CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

ANNUAL REPORT 2017

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng*
(Chairman and Chief Executive)
Mr. Ho Wai Kong *(Honorary Chairman)*
Miss Ng Weng Sin, *CPA (HK), EMBA, MCF, MPA*
(appointed on 21 June 2017) *(Chief Financial Officer)*
Ms. He Qian, *EMBA , BAcc, CPA (PRC)*
Mr. Cheng Yuanzhong, *B. Phill*
(resigned on 27 March 2017)

Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*
Ms. Liu Lizhen, *BEE*
(resigned on 21 June 2017)

Independent Non-executive Directors

Ms. Wong Yan Ki, Angel, *FCPA (Aust.), FIPA, EMBA, BA*
Mr. Deng Xiang, *BSc , BEcon, CPA (PRC)*
Mr. Jiang Jun, *BAcc*
(appointed on 2 June 2017)
Mr. Chan Tze See, Kevin, *MBA, BSc*
(resigned on 2 March 2017)

BOARD COMMITTEES

Audit Committee

Ms. Wong Yan Ki, Angel *(Chairman)*
Mr. Chen Limin
Mr. Deng Xiang

Remuneration Committee

Mr. Jiang Jun *(Chairman)*
(appointed as member on 2 June 2017 and Chairman on 31 August 2017)
Miss Ng Weng Sin
(appointed on 21 June 2017)
Mr. Deng Xiang
(appointed on 31 August 2017)
Mr. Chan Tze See, Kevin
(resigned on 2 March 2017)
Ms. Liu Lizhen
(resigned on 21 June 2017)
Ms. Wong Yan Ki, Angel
(resigned on 31 August 2017)

Nomination Committee

Mr. Zheng Jinwei *(Chairman)*
Mr. Jiang Jun
(appointed on 2 June 2017)
Mr. Deng Xiang
(appointed on 31 August 2017)
Mr. Chan Tze See, Kevin
(resigned on 2 March 2017)
Ms. Wong Yan Ki, Angel
(resigned on 31 August 2017)

AUTHORISED REPRESENTATIVES

Mr. Zheng Jinwei
Miss Ng Weng Sin
(appointed on 24 January 2018)
Ms. Ma Wai Sze, Aceya
(resigned on 24 January 2018)

COMPANY SECRETARY

Miss Ng Weng Sin
(appointed as company secretary on 24 January 2018)
Ms. Ma Wai Sze, Aceya, *Solicitor, LLM, PCLL, LLB(Hon), LLB (Tsinghua)*
(resigned as company secretary and head of legal on 24 January 2018)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1802, 18/F.,
No.88 Gloucester Road
Wanchai, Hong Kong

AUDITOR

RSM Hong Kong

LEGAL ADVISORS

As to Hong Kong law
Chiu & Partners

As to Bermuda law
Conyers Dill & Pearman

As to PRC law
Li & Partners
Dewell & Partners Law Firm
Hubei Chengming Law Firm

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
China Merchant Bank Co., Ltd.

STOCK CODE

1094

WEBSITE

www.cpphk1094.com

Chairman's Statement

BUSINESS OPERATION

The Group has achieved certain achievements in the field of public procurement in China by leveraging its technological advantages, customer advantages and brand influence accumulated over the years. The group has been undertaking technical support and operation services for governments' procurement of electronic platforms in more than 10 provinces and cities including Hubei Province, Hainan Province and Qinghai Province. The annual transaction volume has continued to expand and the increase in 2017 is more significant, which is due to the Chinese government's emphasis on and implementation of e-procurement and is also the result of continuous improvement of the Group's technical service quality. In addition, the Group's subsidiaries actively developed new procurement trading users to provide electronic solutions for materials procurement of institutions of higher-learning, procurement of state-owned enterprises and private enterprise groups, government procurement services, and other new areas, which not only greatly expanded the trading volume and number of suppliers of the Group's electronic procurement platform, but also brought revenue of value-added service such as digital certification, electronic seal, and financing services to the Group.

A block of commercial building of the Group is located in Donghu New Technology Development Zone, Wuhan, Hubei Province, the PRC, and the rental income generated by which has provided stable cash flow for the Group and financed part of the Group's operating and development expenses.

BUSINESS PROSPECTS

With the increase of the anti-corruption efforts of the Chinese government and the deepening of the level of e-commercialisation of the whole society, the development trend of electronic procurement and e-commercialisation of government procurement and public institution procurement is very beneficial to the development of the Group's business. Public resource trading platforms centered on government procurement, project construction bidding and state-owned property rights trading have been established throughout the country. In addition to the government, colleges and universities, public hospitals, state-owned enterprises and social organisations are also trying to use electronic platforms for purchasing goods and services. After years of brand accumulation, product research and development and market development, the Group has occupied a favorable position in this type of market, which laid a solid foundation for the subsequent solid development of the Group's business.

Since 2018, the Group will leverage on the market strength of online public procurement, and focus on building the three major competitive products of "Government Procurement and Trading Platform", "Electronic Platform for Colleges and Universities" and "Electronic Platform for Enterprise Procurement", strive to rapidly expand the Group's market share rapidly. Meanwhile, a variety of transaction data is aggregated through the trading system, data cleaning, processing and analysis, to provide valuable services for both sides of the procurement transaction, including supply chain financing, procurement information customisation, price monitoring, bidding collaboration, market analysis and consulting, etc.

By continuing expansion of the electronic procurement platforms, integrating the dealings information of public procurement area, taking advantages of big data, developing more value-added service projects and further consolidating the Group's leading position in China's public procurement, the Group will focus on public procurement markets which includes procurement for governments, universities and colleges and enterprises, etc.

Management Discussion and Analysis

I. BUSINESS REVIEW

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

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

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

II. FINANCIAL REVIEW

Operational Performance

1. Revenue

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

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

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

2. *Cost of sales*

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

3. *Gross profit*

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

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

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

4. *Other income and gains*

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

5. *Administrative expenses*

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

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

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

The details of the provision are as below:

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

During the year, the provision for impairment loss was HK$166,663,000 (2016: HK$119,290,000), reversal of impairment loss was HK$10,183,000 (2016: HK$292,000) and net provision for impairment loss was HK$156,480,000 (2016: HK$118,998,000).

Reasons that led to recognition of impairment losses are:

(i) The Company made provision of HK$72,495,000 for impairment loss of amounts due from ex-substantial shareholder and its subsidiaries for the year ended 31 December 2017 as the amounts had been long outstanding. Considering the deterioration of financial and repayment ability of the counterparty and/or the possibility of recovering the outstanding amounts from legal actions, the possibility of recovering of the balance was quite low.

(ii) The Company made provision of HK$15,000,000 for impairment loss of deposit paid for potential acquisition of a subsidiary, having taken into account the deterioration of financial and repayment ability of its debtor.

(iii) The Company made provision of HK$40,207,000 for impairment loss for loan receivables since the amount had been long overdue and unfavourable results in dunning and/or the possibility of recovering the outstanding amounts from legal actions was quite low.

(iv) The Company made provision of HK$38,961,000 for impairment loss of trade and other receivables as the amounts were long overdue and unfavourable results in dunning and/or the possibility of recovering the outstanding amounts from legal actions was quite low. Whilst legal actions against certain debtors are yet to be concluded, the Directors assessed that the outstanding amounts from the Company's debtors were unlikely to be recovered.

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

Valuation method

The Directors recognised the impairment losses provision in accordance with Hong Kong Accounting Standards 39 — Financial Instruments: Recognition and Measurement ("**HKAS 39**"), pursuant to which, the Company shall, at each balance sheet date, consider whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss. The Directors considered the use of this valuation method in relation to the receivables to be appropriate because:

(i) the Group's loans and receivables are within the definitions of "Loans and Receivables" as specified in HKAS 39;

(ii) the Group's circumstance falls within the scope of HKAS 39; and

(iii) the application of HKAS 39, in particular, "impairment and uncollectibility of financial assets" therein can reflect a true and fair view of the consolidated financial position and consolidated financial performance of the Group for the year ended 31 December 2017.

There have been no subsequent changes in the valuation method used by the Company for the year ended 31 December 2017.

Provision was made for the year ended 31 December 2016 for the long outstanding receivables. As time passes by, the Directors estimated that the future cash flows from those assets were remote, hence provisions or further provisions were made for the year ended 31 December 2017, given the further prolonged overdue period and the reasons mentioned above. Except for the above, there have been no significant changes in the value of the inputs and assumptions from those previously adopted by the Company.

Steps to be taken by the Company to recover impaired balances

The management of the Company had arranged reminders and demand letters to be issued to the Company's debtors, and/or commenced legal actions against certain debtors to recover the outstanding balances. The provision for such impairment does not mean that the Company has waived its recovery right. The management is determined to recover the amounts due to the Group through legal proceedings.

7. *Financial costs*

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

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

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

8. *Income tax*

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

9. *Loss for the year*

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

Financial Position

1. *Liquidity and capital resources*

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

2. *Capital structure*

As at the year ended date, the total assets of the Group amounted to HK$494,368,000, the total equity amounted to HK$229,662,000, the total liabilities amounted to HK$264,706,000. The gearing ratio (total assets over total liabilities) was 1.87:1 (2016: 3.03:1). The current debt ratio (current assets over current liabilities) was 1.09:1 (2016: 2.14:1). The borrowings made by the Group were mainly in Renminbi for the year ended 31 December 2017.

Share Consolidation

Pursuant to a special resolution passed on 10 August 2017, a share consolidation was approved by the shareholders of the Company that with effect from 11 August 2017:

(i) every 10 of issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated ordinary share of HK$0.1 each;

(ii) every 10 issued and unissued convertible preference shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated convertible preference share of HK$0.10 each; and

(iii) as a result of the share consolidation, the exercise price of the share options granted under the share option scheme adopted on 13 June 2013 was adjusted from HK$0.228 per share to HK$2.28 per share.

III. OTHER ISSUES

1. Qualified opinion

As disclosed on pages 42 and 43 of this annual report, the auditor of the Company expressed a qualified opinion in relation to the limitation of scope on recoverability of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from an ex-substantial shareholder and its subsidiaries. The Board wishes to supplement the following:

No carryforward effect

As discussed with the Company's auditor, the qualified opinion does not have carryforward effect to the Group's financial statements for the year ending 31 December 2018 as:

(i) the Group reached repayment agreements with certain debtors due to the success in legal actions against them, and the Company had reversed certain impairment loss of trade and other receivables for the year ended 31 December 2017 accordingly;

(ii) except for balances due from certain debtors of which the Group had reached repayment agreements due to success in legal actions against them, full impairment losses had been made in respect of all long overdue amounts as at the date of this annual report having considered that these amounts were long overdue, the repayment ability of counterparties have deteriorated, the unfavourable results of dunning and/or legal actions taken against certain debtors; and

(iii) the Company had provided the Company's auditor with all available evidence concerning its recoverability assessment, including ageing analysis and settlement information of overdue balances, information concerning deterioration of repayment ability of certain parties, demand letters, and/or court documents and judgements, to support full impairment losses made for long overdue amounts as mentioned above.

Company's plan to address the audit issue

The management of the Company has been taking actions against its debtors in relation to the receivables, which includes (i) discussing with its legal advisors in assessing the likelihood of success in commencing legal actions against those debtors; (ii) making full impairment losses for the long overdue amounts (other than certain debtors who had agreed to a repayment schedule and has been repaying in accordance with such repayment schedule); and (iii) closely monitoring the progress of repayment and/or legal actions.

The management of the Company will provide all evidence related to the receivables to its auditor to review and assess the recoverability issue of the respective accounting balances in the Group's financial statements for the year ending 31 December 2018, including demand letters, court documents, legal opinions, court judgments and/or bank-in evidence regarding amounts received from its debtors.

