 2016, the Group's gearing ratios, calculated as total interest-bearing bank and other borrowings divided by total shareholders' equity is 16.4% (2015: 6.9%).

Pledge of Assets

As at 31 December 2016, the Group had pledged bank deposit of HK$11.1 million (2015: HK$11.9 million) to secure a credit facility of a similar amount.

As at 31 December 2016, certain buildings, prepaid lease payments and investment properties with aggregate carrying amounts of HK$80.2 million were pledged to secure a loan of HK$14.5 million granted by an independent third party.

Contingent Liabilities and Capital Commitments

On 21 December 2015, the Group entered into an acquisition agreement to acquire Pioneer Spot Limited for a total consideration of HK$1,250.6 million. The consideration shall be satisfied by cash payment of HK$30 million and issuance of a combination of the Company's shares at HK$0.242 per share and convertible bonds. HK$15 million of the cash consideration had been paid during the year ended 31 December 2016. The balance of the cash consideration should be paid within 10 business days after the date of the despatch of the circular. The business and financial due diligence are currently in progress. The acquisition agreement is pending regulatory and shareholder's approval.

Foreign Exchange Exposure

For the year ended 31 December 2016, the Group mainly earns revenue in RMB and incurred costs in HK$, RMB and US$. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK$, may have possible impact on the Group's results and financial positions.

Staff and Remuneration Policy

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. For the year ended 31 December 2016, the Group employed 143 (2015: 160) employees and the total remuneration of the employees (including directors) was approximately HK$36.2 million (2015: HK$64.1 million). The Company maintains a share option scheme (the "Share Option Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group.

Funding Activities

In January 2016, the Company received net proceeds of HK$10,900,000 pursuant to a placement agreement to issue 50,000,000 shares an issued price of HK$0.22 per share. The proceeds were used for general working capital purposes.

In January 2016, the Company issued 4,284,725 fully paid shares upon conversion of 4,784,725 preferred shares of the Company.

In May 2016, the Company issued 87,000,000 new ordinary shares at HK$0.28 per share pursuant to a loan capitalization agreement.

In December 2016, the Company raised cash of HK$30,000,000 by way of issuance of a two years Convertible Bonds. Interest is payable semiannually at 7% to the bondholder. The bonds are convertible into ordinary shares within the conversion period at any time before maturity date at HK$0.07625 per share. The proceeds from the issue of the Convertible Bonds are intended for general working capital purposes.

Subsequent Events

The Group settled an interest bearing loan of approximately HK$7,000,000 in January 2017.

MAJOR AND CONNECTED TRANSACTION

On 21 December 2015, the Board announced that Million Treasure Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the "Acquisition Agreement") with Moonride Holdings Limited (the "Vendor") and the China Public Procurement (Hong Kong) Technology Company Limited (the "Warrantor"), pursuant to which, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the 50,000 ordinary shares of nominal value US$1.00 each in the issued share capital of the Pioneer Spot Limited (the "Target Company", a company wholly-owned by the Vendor) (the "Sale Shares"), representing 100% of the issued share capital of the Target Company, at the consideration of HK$1,250,551,063, which shall be subject to adjustments in accordance with the terms of the Acquisition Agreement. The consideration of HK$1,250,551,063 comprises: (a) the first consideration of HK$625,275,531.5 (which shall be satisfied by the Purchaser procuring the Company to (i) pay to the Vendor the deposit of HK$30,000,000 ("Deposit") by cashier's order within 30 business days after the date of the Acquisition Agreement; and (ii) allot and issue the first consideration shares at the issue price of HK$0.242 per Share to the Vendor) upon Completion; (b) the second consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration shares and the first consideration convertible bonds with a principal amount of not exceeding HK$44,662,538); and (c) the third consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration convertible bonds with a principal amount of not exceeding HK$312,637,765.75), subject to adjustments in accordance with the terms of the Acquisition Agreement.

The consideration shares and the conversion shares (upon exercise of the conversion rights attached to the convertible bonds) will be allotted and issued pursuant to the specific mandate to be sought from the independent shareholders of the Company at a special general meeting of the Company to be convened and held (the "SGM").

