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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)**

**SUPPLEMENTARY ANNOUNCEMENT  
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT  
OF THE COMPANY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

Reference is made to the announcement of China Public Procurement Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2017 in relation to the final results of the Group for the year ended 31 December 2016 (the “**2016 Annual Results Announcement**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2016 Annual Results Announcement.

**Basis for qualified opinion**

Reference is made to the paragraph headed “Basis for qualified opinion” on pages 26 to 27 of the 2016 Annual Results Announcement. The Board wishes to supplement the following:

- (a) in respect of the trade receivables and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries, which were mainly carried forward from the previous year, except for RMB250,000 received, none of these debtors have made any repayments on their accounts in the current year and up to the date of the auditors’ report;

The Company made a provision of impairment on certain of these assets for the year ended 31 December 2016 to provide for their potential unrecoverability due to the following reasons:

- (i) the amounts owed by the debtors have been due for a long period of time;
  - (ii) although the Company has issued demand letters to certain debtors demanding repayment, the Company had not received any response and/or settlement from these debtors up to the date of the 2016 Annual Results Announcement; and
  - (iii) the Company was unable to obtain any updated financial information of these debtors regarding their financial ability to settle the amounts due;
- (b) in respect of the deposit paid for potential acquisition of a subsidiary of a shareholder (the “**Target Company**”), the amount of which was confirmed directly by the Target Company to the auditors of the Company (the “**Auditors**”), as the acquisition is still on-going and the outcome of which is yet to be determined, the Company did not provide for any impairment. However, there is no evidence to confirm that the potential acquisition of the Target Company will be completed. The Auditors accordingly reserved their opinion on the recovery of the deposit; and
- (c) in respect of the amounts due from a shareholder and its subsidiaries, based on the signed professional valuation report on the Target Company dated 30 November 2015, it is possible to recover the amounts due from such shareholder and its subsidiaries given their financial abilities to repay. Therefore the Company did not provide for any impairment over such amounts during the year ended 31 December 2016.

Without further evidence received, such as updated financial information of the debtors, as noted in the Auditors’ opinion in relation to our annual results, there were no other practical alternative audit procedures that could be performed by the Auditors to satisfy themselves that the carrying amount of these assets as at 31 December 2016 is fairly stated. Accordingly, the Auditors expressed a qualified opinion on the consolidated financial statements for the year ended 31 December 2016 with respect to deposit paid for potential acquisition of a subsidiary, trade receivables and other receivables, loan receivables and amounts due from a shareholder.

The Company is preparing to and/or has commenced legal action against certain debtors for the outstanding amounts regarding the trade and other receivables, loan receivables and amounts due from a shareholder and its subsidiaries.

## Going concern

Reference is made to note 1 headed “General and basis of preparation” to the consolidated financial statement on page 6 of the 2016 Annual Results Announcement.

The Board wishes to supplement that, the Directors have adopted, or in the process of adopting the following measures to improve the Group’s financial, liquidity and cash flow positions:

- (a) the Company had adopted stringent cost controls to lower the costs of operation and administrative expenses, including reduction of (i) payroll costs from approximately HK\$64.1 million in 2015 to approximately HK\$36.2 million in 2016 through internal staff restructuring; (ii) office rental costs from approximately HK\$13.4 million in 2015 to approximately HK\$7.5 million in 2016 by relocating offices in Hong Kong and Beijing; and (iii) limits on expenditure of all departments and subsidiaries of the Group; and
- (b) the Company is negotiating a long term mortgage loan of approximately RMB80 million with a bank in the People’s Republic of China (the “**PRC**”) involving the Company’s property in Wuhan, the PRC, as collateral. It is expected that the mortgage will be interest-bearing.

The Company has adopted a budget plan of the Group for the year ending 31 December 2017. Taking into account of the above, the budget projections indicated that the current amount of cash balance in the Group will be sufficient to meet the funding needs of the Group for the financial year ending 31 December 2017. The Directors are satisfied that the Group will be able to meet its financial obligations when they fall due. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

Hong Kong, 13 April 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.*