With the above actions taken, the management of the Company believes that similar qualified opinion will not be issued in the Group's financial statements for the year ending 31 December 2018.

Audit committee's view

The audit committee of the Company has critically reviewed the management's position on the major judgement areas. There is no disagreement by the audit committee of the Company with the management's position on the repeated qualified opinions issued by the Company's auditor and the Company's proposal to address the audit issue.

2. Retrospective restatement

As disclosed in note 4 "Retrospective Restatement" to the consolidated financial statements contained in this annual report, the Directors have revisited the accounting treatments for certain transactions entered into by the Group in previous years and concluded that adjustments were required to be made to the comparative information presented to ensure that the consolidated financial statements presented are in compliance with HKFRSs. Further details in relation to the Company's retrospective restatement are as follows:

The management of the Company discovered the retrospective restatement when finalising the Company's financial statements for the year ended 31 December 2017, and have discussed with auditor and the audit committee of the Company to seek their views prior to making the retrospective restatement.

The Company's auditor issued letters and reminders to the Company's predecessor auditor in relation to the retrospective restatement. However, as at the date of this annual report, the auditor of the Company has not yet received any reply from the predecessor auditor.

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

On 21 December 2015, Million Treasure Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the "**Acquisition Agreement**") with Moonride Holdings Limited (the "**Vendor**") and China Public Procurement (Hong Kong) Technology Company Limited (the "**Warrantor**"), pursuant to which, the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell Pioneer Spot Limited (the "**Target Company**") at the consideration of HK$1,250,551,063, which shall be subject to adjustments in accordance with the terms of the Acquisition Agreement. The consideration of HK$1,250,551,063 comprises: (a) the first consideration of HK$625,275,531.5 (which shall be satisfied by the Purchaser procuring the Company to (i) pay to the Vendor the deposit of HK$30,000,000 by cashier's order within 30 business days after the date of the Acquisition Agreement; and (ii) allot and issue the first consideration shares at the issue price of HK$0.242 per share to the Vendor) upon completion; (b) the second consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration shares and the first consideration convertible bonds with a principal amount of not exceeding HK$44,662,538); and (c) the third consideration of HK$312,637,765.75 (which shall be satisfied by the Purchaser procuring the Company to allot and issue the second consideration convertible bonds with a principal amount of not exceeding HK$312,637,765.75), subject to adjustments in accordance with the terms of the Acquisition Agreement. The consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into consideration of the signed independent valuation report on the Target Company dated 30 November 2015. The reason for acquisition is that Pioneer Payment and Settlement Company Limited, China Public Procurement Settlement Technology Company Limited, 珠海恒信鋭捷信息技術服務有限公司 (Zhuhai Hengxin Ruijie Information Technology Service Company Limited*) and 北京易安通寶電子商務有限公司 (Beijing Yian Tongbao Electronic Commercial Company Limited*) (collectively, the "**Project Company Group**") are principally engaged in the operation of an electronic platform for clearing and settlement services. The business of the Project Company Group may create synergies with the Group's business and the acquisition will broaden the client base and income source of the Group.

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

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

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

* *The English translation is for identification purpose only*

4. Subscription of new shares

On 5 June 2017, the Company and Ngongfull Science and Technology Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to allot and issue, the subscription shares (being 2,290,220,400 new existing shares as at 5 June 2017 or 229,022,040 consolidated shares in the event that the subscription takes place after the share consolidation of the Company (the "**Share Consolidation**") becoming effective) (the "**Subscription Shares**") at the subscription price of HK$0.0303 (or HK$0.303 in the event that the subscription takes place after the Share Consolidation becoming effective) for Subscription Share. The Subscription Shares represent (i) approximately 17.05% of existing share capital as at 5 June 2017; and (ii) approximately 14.57% of the then issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

On 31 August 2017, the Company and the Subscriber entered into a deed of termination and settlement (the "**Deed of Termination and Settlement**"). Pursuant to the Deed of Termination and Settlement, the Company and the Subscriber unconditionally and irrevocably terminated with full force and immediate effect the Subscription Agreement and all existing or potential rights, obligations and liabilities arising under the Subscription Agreement forthwith terminated and extinguished for all purposes and effect. The Subscriber shall pay to the Company compensation for the costs incurred and the damages suffered by the Company in connection with the subscription and the Share Consolidation in accordance with the terms of the Deed of Termination and Settlement.

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

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

5. Redemption of convertible bonds

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

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

6. Pledge of assets

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

7. Capital commitment and contingent liabilities

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

8. Foreign exchange exposure

During the year, the Group mainly earned revenue in RMB and incurred costs mainly in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK$ may have an impact on the Group's results and financial positions.

9. Staff and remuneration

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion are based on individuals' merit and their development potential for the positions offered. As at 31 December 2017, the Group employed approximately 120 employees, and the total remuneration of employees (including the Directors) was approximately HK$29,354,000. The Company maintains a share option scheme, pursuant to which share options are granted to selected Directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

10. Use of proceeds from the subscription

The Company has entered into the New Subscription Agreement on 3 October 2017 and allotted and issued the New Subscription Shares (being 268,586,000 new existing shares as at 3 October 2017) at the subscription price of HK$0.237 on 14 November 2017. After deduction of direct costs in relation to the subscription, the net proceeds of the subscription were approximately HK$63,307,000. The Company intends to use the net proceeds from the subscription for general working capital of the Group and for the future development of the Group's business.

As at 31 December 2017, HK$3.6 million was used for the prepayment of trading of goods. The Group has not used the remaining balance of the net proceeds of HK$59.7 million during the year ended 31 December 2017. The Directors are of the view that business development is a continuing process the concrete plan of which is subject to various unknown factors, such as the future performance of the Group and the cash to be generated from future operations of the Group. Thus the management of the Group is not in a position at this stage to ascertain the detailed concrete breakdowns on the intended uses of the remaining proceeds from the subscription. Such unused net proceeds were placed in bank deposit accounts which are interest bearing, of which HK$24.3 million has been used as short-term loans advanced to independent third parties for interest income for the year ended 31 December 2017. The unused net proceeds of HK$35.4 million will be applied pursuant to the intended use of proceeds as stated in the announcement of the Company dated 3 October 2017, where appropriate, unless otherwise announced.

IV. BUSINESS PROSPECTS

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

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

Biography of Directors and Company Secretary

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, aged 48, joined the Company in December 2014, is an Executive Director, Chairman of the Board, Chief Executive and Chairman of the Nomination Committee as well as a director of several subsidiaries of the Company. He obtained a degree of bachelor of engineering from Beijing University of Chemical Industry in 1991, and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2014, and has previous work experience in Beijing University of Chemical Industry. Mr. Zheng has over 20 years of experience of serving as a company's director, including a director of Beijing Tiandi Jingwei Technology & Trade Limited* (北京天地經緯科貿有限公司) and Beijing Tiandi Ruiqi Technology & Trade Limited* (北京天地瑞祺科貿有限公司) from 1996 to 2006 and a director in Zhao Wei International Enterprise Limited* (兆偉國際企業有限公司) since 2006. Mr. Zheng has also accumulated years of business experience in China and Hong Kong, engaging in various aspects including business operations, business management and corporate governance, and plays a leading role in the Company's business development and operating strategies.

Mr. Ho Wai Kong, aged 62, joined the Company in January 2010, is an Executive Director and Honorary Chairman of the Board, as well as a director of several subsidiaries of the Company. Mr. Ho is an entrepreneur who for the last 30 years has been actively involved in China/Hong Kong cross border business development. Mr. Ho's extensive experience, far-reaching network and business acumen will be invaluable for the Company in its business development in the PRC.

Miss Ng Weng Sin, aged 46, joined the Company in April 2017 as chief financial officer, is an Executive Director, company secretary and a member of the Remuneration Committee. Miss Ng obtained her bachelor's degree of arts in accountancy in 1996, a master's degree of professional accounting in 2010, a master's degree of corporate finance in 2013 from the Hong Kong Polytechnic University and a master of business administration degree (Executive MBA programme) from the Chinese University of Hong Kong in 2015. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Prior to joining the Company, Miss Ng worked at Deloitte Touche Tohmatsu from August 1997 to September 2001. From September 2001 to May 2006, she worked at finance departments in two companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and a company listed on the NASDAQ Stock Market in the United States. From May 2006 to February 2010, she was the financial controller, the company secretary and authorised representative of China Information Technology Development Limited, a company listed on the Stock Exchange. From August 2010 to October 2013, she was the chief financial officer, the company secretary and the authorised representative of Billion Industrial Holdings Limited, a company listed on the main board of the Stock Exchange. From May 2014 to December 2015, Miss Ng was the chief financial officer of Xiwang Special Steel Company Limited and Xiwang Property Holdings Company Limited. From July 2014 to November 2015, Miss Ng was the company secretary and authorised representative of Xiwang Special Steel Company Limited and Xiwang Property Holdings Company Limited, both companies listed on the main board of the Stock Exchange.

Ms. He Qian, aged 46, joined the Company in January 2015, is an Executive Director. She obtained a bachelor's degree in accounting from University of International Business and Economics in 2006 and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2011, and she is a certified accountant and certified tax agent. She began her career in accounting in 1994, and served as the head of Tianrui Tax Agency Firm* (天瑞税務師事務所) and Zhejiang Yuehua Certified Public Accountants* (浙江岳華會計師事務所) founded by her from 2001 to 2004. She became a partner of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from 2009 to July 2013, where she was responsible for the operation of the Zhejiang branch as its head. Highly experienced in accounting, she was a contracted project partner for The Potevio (普天集團), a state-owned key enterprise, Hangzhou Industrial Investment Group Co., Ltd.* (杭州實業投資集團), a state-owned enterprise, and listed companies such as Eastcom (東方通信), Jiangsu Akcome (江蘇愛康), EastcomPeace (東信和平) and Zhonghen Electric (中恒電氣), as well as the initial public offering of dozens of other companies. She was a partner and the head of Zhejiang Branch of Ruihua Certified Public Accountants (瑞華會計師事務所) from August 2013 to April 2015. She has been working for Zhejiang Yueyou Investment Management Co., Ltd (浙江岳佑投資管理有限公司) since May 2015.

Non-executive Directors

Mr. Chen Limin, aged 54, joined the Company in July 2015, is a Non-executive Director and a member of the Audit Committee. He graduated from the faculty of law of the Southwest University of Political Science & Law in 1985, and was qualified as a lawyer in the PRC in 1987. Since 1992, he has been engaged in securities-related legal affairs in the PRC and served as a lawyer and partner in a number of law firms in Shenzhen and Beijing. Currently he is a lawyer and partner serving in Zhong Lun Law Firm in Beijing. He served as an independent non-executive director in Hidili Industry International Development Limited from October 2009 to September 2015 and was an independent director of People.cn Co. Ltd from December 2010 to December 2016. Since May 2017, he was an independent director of Anhui Kouzi Distillery Co., Ltd.

Independent Non-executive Directors

Ms. Wong Yan Ki, Angel ("Ms. Wong"), aged 46, joined the Company in December 2015, is an Independent Non-executive Director and the Chairman of the Audit Committee. She was the Chairman of the Remuneration Committee and a member of the Nomination Committee up to 31 August 2017. She obtained a Bachelor of Arts degree, majoring in international accounting, from Xiamen University in July 1994, a postgraduate certificate in professional accounting from the City University of Hong Kong in November 2000 and a master degree of business administration from Cheung Kong Graduate School of Business (長江商學院) in PRC in October 2009. Ms. Wong also obtained a certificate in taxation and accounting in the PRC from the China Business Centre of The Hong Kong Polytechnic University in October 2002. Ms. Wong has been admitted as fellow member of the Institute of Financial Accountants in the United Kingdom since October 2003, full member of the Society of Registered Financial Planners in Hong Kong since November 2003, full member of the Singapore Institute of Directors since October 2009, member of the Hong Kong Institute of Directors since November 2014, fellow member (FIPA, Australia) of the Institute of Public Accountants since April 2015, founding member of the Hong Kong Independent Non-Executive Director Association since October 2015 and fellow member of CPA Australia since May 2017. Ms. Wong was also the honorary secretary from 2007 to 2008 and council member of Institute of Financial Accountants in the United Kingdom from 2007 to 2009, and a part-time professor at Xiamen University from 2006 to 2009.