As at the date of the Acquisition Agreement, each of the Vendor and the Warrantor is ultimately wholly-owned by 國採科技股份有限公司 (Guocai Science & Technology Company Limited*) ("PRC Partner"), which is a connected person of the Company under Rule 14A.07 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the PRC Partner is a substantial shareholder of the Company. Accordingly, the acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

In addition, the PRC Partner, which holds approximately 14.07% of the total issued share capital of the Company as at the date of the Acquisition Agreement, and its associates are required to abstain from voting on the resolution(s) in respect of the Acquisition Agreement and transactions contemplated thereunder at the SGM.

On 3 February 2016, the Board announced that the Purchaser, the Vendor and the Warrantor entered into a supplemental agreement to the Acquisition Agreement and agreed that the Purchaser shall procure the Company to pay the Deposit, comprising (i) HK$14,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 30 Business Days after the date of the Acquisition Agreement; and (ii) HK$16,000,000 to the Vendor by cashier's order or such other method(s) as agreed between the Vendor and the Purchaser within 60 Business Days after the date of the Acquisition Agreement.

On 21 March 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a second supplemental agreement to the Acquisition Agreement and agreed that Purchaser shall procure the Company to pay HK$16,000,000 of the Deposit to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 90 business days after the date of the Acquisition Agreement (i.e. 6 May 2016).

On 6 May 2016, the Board announced that, the Purchaser, the Vendor and the Warrantor entered into a third supplemental agreement to the Acquisition Agreement and agreed that the Purchaser shall procure the Company to pay HK$16,000,000 to the Vendor by cashier order or such other method(s) as agreed between the Vendor and the Purchaser within 10 Business Days after the date of the despatch of the circular.

On 17 May 2016, the Board announced that, 北京易安通寶電子商務有限公司 (Beijing Yian Tongbao Electronic Commercial Company Limited*, "Yian Tongbao") has become a wholly-owned subsidiary of 珠海恒信銳捷信息技術服務有限公司 (Zhuhai Hengxin Ruijie Information Technology Service Company Limited*, "WFOF") upon completion of reorganization and entered into a cooperation framework agreement (the "Cooperation Framework Agreement") with ChinaPay and Yiwu China Commodities City Information and Technology Company Limited* (義烏中國小商城信息技術有限公司, "Yiwu China"). According to the Cooperation Framework Agreement, Yian Tongbao has the exclusive right to provide certain settlement solutions regarding cross-border payment in Renminbi and foreign currency to Yiwu China and its customers. Also, as stated in the Cooperation Framework Agreement, (i) in Yiwu City, there are about 500,000 commercial entities, of which more than 100,000 are owned by foreign procurement companies requiring cross-border payment services; and (ii) the annual amount of Yiwu City's export exceeds RMB2 trillion. As one of the world's largest small commodities distribution centre, there are sizable demand for procurement and cross-border payment services in Yiwu City.

On 17 June 2016, the Board announced that the parties to the Acquisition Agreement entered into a fourth supplemental agreement to extend the long stop date from 30 June 2016 to 31 December 2016 or such later date as the Vendor and the Purchaser may agree in writing.

On 29 December 2016, the Board announced that the parties to the Acquisition Agreement entered into a fifth supplemental agreement to extend the long stop date from 31 December 2016 to 30 June 2017 or such later date as the Vendor and the Purchaser may agree in writing. As additional time is required to gather the information to prepare for the relevant and necessary disclosures in the circular, the dispatch date of the circular will be further postponed to a date on or before 30 April 2017.

Details of the above were published in the Company's announcements dated 21 December 2015, 3 February 2016, 21 March 2016, 6 May 2016, 17 May 2016, 17 June 2016, 30 November 2016 and 29 December 2016 respectively.