Ms. Wong worked for Deloitte Touche Tohmatsu from September 1995 to November 1999. She later served a number of roles at Great East Packaging Holdings Limited (偉東包裝製品集團有限公司) from October 1999 to March 2003, including group financial controller, financial controller, finance manager and assistant finance manager. Between April 2003 and December 2007, she held various positions at Benefit Capital Limited (百富達融資有限公司) including vice president and executive director. From April 2005 to November 2005, she also acted as the chief financial officer of Shengda (Group) Holdings Ltd. (勝達國際控股有限公司). Since January 2008, Ms. Wong has been the president and executive director of Advanced Capital Limited (匯財資本有限公司), where she provides consultancy services for both listed companies and companies preparing for listing.

Ms. Wong was appointed as a non-independent and non-executive director of Duty Free International Limited, a company listed on SESDAQ of the Singapore Exchange Limited (Stock Code: DutyFree) from August 2009 to January 2011, during which she acted as the chairman of the board from February 2010 to January 2011. Ms. Wong was appointed as an independent non-executive Director of China Best Group Holding Limited, a company listed on the Stock Exchange (Stock Code: 370) since June 2011 to September 2014. She was appointed as an independent non-executive director of Oriental Unicorn Agricultural Group Limited (currently known as China Demeter Investments Limited), a company listed on GEM of the Stock Exchange (Stock Code: 8120) from October 2011 to May 2013. She was also appointed as an independent non-executive director of China Shengda Packaging Group Inc. (NASDAQ:CPGI) from August 2014 to September 2015. From March 2013, Ms. Wong is an independent non-executive director of Hengxing Gold Holding Company Limited, a company listed on the Stock Exchange (Stock Code: 2303). Since November 2015, Ms. Wong is an independent non-executive director of 500.com Limited (NYSE: WBAI). Since July 2017, she also has been an independent non-executive director of MIKO International Holdings Limited (Stock Code: 1247), whose shares are listed on the Stock Exchange.

Mr. Deng Xiang, aged 46, joined the Company in September 2014, is an Independent Non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He graduated from Sichuan University with a bachelor degree of science and also possesses a bachelor degree in Economics. He is also a certified public accountant in the PRC. Prior to joining the Company, Mr. Deng was the financial manager of Chengdu Branch of Dapeng Securities Co., Ltd.* (大鵬證券有限責任公司), the audit manager of Chengdu Shenlan Group Co., Ltd.* (成都深藍集團有限公司), head of internal audit department in the PRC of Asia Pulp & Paper Co., Ltd. (APP) and the senior manager of Guosen Securities Co., Ltd.* (國信證券有限責任公司). He served as deputy general manager, financial controller and board secretary of Xizang Haisco Pharmaceutical Group Co., Ltd. (stock code in the Shenzhen Stock Exchange: 002653) from November 2009 to December 2016. He is subsequently the vice president in charge of financial matters of the group and the board secretary of the company. He served as the financial controller of Shannan Yuanhong Technology Co., Ltd.* (山南遠宏科技有限公司) since January 2017.

Mr. Jiang Jun, aged 39, joined the Company in June 2017, is an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Nomination Committee. He obtained a bachelor's degree in accounting from Beijing University of Chemical Technology in 2003. He is a qualified intermediate accountant and holds the National Computer Rank Examination Grade II Certificate. He started his career in accounting since 2003. He was an accountant for Beijing Longde Group Limited* (北京龍德實業集團有限公司) from September 2003 to June 2006, and he has been the chief audit executive for Shi Boo Investment Holding Co., Ltd. since July 2006.

COMPANY SECRETARY

Miss Ng Weng Sin was appointed as the company secretary of the Company on 24 January 2018 following the resignation of Ms. Ma Wai Sze, Aceya on the same date. Please refer to "Biography of Directors and Company Secretary — Executive Directors" in this section for the profile of Miss Ng Weng Sin.

* *The English translation is for identification purpose only*

Corporate Governance Report

The Company recognises that good corporate governance standards maintained throughout the Group serve as an effective risk management for the Company. The Board is committed to leading the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard. The Directors acknowledge their responsibility for preparing the Company's accounts.

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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:

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

According to code provision A.5.1, the company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. On 2 March 2017, following the resignation of Mr. Chan Tze See, Kevin, the composition of the nomination committee of the Company did not comprise a majority of independent non-executive Directors. The composition of the nomination committee of the Company comprises a majority of independent non-executive Directors since 2 June 2017 following the appointment of Mr. Jiang Jun as an independent non-executive Director.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH RULE 3.10(1) AND RULE 3.10A OF THE LISTING RULES

From the period from 2 March 2017 to 1 June 2017, the Company did not comply with Rules 3.10(1), 3.10A and 3.25 of the Listing Rules.

On 2 March 2017, following the resignation of Mr. Chan Tze See, Kevin, the composition of the Board comprises four executive Directors, two non-executive Directors and two independent non-executive Directors. As a result, the composition of the Board and Remuneration Committee fell below the requirements under Rule 3.10(1), Rule 3.10A and Rule 3.25 of the Listing Rules.

On 27 March 2017, following the resignation of Mr. Cheng Yuanzhong, the composition of the Board comprises three executive Directors, two non-executive Directors and two independent non-executive Directors. As a result, the composition of the Board and Remuneration Committee remains below the requirements under Rule 3.10(1), Rule 3.10A and Rule 3.25 of the Listing Rules.

On 2 June 2017, following the appointment of Mr. Jiang Jun, the composition of the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. As a result, the composition of the Board and Remuneration Committee met the requirements under Rule 3.10(1), Rule 3.10A and Rule 3.25 of the Listing Rules.

BOARD OF DIRECTORS

Composition

For the year ended 31 December 2017 and as at the date of this annual report, the Board consists of 4 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors:

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng* *(Chairman and Chief Executive)*	
Mr. Ho Wai Kong *(Honorary Chairman)*	
Miss Ng Weng Sin, *CPA (HK), EMBA, MCF, MPA* *(Chief Financial Officer)*	(appointed on 21 June 2017)
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	
Mr. Cheng Yuanzhong, *B.Phill*	(resigned on 27 March 2017)

Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*	
Ms. Liu Lizhen, *BEE*	(resigned on 21 June 2017)

Independent Non-executive Directors

Ms. Wong Yan Ki, Angel, *FCPA (Aust.), FIPA, EMBA, BA*	
Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	
Mr. Jiang Jun, *BAcc*	(appointed on 2 June 2017)
Mr. Chan Tze See, Kevin, *MBA, BSc*	(resigned on 2 March 2017)

Attendance of the Directors at the Board and general meetings

For the year ended 31 December 2017, 31 Board meetings and 2 general meetings have been held. Details of the attendance of the Directors are as follows:

Board members	Number of meetings attended/ Number of meetings held Board meetings	General meetings
Executive Directors		
Mr. Zheng Jinwei, *EMBA, BEng*	23/31	1/2
Mr. Ho Wai Kong	3/31	2/2
Miss Ng Weng Sin, *CPA (HK), EMBA, MCF, MPA* (appointed on 21 June 2017)	16/16	1/1
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	1/31	0/2
Mr. Cheng Yuanzhong, *B.Phill* (resigned on 27 March 2017)	0/6	N/A
Non-executive Directors		
Mr. Chen Limin, *Solicitor (PRC), LLB*	11/31	0/2
Ms. Liu Lizhen, *BEE* (resigned on 21 June 2017)	10/16	0/1
Independent Non-executive Directors		
Ms. Wong Yan Ki, Angel, *FCPA (Aust.), FIPA, EMBA, BA*	23/31	1/2
Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	18/31	0/2
Mr. Jiang Jun, *BAcc* (appointed on 2 June 2017)	17/17	0/2
Mr. Chan Tze See, Kevin, *MBA, BSc* (resigned on 2 March 2017)	1/3	N/A

Responsibilities of the Board and management

The Board reviews and approves corporate matters such as business strategies and investments, mergers and acquisitions, as well as the general administrative and management of the Group. The Board has overall responsibility in monitoring the process of corporate reporting and control system throughout the Group. The corporate reporting standards are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance (the "**SFO**") and other applicable regulations are delegated to the company secretarial department. The management of the Company reviews and briefs the reporting systems with the Executive Directors regularly and the Audit Committee and the Remuneration Committee annually.

Save as disclosed in the section of "Biography of Directors and Company Secretary", there is no financial, business, family or other material/relevant relationship between the chairman and the chief executive and among the members of the Board.

Directors' training

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

For the year ended 31 December 2017, the Directors participated in the following continuous professional development:

Name of Directors		Training organised by professional organisation[1]	Reading materials updating on new rules and regulations
Executive Directors			
Mr. Zheng Jinwei		✓	✓
Mr. Ho Wai Kong		✓	✓
Miss Ng Weng Sin	(appointed on 21 June 2017)	✓	✓
Ms. He Qian		✓	✓
Mr. Cheng Yuanzhong	(resigned on 27 March 2017)	NA	NA
Non-Executive Directors			
Mr. Chen Limin		✓	✓
Ms. Liu Lizhen	(resigned on 21 June 2017)	NA	NA
Independent Non-executive Directors			
Ms. Wong Yan Ki, Angel		✓	✓
Mr. Deng Xiang		✓	✓
Mr. Jiang Jun	(appointed on 2 June 2017)	✓	✓
Mr. Chan Tze See, Kevin	(resigned on 2 March 2017)	NA	NA

Notes:

1. Professional trainings namely "Practical Tips in Dealing with Investigation from Regulatory Bodies", ESG Issues & Corporate Sustainability for Directors and "Updates of Listing Rules and Corporate Governance Codes" were arranged by the Company to update the Directors' knowledge.

2. The Company received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

As at the date of this annual report, the Group does not at present separate the roles of the Chairman and the Chief Executive. The current Chairman is jointly performed by Mr. Zheng Jinwei and Mr. Ho Wai Kong who is the Honorary Chairman. Mr. Zheng Jinwei is both the Chairman of the Board and the Chief Executive. The Board considers that vesting the roles of Chairman and Chief Executive in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the Chief Executive when necessary.

NON-EXECUTIVE DIRECTORS

The term of office of Mr. Chen Limin and Ms. Wong Yan Ki, Angel (as a non-executive Director and an Independent Non-executive Director respectively) is one year and the term of office of Mr. Deng Xiang and Mr. Jiang Jun (as Independent Non-executive Directors) is three years, and subject to retirement by rotation in accordance with the Bye-laws.

BOARD COMMITTEES

There are three committees established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Role and function

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the Code Provisions. Audit Committee must meet, at least twice a year, with the Company's auditor.

The functions of the Audit Committee include but not limited to the following:

- Considering and reviewing the appointment, resignation and removal of external auditor and their fees;
- Reviewing the interim and annual results of the Group;
- Discussing with the external auditor problems and issues of significance during the annual audit of the Group; and
- Overseeing the financial reporting system, risk management and internal control systems of the Company.

Composition

As at the date of this annual report, the Audit Committee comprises three members as follows:

Ms. Wong Yan Ki, Angel *(Chairman)*
Mr. Chen Limin
Mr. Deng Xiang

Mr. Chen Limin is Non-executive Director whereas the other two are Independent Non-executive Directors, two of whom possess recognised professional qualification in accounting and have proven experience in audit and accounting.

Attendance record

For the year ended 31 December 2017, 2 Audit Committee meetings have been held. Details of the attendance of the Audit Committee members are as follows:

Audit Committee members	**Number of meetings attended/ Number of meetings held**
Ms. Wong Yan Ki, Angel *(Chairman)*	2/2
Mr. Chen Limin	1/2
Mr. Deng Xiang	2/2

Summary of the work

The work done by the Audit Committee for the year ended 31 December 2017 included:

- Reviewed the 2017 interim results and 2016 annual results of the Group;
- Discussed with the management of the Company over the completeness, fairness, adequacy and compliance of accounting standards and policies of the Group in the preparation of the 2017 interim and 2016 annual financial statements;
- Reviewed and discussed with the external auditors over the financial reporting of the Company; and
- Reviewed adequacy and effectiveness of internal control system maintained within the Group.

Each Audit Committee meeting was supplied with the necessary financial information of the Group for the Audit Committee members to consider, review and assess matters of significance arising from the work conducted.

The audited consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee.

Remuneration Committee

Role and function

The terms of reference of the Remuneration Committee follow the Code Provisions. The Remuneration Committee shall meet at least once a year.

The functions of the Remuneration Committee include but not limited to the following:

- Establishing and applying a formal and transparent procedure for setting policy on remuneration for executive Directors and senior management;
- Fixing the remuneration packages for all Directors and senior management; and
- Ensuring levels of remuneration of Directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain Directors and senior management.

Composition

As at the date of this annual report, the Remuneration Committee comprises three members as follows:

Mr. Jiang Jun *(Chairman)* (appointed as member on 2 June 2017 and Chairman on 31 August 2017)
Mr. Deng Xiang (appointed as member on 31 August 2017)
Miss Ng Weng Sin (appointed as member on 21 June 2017)

Ms. Wong Yan Ki, Angel (resigned as Chairman on 31 August 2017)
Ms. Liu Lizhen (resigned as Non-executive Director and member on 21 June 2017)
Mr. Chan Tze See, Kevin (resigned as Independent Non-executive Director and member on 2 March 2017)

Mr. Jiang Jun and Mr. Deng Xiang are Independent Non-executive Director whereas Miss Ng Weng Sin is Executive Director.

Attendance record

For the year ended 31 December 2017, 6 Remuneration Committee meetings have been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Jiang Jun *(Chairman)* (appointed as member on 2 June 2017 and Chairman on 31 August 2017)	3/3
Mr. Deng Xiang (appointed as member on 31 August 2017)	1/1
Miss Ng Weng Sin (appointed as member on 21 June 2017)	2/2
Ms. Wong Yan Ki, Angel (resigned as Chairman on 31 August 2017)	5/5
Ms. Liu Lizhen (resigned as a member on 21 June 2017)	2/3
Mr. Chan Tze See, Kevin (resigned as a member on 2 March 2017)	1/1

Summary of the work

The work done by the Remuneration Committee for the year ended 31 December 2017 included:

- Reviewed and approved the current remuneration policy and structure for all Directors' and senior management remuneration by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong;

- Reviewed the remuneration package of the Executive Directors, Non-executive Directors and senior management;

- Made recommendations of the above remuneration policy and remuneration packages to the Board; and

- Approved the terms of Executive Directors' service contracts.

The Remuneration Committee meetings were supplied with the necessary information on specific remuneration package of Directors and senior management of the Group for the members to consider, review and make recommendation to the Board on the remuneration policy.

Nomination Committee

Role and function

The Nomination Committee was established on 29 March 2012. The terms of reference of the Nomination Committee follow the Code Provisions. The Nomination Committee shall meet at least once a year.

The functions of the Nomination Committee include but not limited to the following:

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually;

- Identifying and nominating for the approval of the Board candidates to fill Board vacancies; and

- Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 2 July 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Composition

As at the date of this annual report, the Nomination Committee comprises three members as follows:

Mr. Zheng Jinwei *(Chairman)*
Mr. Deng Xiang (appointed as member on 31 August 2017)
Mr. Jiang Jun (appointed as member on 2 June 2017)

Ms. Wong Yan Ki, Angel (resigned as member on 31 August 2017)
Mr. Chan Tze See, Kevin (resigned as Independent Non-executive Director and member on 2 March 2017)

Mr. Zheng Jinwei is Executive Director whereas Mr. Deng Xiang and Mr. Jiang Jun are Independent Non-executive Director.

Attendance record

For the year ended 31 December 2017, 6 Nomination Committee meetings have been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	Number of meetings attended/ Number of meetings held
Mr. Zheng Jinwei *(Chairman)*	5/6
Mr. Deng Xiang (appointed as member on 31 August 2017)	1/1
Mr. Jiang Jun (appointed as member on 2 June 2017)	3/3
Ms. Wong Yan Ki, Angel (resigned as member on 31 August 2017)	5/5
Mr. Chan Tze See, Kevin (resigned as member on 2 March 2017)	1/1

Summary of the work

The work done by the Nomination Committee for the year ended 31 December 2017 included:

- Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; and

- Identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships.

Corporate Governance Functions

Role and function

The Board is responsible for performing corporate governance functions (the "**Corporate Governance Functions**"). The terms of reference of Corporate Governance Functions pursuant to the Board resolution of the Company was passed on 29 March 2012. The Board shall hold Corporate Governance Functions meeting at least once a year.

The Corporate Governance Functions include but not limited to the following:

- Developing and reviewing the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and making recommendations; and

- Reviewing and monitoring the training and continuous professional development of directors and senior management.

Summary of the work

The work done by the Corporate Governance Functions for the year ended 31 December 2017 included:

- Developed and reviewed the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and made recommendations;

- Reviewed and monitored the training and continuous professional development of directors and senior management; and

- Reviewed the Group's compliance with the CG Code and disclosure in the "Corporate Governance Report" of the Company.

AUDITOR'S REMUNERATION

Remuneration paid to the Company's former external auditor, SHINEWING (HK) CPA Limited, for non-audit services provided for the year ended 31 December 2017 was HK$300,000. Remuneration paid to the Company's external auditor, RSM Hong Kong, for annual audit services provided for the year ended 31 December 2017 was HK$700,000.

Financial reporting

The Directors acknowledged that they are responsible for the preparation of the consolidated financial statements for the accounting period that are truly and fairly reflect the business, property and cash flows of the Company for that year.

The statement of the auditor regarding their reporting responsibility for the consolidated financial statements is set out in the Independent Auditor's Report on pages 42 to 48.

COMPANY SECRETARY

For the year ended 31 December 2017, Ms. Ma Wai Sze, Aceya is the Company Secretary. She took no less than 15 hours of relevant professional training pursuant to rule 3.29 of the Listing Rules.

Ms. Ma Wai Sze, Aceya resigned as Company Secretary on 24 January 2018 and Miss Ng Weng Sin was appointed as Company Secretary on 24 January 2018.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy on 29 March 2012. Under the Shareholders' communication policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's and the Stock Exchange's websites.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition. Shareholders may send a written requisition to the Board or Company Secretary at the Company's office in Hong Kong for putting forward any proposals to The Board.

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to the Shareholders in its annual report and interim report. The Directors host the annual general meeting each year to meet the Shareholders and answer to their enquiries. The Directors make efforts to attend the annual general meeting so that they may answer any questions from the Shareholders.

The Directors, the Company Secretary or other appropriate members of senior management of the Company will also respond to inquiries from Shareholders and investors promptly.

MAJOR CHANGES TO THE BYE-LAWS

For the year ended 31 December 2017, these were no amendments to the existing Memorandum of Association and Bye-laws.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board oversees the Company's risk management and internal control systems on an ongoing basis. A review was conducted during the year on the Company's and its subsidiaries, risk management and internal control systems and to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. The Board considers these systems are well established to suit the Group's needs and are effective and adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures and training arrangements.

Directors' Report

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the public procurement related businesses, including (i) the development and operation of electronic public procurement platforms and provision of procurement information and other added value services to users of the procurement platforms. Services include such as the supplier authentication, financial services, and supply chain management, etc.; (ii) trading business; and (iii) rental income.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Financial Summary, Chairman's Statement, Management Discussion and Analysis and Corporate Governance Report and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the SFO for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

ENVIRONMENTAL PROTECTION

The Group is responsible for its impact to the environment arising from its business operations. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. During the year ended 31 December 2017, to the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyse on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in Note 11 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 49.

DIVIDEND

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 138.

PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment, prepaid lease payments and investment properties of the Group during the year are set out in Notes 19, 20 and 21 to the consolidated financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's capital and share options during the year are set out in Notes 31 and 34 to the consolidated financial statements respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "**Bye-laws**") or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share Option Scheme

The Company has two share option schemes which was adopted on 12 June 2002 (the "**Old Scheme**") and 13 June 2013 (the "**New Scheme**") respectively. The Old Scheme expired on 11 June 2012.

New Scheme

The Company adopted a new share option scheme pursuant to the ordinary resolution passed by the Shareholders on 13 June 2013 (the "**New Scheme**").

The purpose of the New Scheme is to attract and retain quality personnel and provide them with incentive to contribute to the business and operation of the Group.

Participants under the New Scheme include Directors and employees of the Group.

The principal terms of the New Scheme are summarised as follows:

The New Scheme was adopted for a period of 10 years commencing from 13 June 2013 and was due to expire on 12 June 2023.

Share options may be granted without any initial payment. The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) The nominal value of the shares;

(ii) The closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the share option; and

(iii) The average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the share option.

Under the New Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the New Scheme provided that, inter alia, the Company may seek approval of the Shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme may not, subject to Shareholders' approval, exceed 30% of the share capital of the Company in issue from time to time.

During the year ended 31 December 2017, 100,000,000 options which were granted on 6 June 2014 were lapsed. 363,360,000 options which were granted on 22 December 2015 were lapsed and no options were granted, cancelled and exercised.

As at the date of this annual report, the total number of shares available for issue of the New Scheme is 8,298,000, representing approximately 0.51% of the issued share capital of the Company.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the New Scheme (including both exercised and outstanding share options) in any 12-month period shall not exceed 1% of the share of the Company in issue. Any further grant of share options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by its Shareholders in accordance with the New Scheme.

Details of the share options movements during the year under the New Scheme are as follows:

Name of category	Date of grant of share options	Number of share options: Outstanding as at 01.01.2017 (Note 3)	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2017 (Note 1)	Vesting period	Validity period of share options	Exercise price (Note 2) (HK$)
Directors										
Zheng Jinwei	22.12.2015	2,000,000	—	—	—	—	2,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Ho Wai Kong	22.12.2015	2,000,000	—	—	—	—	2,000,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
He Qian	22.12.2015	500,000	—	—	—	—	500,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Chen Limin	22.12.2015	500,000	—	—	—	—	500,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Wong Yan Ki, Angel	22.12.2015	500,000	—	—	—	—	500,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Deng Xiang	22.12.2015	500,000	—	—	—	—	500,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Cheng Yuanzhong (resigned on 27 March 2017)	22.12.2015	2,000,000	—	—	2,000,000	—	—	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Liu Lizhen (resigned on 21 June 2017)	22.12.2015	500,000	—	—	500,000	—	—	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Chan Tze See, Kevin (resigned on 2 March 2017)	22.12.2015	500,000	—	—	500,000	—	—	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Subtotal		9,000,000	—	—	3,000,000	—	6,000,000			
Employees and others	06.06.2014	10,000,000	—	—	10,000,000	—	—	—	06.06.2014 to 05.06.2017	4.15
	22.12.2015	35,634,000	—	—	33,336,000	—	2,298,000	50% of the Options shall vest on 22.12.2015 and 50% of the Options shall vest on 22.06.2017	22.12.2015 to 21.12.2018	2.28
Subtotal		45,634,000	—	—	43,336,000	—	2,298,000			
Total		**54,634,000**	**–**	**–**	**46,336,000**	**–**	**8,298,000 (Note 3)**			

Notes:

1. At the special general meeting held on 10 August 2017, it was approved that every 10 issued and unissued ordinary shares of HK$0.01 each in the capital of the Company to be consolidated into 1 consolidated ordinary share of HK$0.1 each; and every 10 issued and unissued convertible preference shares of HK$0.01 each in the capital of the Company to be consolidated into 1 consolidated convertible preference share of HK$0.1 each (the "**Share Consolidation**"). The Share Consolidation became effective on 11 August 2017.