* *The English translation is for identification purpose only*

Placing of New Shares

On 21 December 2015, the Company entered into a placing agreement with Changjiang Securities Brokerage (HK) Limited, pursuant to which the Company conditionally agreed to place up to 700,000,000 new ordinary shares of HK$0.01 each in the capital of the Company, on a best-effort basis to not less than six independent placees at a price of HK$0.22 per placing share (the "Placing"). The Board considered that the Placing would further strengthen the capital base and financial position of the Group.

The closing price per ordinary share as quoted on the Stock Exchange on 21 December 2015, being the date of the placing agreement was HK$0.2420. The Placing was completed on 20 January 2016. An aggregate of 50,000,000 placing shares has been successfully placed to one placee, China Chuanglian Education Group Limited, at a price of HK$0.22 per placing share, raising gross proceeds and net proceeds of HK$11.0 million and HK$10.9 million respectively. The net price for each placing share was approximately HK$0.2178. The net proceeds from the Placing would be used for general working capital of the Group.

Details of the above Placing were published in the Company's announcements dated 21 December 2015 and 20 January 2016.

The equity fund raising activities conducted by the Company as at the date of the report are set out below:

Date of announcements	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds	HK$	percentages
21 December 2015 and 20 January 2016	Placing of 50,000,000 new ordinary shares under general mandate	HK$10.89 million	For general working capital of the Group	Payment for business development	HK$10.89 million	100%

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference based on terms no less exacting than the required standard in the corporate governance code (the "CG Code") as set out in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three members, namely Ms. Wong Yan Ki, Angel (chairman), Mr. Chen Limin and Mr. Deng Xiang. Mr. Chen Limin is non-executive Director whereas the other two are the independent non-executive Directors.

The Audit Committee has reviewed with the management and independent auditors the audited consolidated annual results of the Group for the year ended 31 December 2016.

REMUNERATION COMMITTEE

The Remuneration 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 of the Listing Rules. As at the date of this announcement, the Remuneration Committee comprises two members, namely Ms. Wong Yan Ki, Angel (chairman), and Ms. Liu Lizhen. Ms. Liu Lizhen is non-executive Director whereas Ms. Wong Yan Ki, Angel is independent non-executive Director. The major responsibility of Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the directors and the senior management of the Group.

NOMINATION COMMITTEE

The Nomination 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 of the Listing Rules. As at the date of this announcement, the Nomination Committee comprises two members namely, Mr. Zheng Jinwei (chairman) and Ms. Wong Yan Ki, Angel. Mr. Zheng Jinwei is Executive Director whereas Ms. Wong Yan Ki, Angel is independent non-executive Director. The major responsibility of Nomination Committee is to make recommendations to the board of the Company regarding candidates to fill vacancies of the Board.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company issued a total of 141,284,725 fully paid ordinary shares as follows:

1) issuance of 4,284,725 new ordinary shares upon conversion of preferred shares;

2) issuance of 87,000,000 new ordinary shares at a price of HK$0.28 per share under loan capitalization agreement dated 25 April 2016;

3) issuance of 50,000,000 new ordinary shares at a price of HK$0.22 per share under placing; and

4) issuance of 393,442,622 conversion shares at a price of HK$0.07625 per share under conversion of convertible bonds.

The total number of issued share capital of the Company as at 31 December 2016 was 13,429,312,548 ordinary shares.

Save as disclosed above, the Company did not redeem any of its securities during the year and neither the Company nor any of its subsidiaries purchased or sold any of the Company's securities during the year.

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and Chief Executive by Mr. Zheng Jinwei can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the Chief Executive in future.

Under the code provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Both non-executive Directors except Mr. Wu Fred Fong, were not able to attend the annual general meeting held on 31 May 2016 due to their respective business engagements. Other Board members who attend the annual general meeting were already of sufficient calibre and number for answering questions raised by the Shareholders at that annual general meeting.

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

Hong Kong, 31 March 2017

At the date of this announcement, the Board comprises three executive Directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive), Mr. Ho Wai Kong (Honorary Chairman) and Ms. He Qian; two non-executive Directors, namely Mr. Chen Limin and Ms. Liu Lizhen; and two independent non-executive Directors, namely Mr. Deng Xiang and Ms. Wong Yan Ki, Angel.