2. As a result of the Share Consolidation, the exercise price of the share options granted under the share option scheme adopted on 13 June 2013 was adjusted from HK$0.228 per share to HK$2.28 per share.

3. The number of outstanding share options have been adjusted upon the Share Consolidation on the basis of every 10 issued and unissued ordinary shares of HK0.01 each into 1 consolidated ordinary share of HK$0.1 each taking effect from 11 August 2017.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company are set out in the note 36 to the financial statements.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng (Chairman and Chief Executive)*	
Mr. Ho Wai Kong *(Honorary Chairman)*	
Miss Ng Weng Sin, *CPA (HK), EMBA, MCF, MPA (Chief Financial Officer)*	(appointed on 21 June 2017)
Ms. He Qian, *EMBA, BAcc, CPA (PRC)*	
Mr. Cheng Yuanzhong, *B.Phill*	(resigned on 27 March 2017)*

Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*	
Ms. Liu Lizhen, *BEE*	(resigned on 21 June 2017)*

Independent Non-executive Directors

Ms. Wong Yan Ki, Angel, *FCPA (Aust.), FIPA, EMBA, BA*	
Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	
Mr. Jiang Jun, *BAcc*	(appointed on 2 June 2017)
Mr. Chan Tze See, Kevin, *MBA, BSc*	(resigned on 2 March 2017)*

* Mr. Chan Tze See, Kevin resigned as Directors due to other business commitments. Mr. Cheng Yuanzhong resigned as Executive Director and Ms. Liu Lizhen resigned as Non-executive Director due to other business development.

In accordance with clause 87(1) of the Company's Bye-laws, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Mr. Ho Wai Kong, Ms. He Qian and Mr. Chen Limin, will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Ho Wai Kong, Ms. He Qian and Mr. Chen Limin, being eligible, has offered themselves for re-election.

In accordance with clause 86(2) of the Company's Bye-laws, any Director appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Thus, Miss Ng Weng Sin, being a newly appointed Director will retire at the forthcoming annual general meeting and, being eligible, offer herself for-re-election.

The Company has received from each of the Independent Non-executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-executive Directors are independent to the Company.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into formal service contracts with the Company for a term of 3 years and are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B (1) of the Listing Rules, the changes of information on Directors between 1 September 2017 (after the date of approval of the Company's 2017 Interim Report) and 29 March 2018 (being the date of approval of 2017 Annual Report) are as follows:

1. Mr. Zheng Jinwei was appointed as director of Positive Rise Holdings Limited and Hero Joy International Limited, the subsidiaries of the Company with effect from 25 October 2017. Mr. Zheng's service contract as an Executive Director, Chairman of the Board and Chief Executive has been renewed for a term of 3 years commencing from 23 December 2017 to 22 December 2020. His emolument was a monthly director's fee of HK$50,000.

2. Mr. Deng Xiang's service contract as an Independent Non-executive Director has been renewed for a term of 3 years commencing from 25 September 2017 to 24 September 2020. His emolument was a monthly director's fee of HK$25,000.

3. Miss Ng Weng Sin was appointed as company secretary and authorised representative of the Company with effect from 24 January 2018. She was appointed as director of Public Procurement Limited with effect from 12 March 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

		Number of shares/underlying shares in the Company			
Name of Directors	**Capacity**	**Interest in shares (Note 5)**	**Derivative interests (Note 5)**	**Total interests**	**Total interests as to percentage of the issued share capital of the Company as at 31.12.2017 (approximately)**
Zheng Jinwei	Corporate interest	6,000,000 (Note 3)	—	6,000,000	0.37%
	Beneficial interest	—	2,000,000 (Note 4)	2,000,000	0.12%
Ho Wai Kong	Corporate interest	63,167,272 (Note 1)	—	63,167,272	3.92%
	Beneficial interest	4,048,728	2,000,000 (Note 4)	6,048,728	0.38%
	Spousal interest	27,934,800 (Note 2)	—	27,934,800	1.73%
He Qian	Beneficial interest	—	500,000 (Note 4)	500,000	0.03%
Chen Limin	Beneficial interest	—	500,000 (Note 4)	500,000	0.03%
Wong Yan Ki, Angel	Beneficial interest	—	500,000 (Note 4)	500,000	0.03%
Deng Xiang	Beneficial interest	—	500,000 (Note 4)	500,000	0.03%

Notes:

1. Mr. Ho Wai Kong is interested in 63,167,272 shares under controlled corporation, of which 63,117,272 shares are held by Master Top Investments Limited, an associated corporation of the Company, and 50,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong.

2. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 27,934,800 shares held by Ms. Guo Binni under the SFO.

3. These 6,000,000 shares are held by Samway International Enterprise Limited which is incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Zheng Jinwei.

4. These share options were granted by the Company under the New Scheme.

5. Every 10 of the existing issued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated ordinary share of HK$0.10 each with effect from 11 August 2017.

6. As at 31 December 2017, the issued share capital of the Company was 1,611,517,254 shares.

Save as disclosed above, as at 31 December 2017, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2017, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of HK$0.1 each of the Company

Name of Shareholders	Capacity	Number of shares interested	Number of share options interested	Total interests	Percentage of the issued share capital as at 31 December 2017
Zhao Liuqing	Beneficial interest	268,586,000		268,586,000	16.67%
Champion Union Investments Limited (Note 1)	Beneficial interest	—	—	101,698,800	6.31%
Fan Xiulian (Note 2)	Corporate interest	—	—	101,698,800	6.31%
Guo Binni (Note 3)	Beneficial interest	27,934,800	—	27,934,800	1.73%
	Spousal interest	67,216,000	2,000,000	69,216,000	4.30%

Notes:

1. Champion Union Investments Limited directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited, which are the Shareholders.

2. Ms. Fan Xiulian owns Champion Union Investments Limited, which directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited.

3. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 63,167,272 shares under his controlled corporation. She is also deemed to be interested in 6,048,728 shares held by Mr. Ho Wai Kong, including 2,000,000 Share options granted under the New Scheme.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2017.

COMPETING INTERESTS

As at 31 December 2017, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

RELATED PARTY TRANSACTIONS

Please refer to note 44 to the consolidated financial statements in this annual report for details of the related party transactions pursuant to HKFRSs and those related party transactions disclosed in note 44 are not considered as connected transactions, or are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 74% of the total sales for the year, in which sales to the largest customer represented approximately 61% of the total sales of the year. One of the top five customers which accounted for 6% of total sales is a non-controlling shareholder of a subsidiary of the Group.

The cost of sales mainly consists of purchase, depreciation, staff cost and sub-contractor fee. The purchases from the Group's five largest suppliers for trading and services rendered, amounted to 99% of the total purchases for the year, in which purchases from the largest suppliers represented approximately 97% of the total purchases of the year. One of the top five suppliers which accounted for 1% of total purchases is a non-controlling shareholder of a subsidiary of the Group.

None of the Directors, their close associates or any substantial shareholder has an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2017 and up to the date of this report.

CHANGE OF AUDITORS

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

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by RSM Hong Kong.

RSM Hong Kong will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

Zheng Jinwei
Chairman

Hong Kong, 29 March 2018

RSM

TO THE SHAREHOLDERS OF CHINA PUBLIC PROCUREMENT LIMITED
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Public Procurement Limited and its subsidiaries (the "**Group**") set out on pages 49 to 137, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

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

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

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss and net operating cash outflows of approximately HK$179,544,000 and HK$27,263,000 respectively during the year ended 31 December 2017. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters we identified are:

1. Valuation of investment properties

2. Impairment assessment of intangible assets

Key Audit Matter	**How our audit addressed the Key Audit Matter**
1. Valuation of investment properties Refer to notes 6(b)(iv) and 21 to the consolidated financial statements Management has estimated the fair value of the Group's investment properties to be approximately HK$279,052,000 as at 31 December 2017 and a fair value gains on investment properties of approximately HK$16,717,000 was recorded in the consolidated statement of profit or loss for the year ended 31 December 2017. An independent external valuation was obtained in order to support management's estimate. The valuation of the investment properties involved significant unobservable inputs which require significant management judgement.	Our procedures in relation to this matter included: — Evaluating the independent external valuer's competence, capabilities and objectivity; — Assessing the appropriateness of the valuation methodology used; — Assessing the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the properties; — Checking on a sample basis, the accuracy and relevance of the input data used; and — Assessing the adequacy of the disclosures in relation to the fair value measurement of the investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment assessment of intangible assets Refer to notes 6(b)(iii) and 22 to the consolidated financial statements As at 31 December 2017, the Group had intangible assets with carrying amount of approximately HK$9,301,000 which attributable to the public procurement segment. Management has performed impairment assessment on these assets by estimating the value in use of the public procurement cash-generating unit (the "**CGU**") and no impairment loss of intangible assets was recognised in profit or loss during the year. An independent external valuation was obtained in order to support management's estimate. The value in use calculations required significant management judgement in respect of estimated future cash flows expected to arise from the CGU and other economic assumptions such as discount rate.	Our procedures in relation to this matter included: — Evaluating the independent external valuer's competence, capabilities and objectivity; — Assessing the integrity of the value in use models; — Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; — Checking input data to supporting evidence including approved budgets and considering the accuracy of management's past budgets; — Assessing the appropriateness of the discount rate adopted by management with the assistance of our internal valuation specialists; and — Performing sensitivity analysis to assess the impact of reasonably possible changes.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed a qualified opinion on those statements on 31 March 2017 as a result of the limitation of scope based on reasons summarised in the Basis for Qualified Opinion section of our report.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, certain impairment losses made in the year ended 31 December 2017 should be recorded in prior year instead and we were unable to obtain sufficient appropriate evidence about the opening balances of deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from an ex-substantial shareholder and its subsidiaries which would have a consequential effect on the Group's financial performance for the year ended 31 December 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Liu Eugene.

RSM Hong Kong
Certified Public Accountants

Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Revenue	9	**64,837**	51,216
Cost of sales		**(47,608)**	(33,848)
Gross profit		**17,229**	17,368
Other income and gains	10	**26,482**	48,971
Administrative expenses		**(53,005)**	(108,676)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries		**(72,495)**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary		**(15,000)**	—
Impairment loss of intangible assets		**—**	(35,651)
Impairment loss of loan receivables		**(40,207)**	(60,300)
Impairment loss of property, plant and equipment		**—**	(2,683)
Impairment loss/write-off of trade and other receivables		**(38,961)**	(58,990)
Loss on early redemption of convertible bonds		**(3,994)**	—
Reversal of impairment loss of trade and other receivables		**10,183**	292
Write-off of an associate		**(1,181)**	—
Loss from operations		**(170,949)**	(199,669)
Finance costs	12	**(11,164)**	(2,006)
Loss before tax		**(182,113)**	(201,675)
Income tax credit/(expense)	13	**2,569**	(9,126)
Loss for the year	14	**(179,544)**	(210,801)
Attributable to:			
Owners of the Company		**(176,395)**	(208,224)
Non-controlling interests		**(3,149)**	(2,577)
		(179,544)	(210,801)
Loss per share	18		
Basis (HK cents per share)		**(12.81)**	(15.54)
Diluted (HK cents per share)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

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

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31/12/2017 HK$'000	At 31/12/2016 HK$'000 (Restated)	At 01/01/2016 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	19	**3,442**	5,322	13,101
Prepaid land lease payments	20	**4,544**	4,319	4,727
Investment properties	21	**279,052**	243,264	236,288
Intangible assets	22	**10,813**	10,178	49,155
Investment in an associate	23	**—**	1,307	1,307
Available-for-sale financial assets	24	**4,871**	—	—
Deposit paid for potential acquisition of a subsidiary	25	**—**	15,000	—
Deferred tax assets	37	**—**	811	866
Total non-current assets		**302,722**	280,201	305,444
Current assets				
Prepaid land lease payments	20	**102**	95	95
Inventories — raw materials		**480**	—	—
Trade and other receivables	26	**21,312**	51,001	159,637
Loan receivables	27	**25,221**	40,233	100,534
Amount due from a director		**—**	—	1,000
Amounts due from an ex-substantial shareholder and its subsidiaries	28	**—**	70,686	66,942
Financial assets at fair value through profit or loss	29	**4,564**	2,233	—
Current tax assets		**617**	—	—
Pledged bank deposits	30	**96,080**	11,142	11,917
Bank and cash balances	30	**43,270**	37,860	51,529
Total current assets		**191,646**	213,250	391,654
TOTAL ASSETS		**494,368**	493,451	697,098
EQUITY AND LIABILITIES				
Share capital	31	**161,152**	134,293	132,880
Convertible preference shares		**—**	—	43
Reserves	33	**74,583**	197,949	400,685
Equity attributable to owners of the Company		**235,735**	332,242	533,608
Non-controlling interests		**(6,073)**	(1,593)	826
Total equity		**229,662**	330,649	534,434

	Notes	At 31/12/2017 HK$'000	At 31/12/2016 HK$'000 (Restated)	At 01/01/2016 HK$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	38	**40,834**	—	—
Deferred income	35	**5,090**	5,010	6,264
Convertible bonds	36	**—**	24,861	—
Deferred tax liabilities	37	**42,383**	33,466	27,073
Total non-current liabilities		**88,307**	63,337	33,337
Current liabilities				
Bank and other borrowings	38	**13,211**	26,423	35,792
Trade and other payables	39	**125,818**	29,696	41,008
Amounts due to an ex-substantial shareholder and its subsidiaries	40	**2,816**	2,620	9,606
Current tax liabilities		**34,554**	40,726	42,921
Total current liabilities		**176,399**	99,465	129,327
TOTAL EQUITY AND LIABILITIES		**494,368**	493,451	697,098
Net current assets		**15,247**	113,785	262,327
Total assets less current liabilities		**317,969**	393,986	567,771

Approved by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Zheng Jinwei **Ng Weng Sin**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital	Preference share capital	Share premium	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016, as previously reported	132,880	43	7,095,274	8,390	88,496	15,638	161,503	3,492	—	(6,988,548)	517,168	826	517,994
Retrospective restatement (note 4)	—	—	—	—	—	—	—	—	—	16,440	16,440	—	16,440
At 1 January 2016, as restated	132,880	43	7,095,274	8,390	88,496	15,638	161,503	3,492	—	(6,972,108)	533,608	826	534,434
Total comprehensive income for the year	—	—	—	—	—	—	(25,846)	—	—	(208,224)	(234,070)	(2,577)	(236,647)
Issue of shares by subscription (note 31(b))	500	—	10,500	—	—	—	—	—	—	—	11,000	—	11,000
Issue of shares by capitalisation of other borrowing (note 31(c))	870	—	11,397	—	—	—	—	—	—	—	12,267	—	12,267
Issue of shares by conversion of preference shares (note 31(d))	43	(43)	—	—	—	—	—	—	—	—	—	—	—
Equity component of convertible bonds (note 36)	—	—	—	—	—	—	—	—	5,139	—	5,139	—	5,139
Appropriation to statutory reserve	—	—	—	—	—	16	—	—	—	(16)	—	—	—
Share-based payments	—	—	—	—	4,298	—	—	—	—	—	4,298	—	4,298
Transfer of reserve upon lapse of share options	—	—	—	—	(36,517)	—	—	—	—	36,517	—	—	—
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	1,911	1,911
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(1,753)	(1,753)
Changes in equity for the year	1,413	(43)	21,897	—	(32,219)	16	(25,846)	—	5,139	(171,723)	(201,366)	(2,419)	(203,785)
At 31 December 2016	134,293	—	7,117,171	8,390	56,277	15,654	135,657	3,492	5,139	(7,143,831)	332,242	(1,593)	330,649

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company												
	Share capital	Share premium	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	Convertible bonds reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017, as previous report	134,293	7,117,171	8,390	56,277	15,654	136,957	3,492	5,139	—	(7,164,653)	312,720	(1,593)	311,127
Retrospective restatement (note 4)	—	—	—	—	—	(1,300)	—	—	—	20,822	19,522	—	19,522
At 1 January 2017, as restates	134,293	7,117,171	8,390	56,277	15,654	135,657	3,492	5,139	—	(7,143,831)	332,242	(1,593)	330,649
Total comprehensive income for the year	—	—	—	—	—	16,418	—	—	(1,093)	(176,395)	(161,070)	(3,528)	(164,598)
Issue of shares by subscription (note 31(e))	26,859	36,448	—	—	—	—	—	—	—	—	63,307	—	63,307
Redemption of convertible bonds	—	—	—	—	—	—	—	(5,139)	—	5,139	—	—	—
Appropriation to statutory reserve	—	—	—	—	90	—	—	—	—	(90)	—	—	—
Share-based payments	—	—	—	304	—	—	—	—	—	—	304	—	304
Transfer of reserve upon lapse of share options	—	—	—	(47,500)	—	—	—	—	—	47,500	—	—	—
Deemed acquisition of equity interests of a subsidiary from non-controlling interests	—	—	—	—	—	—	—	—	—	952	952	(952)	—
Changes in equity for the year	26,859	36,448	—	(47,196)	90	16,418	—	(5,139)	(1,093)	(122,894)	(96,507)	(4,480)	(100,987)
At 31 December 2017	161,152	7,153,619	8,390	9,081	15,744	152,075	3,492	—	(1,093)	(7,266,725)	235,735	(6,073)	229,662

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(182,113)**	(201,675)
Adjustments for:		
Amortisation of deferred income	**(289)**	(860)
Amortisation of intangible assets	**131**	134
Amortisation of prepaid land lease payments	**99**	100
Depreciation	**2,001**	4,368
Equity-settled share-based payments	**304**	36,180
Fair value gains on investment properties	**(16,717)**	(23,394)
Finance costs	**11,164**	2,006
Gain on disposal of property, plant and equipment	**(1,180)**	—
Gain on settlement of indebtedness	**—**	(12,093)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	**72,495**	—
Impairment loss of deposit paid for potential acquisition of a subsidiary	**15,000**	—
Impairment loss for intangible assets	**—**	35,651
Impairment loss for loan receivables	**40,207**	60,300
Impairment loss for property, plant and equipment	**—**	2,683
Impairment loss/write-off of trade and other receivables	**38,961**	58,990
Interest income	**(1,422)**	(3,744)
Loss on early redemption of convertible bonds	**3,994**	—
Reversal of impairment loss of trade and other receivables	**(10,183)**	(292)
Reversal of provision of other tax payables	**(4,859)**	—
Write-off of an associate	**1,181**	—
Write-off of property, plant and equipment	**755**	40
Write-back of agency payable to an ex-substantial shareholder	**—**	(8,180)
Operating loss before working capital changes	**(30,471)**	(49,786)
Increase in inventories	**(480)**	—
Decrease in trade and other receivables	**1,351**	12,501
Increase in amounts due from an ex-substantial shareholder and its subsidiaries	**—**	(358)
Increase in financial assets at fair value through profit or loss	**(2,331)**	(2,233)
Increase/(decrease) in trade and other payables	**4,901**	(8,957)
Cash used in operations	**(27,030)**	(48,833)
Income taxes paid	**(877)**	(544)
Interest received	**644**	—
Net cash used in operating activities	**(27,263)**	(49,377)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017	2016
	HK$'000	HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance to an ex-substantial shareholder and its subsidiaries	—	(11)
Deposit paid for potential acquisition of a subsidiary	—	(15,000)
Increase in pledged bank deposits	(84,938)	—
Interest received	355	93
Loans advanced	(24,295)	—
Proceeds from disposal of property, plant and equipment	1,180	—
Purchase of available-for-sale financial assets	(5,784)	—
Purchases of property, plant and equipment	(197)	(127)
Repayment from an ex-substantial shareholder and its subsidiaries	—	47
Repayment from a director	—	1,000
Net cash used in investing activities	(113,679)	(13,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from an ex-substantial shareholder and its subsidiaries	—	11
Bank and other borrowings raised	131,887	14,513
Capital injection from non-controlling interests	—	1,911
Dividend paid to non-controlling interests	—	(1,753)
Interest paid	(10,019)	(1,646)
Proceeds from discounting of bills payables	96,080	—
Proceeds from issue of convertible bonds	—	30,000
Proceeds from issue of shares	63,307	11,000
Redemption of convertible bonds	(30,000)	—
Repayment of bank and other borrowings	(106,776)	—
Repayment to an ex-substantial shareholder and its subsidiaries	—	(1,653)
Net cash generated from financing activities	144,479	52,383
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,537	(10,992)
Effect of foreign exchange rate changes	1,873	(2,677)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	37,860	51,529
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	43,270	37,860
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	43,270	37,860

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 45 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as the "Group") are disclosed below.

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

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

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

(a) The Group has been taking stringent cost controls; and

(b) The Group has obtained the credit facilities of RMB80,000,000 (equivalents to approximately HK$96,080,000) from a bank in the Peoples' Republic of China (the "**PRC**") by pledging the Group's non-current assets. As at 31 December 2017, facilities of RMB40,000,000 (equivalents to approximately HK$48,040,000) has been utilised by the Group.

2. BASIS OF PREPARATION (Continued)

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 41(b).

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

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

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

HKFRS 9 Financial Instruments

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

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

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

(a) Classification and measurement

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

(b) Impairment

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

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

Timing of revenue recognition

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

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

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

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

Timing of revenue recognition (Continued)

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

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

HKFRS 16 Leases

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

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

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

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

HKFRS 16 Leases (Continued)

As disclosed in note 43, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$2,441,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

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

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

4. RETROSPECTIVE RESTATEMENT

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

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

(a) Restatement of deferred income

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

(b) Restatement of deferred tax liabilities

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

(c) Reclassification adjustments

Reclassification adjustments are summarised as follows:

— Reclassification of rental income from other income to revenue. Details refer to note 11;

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

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

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

4. RETROSPECTIVE RESTATEMENT (Continued)

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

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

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

4. RETROSPECTIVE RESTATEMENT (Continued)

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

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

4. RETROSPECTIVE RESTATEMENT (Continued)

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Associate

Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Associate (Continued)

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associate have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HKD**"), which is the Company's functional and presentation currency.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write-off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvements	Over the term of the lease or 25% (whichever is the shorter)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(g) Intangible assets

(i) Computer software and software copyrights acquired

Computer software and software copyrights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

(ii) Online platform promotion right, online platform development and technical support right and software technology knowhow acquired

Online platform promotion right, online platform development and technical support right and software technology knowhow with indefinite useful lives are stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that these assets have suffered an impairment loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from trading of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

Revenue from public procurement services and corporate IT solution services are recognised as services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of non-financial assets (Continued)

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(y) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade and other receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and other receivables and loan receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of financing facilities from a bank at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(a) Critical judgements in applying accounting policies (Continued)

(ii) Useful lives of intangible assets

Online platform promotion right, online platform development and technical support right and software technology knowhow acquired by the Group are classified as intangible assets with indefinite useful lives in accordance with HKAS 38 "**Intangible Assets**" ("**HKAS 38**"). This conclusion is supported by the fact that there are no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Under HKAS 38, the Group re-evaluates the useful lives of its software technology knowhow at the end of the reporting period and concluded that the view of indefinite useful lives for these assets is still valid.

(iii) Distinction between investment properties and owner-occupied properties

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(iv) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 December 2017 was approximately HK$3,442,000 (2016: HK$5,322,000).

(ii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax credit of approximately HK$2,569,000 was credited to profit or loss (2016: income tax expense of approximately HK$9,126,000 was charged to profit or loss).

(iii) Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of intangible assets at the end of the reporting period was HK$10,813,000 (2016: HK$10,178,000) after an impairment loss of HK$Nil (2016: HK$35,651,000) recognised during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Fair value of investment properties

The Group appointed an independent professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2017 was HK$279,052,000 (2016: HK$243,264,000).

(v) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the deposit paid for potential acquisition of a subsidiary, trade and other receivables, loan receivables and amounts due from an ex-substantial shareholder and its subsidiaries, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of these assets and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

During the year, impairment loss/reversal of impairment loss for bad and doubtful debts of HK$166,663,000 (2016: HK$119,290,000)/HK$10,183,000 (2016: HK$292,000) was charged/credited to profit or loss.

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of respective Group entities such as HKD and Renminbi ("**RMB**"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group is exposed to equity price risk mainly through its investment in equity security. Investment would be closely monitored by the directors. The Group's equity price risk is concentrated on equity security quoted on the National Equities Exchange and Quotations of the PRC.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity price had been 10% higher/lower, other comprehensive income for the year ended 31 December 2017 would increase/decrease by HK$487,000 as a result of the changes in fair value of available-for-sale investment.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The directors of the Company consider that the credit risk associated with loan receivables and amounts due from an ex-substantial shareholder and its subsidiaries are under control since the directors of the Company have exercised due care in granting credit and check the financial position of the debtors on a regular basis.

7. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group has certain concentrations of credit risk as the largest debtor accounted for 73% (2016: 71%), 59% (2016: 15%) and 52% (2016: 99%) of the Group's trade receivables, other receivables and loan receivables as at 31 December 2017 respectively. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances, available-for-sale financial assets and financial assets at fair value through profit or loss is limited because the counterparties are well-established banks and financial institution.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2017					
Trade and other payables	**120,368**	**—**	**—**	**—**	**120,368**
Amounts due to a shareholder and its subsidiaries	**2,816**	**—**	**—**	**—**	**2,816**
Bank and other borrowings	**18,128**	**6,936**	**19,238**	**24,422**	**68,724**
As at 31 December 2016					
Trade and other payables	28,401	—	—	—	28,401
Amounts due to a shareholder and its subsidiaries	2,620	—	—	—	2,620
Bank and other borrowings	27,202	—	—	—	27,202
Convertible bonds	2,100	32,100	—	—	34,200

7. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits, bank and other borrowings, convertible bonds and certain of amounts due from an ex-substantial shareholder and its subsidiaries. Pledged bank deposits, convertible bonds, certain of amounts due from an ex-substantial shareholder and its subsidiaries and other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest value risk. Other bank deposits and bank borrowing bear interests at variable rates varied with the then prevailing market condition.

The effect of changes in interest rates is not significant to these consolidated financial statements. Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(f) Categories of financial instruments at 31 December 2017

	2017	2016
	HK$'000	HK$'000
Financial assets:		
Available-for-sale financial assets	**4,871**	—
Financial assets at fair value through profit or loss — held for trading	**4,564**	2,233
Loans and receivables (including cash and cash equivalents)	**176,897**	190,223
Financial liabilities:		
Financial liabilities at amortised cost	**177,229**	82,305

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2017:

	Fair value measurements using:			Total
Description	Level 1	Level 2	Level 3	**2017**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Available-for-sale financial assets — listed equity security	4,871	—	—	**4,871**
Financial assets at fair value through profit or loss — structured deposits	—	4,564	—	**4,564**
Investment properties				
Commercial units situated in the PRC	—	—	279,052	**279,052**
Total	4,871	4,564	279,052	**288,487**

8. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2017: (Continued)

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2016
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at fair value through profit or loss — structured deposits	—	2,233	—	2,233
Investment properties				
Commercial units located in the PRC	—	243,264	—	243,264
Total	—	245,497	—	245,497

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Investment properties
	HK$'000
At 1 January 2017	—
Transfers from Level 2	243,264
Total gains recognised in profit or loss	16,717
Exchange differences	19,071
At 31 December 2017	279,052
Total gains recognised in profit or loss for assets held at end of the reporting period	16,717

During the year, investment properties amounted to HK$243,264,000 were transferred from measurement based on level 2 to level 3 as a result of lack of recent sale of comparable properties in the market and valuation technique applied is changed from market comparison approach in 2016 to income capitalisation approach in 2017.

The total gains recognised in profit or loss for assets held at end of the reporting period of approximately HK$16,717,000 are presented in other income and gains in the consolidated statement of profit or loss.

8. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purpose, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussion of valuation processes and results are held between the financial controller and the Board of Directors once a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation Technique	Inputs	Fair value **2017**	2016
			HK$'000	HK$'000
Assets				
Commercial units located in the PRC	Market comparison approach	Price per square metre	**–**	243,264
Structured deposits	Market comparison approach (2016: Discounted cash flow)	Price per unit of investment (2016: Discount rate)	**4,564**	2,233

8. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017: (Continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017	Fair value 2016
					HK$'000	HK$'000
Commercial units located in the PRC	Income capitalisation	Terminal yield	6.5%	Decrease	**279,052**	—
		Reversionary yield	7%	Decrease		
		Monthly rental (RMB/square metre)	35–66	Increase		

Valuation technique of structured deposits changed from discounted cash flow approach in 2016 to market comparison approach in 2017. The change was due to the fact that there were recent observable transactions in the market. The adoption of market comparison approach is more appropriate in measuring the fair value of the structured deposits.

9. REVENUE

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

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

10. OTHER INCOME AND GAINS

	2017	2016
	HK$'000	HK$'000 (Restated)
Bank interest income	**355**	93
Exchange gains	**—**	278
Fair value gains on investment properties	**16,717**	23,394
Gains on disposals of financial assets at fair value through profit or loss — held for trading	**14**	—
Gain on disposal of property, plant and equipment	**1,180**	—
Gain on settlement of indebtedness (note 31(c))	**—**	12,093
Government grants — amortisation of deferred income (note 35)	**289**	860
Government grants (note)	**479**	—
Interest income from a debtor	**1,067**	—
Interest income from an ex-substantial shareholder and its subsidiaries	**—**	3,651
Reversal of provision of other tax payables	**4,859**	—
Sundry income	**1,522**	422
Write-back of agency fee payable to an ex-substantial shareholder	**—**	8,180
	26,482	48,971

Note:

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

11. SEGMENT INFORMATION

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

The Group has four operating segments as follows:

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

11. SEGMENT INFORMATION (Continued)

During the year, the rental income provided stable capital resources for the Group, and supported part of the Group's operating and development expenses. Due to its great significance, the rental income became one of the businesses under the management's concern. In compliance with the requirements of HKFRS 8 "**Operating Segments**", the Group is now organised into four (2016: three) operating and reportable segments as above.

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

The accounting policies of the operating segments are the same as those described in note 5 to the consolidated financial statements.

Segment profits or losses do not include directors' emoluments and remaining administrative expenses, fair value gains on investment properties and remaining other income and gains, finance costs, impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries, impairment loss of deposit paid for potential acquisition of a subsidiary, impairment loss/reversal of impairment loss of certain receivables, loss on early redemption of convertible bonds and write-off of an associate.

Segment assets do not include amounts due from an ex-substantial shareholder and its subsidiaries, available-for-sale financial assets, bank and cash balances, certain intangible assets, certain property, plant and equipment, certain other receivables, current tax assets, deferred tax assets, deposit paid for potential acquisition of a subsidiary, financial assets at fair value through profit or loss, investment in an associate, loan receivables, pledged bank deposits and prepaid land lease payments.

Segment liabilities do not include amounts due to an ex-substantial shareholder and its subsidiaries, bank and other borrowings, certain other payables, convertible bonds, current tax liabilities, deferred income and deferred tax liabilities.

Segment non-current assets do not include deferred tax assets and deposit paid for potential acquisition of a subsidiary. This is the measure reported to CODM for the purposes of resources allocation and performance assessment.

11. SEGMENT INFORMATION (Continued)

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

Information about reportable segment profit or loss:

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

11. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss: (Continued)

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

11. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue and profit or loss:

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

11. SEGMENT INFORMATION (Continued)

Reconciliations of segment assets, liabilities and other material items:

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

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

11. SEGMENT INFORMATION (Continued)

Geographical information:

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

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

Revenue from major customers:

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

12. FINANCE COSTS

	2017	2016
	HK$'000	HK$'000
Interest for discounting bills (note)	**5,147**	—
Interest on bank borrowing	**1,455**	165
Interest on convertible bonds (note 36)	**2,134**	—
Interest on other borrowings	**2,428**	1,841
	11,164	2,006

Note:

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

13. INCOME TAX (CREDIT)/EXPENSE

	2017	2016
	HK$'000	HK$'000 (Restated)
Current tax — the PRC		
Provision for the year	15	—
(Over)/under-provision in prior years	(9,571)	591
	(9,556)	591
Deferred tax (note 37)	6,987	8,535
	(2,569)	9,126

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

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

The reconciliation between the income tax (credit)/expense and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2017	2016
	HK$'000	HK$'000 (Restated)
Loss before tax	(182,113)	(201,675)
Tax at the PRC Enterprise Income Tax rate of 25% (2016: 25%)	(45,528)	(50,419)
Tax effect of income that is not taxable	(2,546)	(3,831)
Tax effect of expenses that are not deductible	39,337	55,650
Tax effect of utilisation of tax losses not previously recognised	(30)	(383)
Tax effect of tax losses not recognised	5,084	3,025
Tax effect of temporary difference not recognised	(1,073)	—
Write down of temporary difference previously recognised	841	—
Effect of different tax rates of subsidiaries	9,533	1,680
Land appreciation tax	2,700	4,196
Tax effect of land appreciation tax	(675)	(1,049)
Tax effect of tax concession	(641)	(334)
(Over)/under-provision in prior years	(9,571)	591
Income tax (credit)/expense	(2,569)	9,126

14. LOSS FOR THE YEAR

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

	2017	2016
	HK$'000	HK$'000
Amortisation of intangible assets (included in administrative expenses)	**131**	134
Auditor's remuneration	**700**	800
Cost of inventories sold	**39,622**	26,033
Depreciation	**2,001**	4,368
Direct operating expenses of investment properties that generate rental income	**998**	801
Equity-settled share-based payments	**304**	35,570
Exchange loss, net	**55**	—
Operating lease charges — land and buildings	**3,285**	5,471
Write-off of property, plant and equipment	**755**	40

15. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2017	2016
	HK$'000	HK$'000
Salaries, bonuses and allowances	**27,152**	29,803
Retirement benefits scheme contributions	**1,898**	2,129
Equity-settled share-based payments	**304**	4,298
	29,354	36,230

15. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2016: three) directors whose emoluments are reflected in the analysis presented in note 16.

The five highest paid individuals in the Group for the year ended 31 December 2017 included Ms. Ng Weng Sin who was employed as an employee of the Company on 23 December 2016 and was appointed as an executive director of the Company on 14 June 2017. Her emolument, including those disclosed in note 16, and the remaining three individuals are set out as follows:

	2017
	HK$'000
Basic salaries and allowances	**4,438**
Discretionary bonus	**—**
Retirement benefits scheme contributions	**142**
Equity-settled share-based payments	**196**
	4,776

The five highest paid individuals in the Group for the year ended 31 December 2016 also included Mr. Wong Wei Kit who resigned as an executive director of the Company on 14 July 2016 and remained as an employee of the Group until September 2017. His emolument, including those disclosed in note 16, and the remaining one individual are set out as follows:

	2016
	HK$'000
Basic salaries and allowances	2,569
Discretionary bonus	—
Retirement benefits scheme contributions	111
Equity-settled share-based payments	189
	2,869

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
	HK$'000	HK$'000
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**3**	2

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Zheng Jinwei (Chairman and Chief Executive)	**600**	**–**	**–**	**360**	**132**	**–**	**–**	**–**	**1,092**
Mr. Ho Wai Kong (Honorary Chairman)	**600**	**–**	**–**	**360**	**–**	**–**	**–**	**–**	**960**
Ms. Ng Weng Sin (Note (ii))	**158**	**–**	**–**	**–**	**–**	**–**	**–**	**643**	**801**
Ms. He Qian	**120**	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**210**
Mr. Cheng Yuanzhong (Note (iii))	**29**	**–**	**–**	**(778)**	**–**	**–**	**–**	**–**	**(749)**
Mr. Chen Limin	**300**	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**390**
Ms. Liu Lizhen (Note (iv))	**142**	**–**	**–**	**(195)**	**–**	**–**	**–**	**–**	**(53)**
Ms. Wong Yan Ki Angel	**360**	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**450**
Mr. Deng Xiang	**300**	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**390**
Mr. Jiang Jun (Note (v))	**194**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**194**
Mr. Chan Tze See, Kevin (Note (vi))	**52**	**–**	**–**	**(195)**	**–**	**–**	**–**	**–**	**(143)**
Total for 2017	**2,855**	**–**	**–**	**(88)**	**132**	**–**	**–**	**643**	**3,542**

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Cheng Yuanzhong (Chairman)	287	—	—	1,183	—	—	—	—	1,470
Mr. Ho Wai Kong (Honorary Chairman)	1,338	—	—	757	—	—	—	—	2,095
Mr. Wong Wei Kit (Note (vii))	595	—	—	118	—	—	—	—	713
Mr. Zheng Jinwei (Chief Executive)	861	—	—	757	—	—	—	—	1,618
Ms. He Qian	507	—	—	189	—	—	—	—	696
Mr. Chen Limin	348	—	—	189	—	—	—	—	537
Mr. Hu Wei (Note (viii))	270	—	—	—	—	—	—	—	270
Mr. Wang Ning (Note (ix))	422	—	—	—	—	—	—	—	422
Mr. Yue Yifeng (Note (vii))	202	—	—	—	—	—	—	—	202
Ms. Liu Lizhen	348	—	—	189	—	—	—	—	537
Mr. Chan Tze See, Kevin	307	—	—	189	—	—	—	—	496
Mr. Deng Xiang	307	—	—	189	—	—	—	—	496
Mr. Shen Shaoji (Note (x))	118	—	—	—	—	—	—	—	118
Mr. Wu Fred Fong (Note (xi))	268	—	—	—	—	—	—	—	268
Ms. Wong Yan Ki Angel	327	—	—	189	—	—	—	—	516
Total for 2016	6,505	—	—	3,949	—	—	—	—	10,454

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:
(i) Estimated money values of other benefits include rent of staff quarters paid and equity-settled share-based payments and its reversal.

(ii) Appointed on 21 June 2017.

(iii) Resigned on 27 March 2017.

(iv) Resigned on 21 June 2017.

(v) Appointed on 2 June 2017.

(vi) Resigned on 2 March 2017.

(vii) Resigned on 14 July 2016.

(viii) Resigned on 8 November 2016.

(ix) Resigned 30 September 2016.

(x) Resigned on 31 May 2016.

(xi) Resigned on 15 August 2016.

Neither the chief executive nor any of the directors waived any emoluments during the year (2016: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. DIVIDENDS

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

18. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

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

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2016	2,913	24,669	5,853	5,361	38,796
Additions	—	127	—	—	127
Write-off	—	(426)	—	(1,883)	(2,309)
Exchange differences	(190)	(1,769)	(153)	(100)	(2,212)
At 31 December 2016 and 1 January 2017	2,723	22,601	5,700	3,378	34,402
Additions	—	197	—	—	197
Write-off/disposal	(1,016)	(1,159)	(3,198)	(33)	(5,406)
Exchange differences	168	1,880	166	107	2,321
At 31 December 2017	1,875	23,519	2,668	3,452	31,514
Accumulated depreciation and impairment					
At 1 January 2016	270	16,666	4,796	3,963	25,695
Charge for the year	92	3,588	420	268	4,368
Write-off	—	(409)	—	(1,860)	(2,269)
Impairment loss	—	2,683	—	—	2,683
Exchange differences	(32)	(1,208)	(103)	(54)	(1,397)
At 31 December 2016 and 1 January 2017	330	21,320	5,113	2,317	29,080
Charge for the year	254	1,224	258	265	2,001
Write-off/disposal	(330)	(1,090)	(3,198)	(33)	(4,651)
Exchange differences	34	1,402	132	74	1,642
At 31 December 2017	288	22,856	2,305	2,623	28,072
Carrying amount					
At 31 December 2017	1,587	663	363	829	3,442
At 31 December 2016	2,393	1,281	587	1,061	5,322

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2017, the carrying amount of property, plant and equipment pledged as security for the Group's bank and other borrowings amounted to approximately HK$1,587,000 (2016: HK$1,428,000).

The Group carried out reviews of the recoverable amounts of its property, plant and equipment and intangible assets attributable to the public procurement segment in 2017, having regarded to the change in economic circumstance surrounding that cash-generating unit. The review led to the recognition of impairment losses of approximately HK$Nil (2016: HK$2,683,000) and HK$Nil (2016: HK$35,651,000) for property plant and equipment and intangible assets respectively, that have been recognised in profit or loss. The recoverable amount of approximately HK$10,005,000 (2016: HK$10,897,000) for the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The pre-tax discount rate used was 32.9% (2016: 34.7%).

20. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their net book value are analysed as follows:

	2017	2016
	HK$'000	HK$'000
At 1 January	**4,414**	4,822
Amortisation of prepaid land lease payments	**(99)**	(100)
Exchange differences	**331**	(308)
At 31 December	**4,646**	4,414
Current portion	**(102)**	(95)
Non-current portion	**4,544**	4,319

At 31 December 2017, the carrying amount of prepaid land lease payments pledged as security for the Group's bank and other borrowings amounted to approximately HK$4,646,000 (2016: HK$4,414,000).

21. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	HK$'000
At 1 January	**243,264**	236,288
Fair value gains	**16,717**	23,394
Exchange differences	**19,071**	(16,418)
At 31 December	**279,052**	243,264

Investment properties were revalued at 31 December 2017 and 2016 by Grant Sherman Appraisal Limited, an independent qualified professional valuer, using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition or using income capitalisation approach by reference to net rental income allowing for reversionary income potential.

At 31 December 2017, the carrying amount of investment properties pledged as security for the Group's bank and other borrowings amounted to approximately HK$279,052,000 (2016: HK$74,241,000).

22. INTANGIBLE ASSETS

	Computer software	Online platform promotion right	Online platform development and technical support right	Software technology knowhow	Software copyrights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2016	1,971	9,553	8,360	77,658	27,684	125,226
Exchange differences	(128)	(622)	(544)	(5,053)	(1,801)	(8,148)
At 31 December 2016 and 1 January 2017	1,843	8,931	7,816	72,605	25,883	117,078
Write-off	—	—	—	—	(26,820)	(26,820)
Exchange differences	140	677	592	5,502	937	7,848
At 31 December 2017	1,983	9,608	8,408	78,107	—	98,106
Accumulated amortisation and impairment						
At 1 January 2016	196	9,553	8,360	30,278	27,684	76,071
Amortisation for the year	134	—	—	—	—	134
Impairment loss	—	—	—	35,651	—	35,651
Exchange differences	(19)	(622)	(544)	(1,970)	(1,801)	(4,956)
At 31 December 2016 and 1 January 2017	311	8,931	7,816	63,959	25,883	106,900
Amortisation for the year	131	—	—	—	—	131
Write-off	—	—	—	—	(26,820)	(26,820)
Exchange differences	29	677	592	4,847	937	7,082
At 31 December 2017	471	9,608	8,408	68,806	—	87,293
Carrying amount						
At 31 December 2017	1,512	—	—	9,301	—	10,813
At 31 December 2016	1,532	—	—	8,646	—	10,178

22. INTANGIBLE ASSETS (Continued)

The average remaining amortisation period of the computer software is 7.64 years (2016: 8.32 years).

At 31 December 2017, the carrying amount of intangible assets that assessed as indefinite useful life amounted to approximately HK$9,301,000 (2016: HK$8,646,000). These assets are attributable to the public procurement segment.

During the year, the Group assessed the recoverable amount of the public procurement segment and as a result recognised impairment loss of approximately HK$Nil (2016: HK$35,651,000) in respect of intangible assets attributable to that cash-generating unit. Details of the impairment assessment are disclosed in note 19.

23. INVESTMENT IN AN ASSOCIATE

	2017	2016
	HK$'000	HK$'000
Unlisted investment:		
Share of net assets	**–**	1,307

Details of the Group's associate at 31 December 2016 are as follows:

Name	Place of registration and operation	Particulars of registered capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Guocai South China Metal Exchange Service Limited* ("Guocai South China") 國採華南金屬市場服務有限公司	The PRC	Registered/contributed capital RMB100,000,000/RMB20,000,000	21.5%	Inactive

* For identification purposes only.

23. INVESTMENT IN AN ASSOCIATE (Continued)

The following table shows the Group's share of the amounts of individually immaterial associate that is accounted for using the equity method.

	2017	2016
	HK$'000	HK$'000
At 31 December:		
Carrying amount of interest	**–**	1,307
Year ended 31 December		
Profit from continuing operations	**–**	—
Other comprehensive income	**–**	—
Total comprehensive income	**–**	—

During the year ended 31 December 2017, the Group cannot exercise significant influence on financial and operating policy of Guocai South China. Having regarded to the fact that Guocai South China has been inactive with no revenue generated since 2015, investment in Guocai South China was fully written off during the year. A loss on write-off of an associate of approximately HK$1,181,000 is recognised in profit or loss.

As at 31 December 2016, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to approximately HK$63,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$'000	HK$'000
Equity security listed in the PRC, at fair value	**4,871**	—
Analysed as:		
Non-current assets	**4,871**	—

The fair value of listed security is based on closing price in the market.

Available-for-sale financial assets are denominated in RMB.

At 31 December 2017, the available-for-sale financial assets were pledged as security for the Group's other borrowing.

25. DEPOSIT PAID FOR POTENTIAL ACQUISITION OF A SUBSIDIARY

On 21 December 2015, the Group entered into a sale and purchase agreement with one of its ex-substantial shareholders to acquire the entire issued share capital of a company incorporated in the British Virgin Islands with limited liability for a consideration of approximately HK$1,250,551,000. A refundable cash deposit of approximately HK$15,000,000 had been paid in 2016 in such respect. The deposit paid is only refundable when the proposed transaction is terminated.

During the year, as certain conditions precedent under the acquisition agreement (as supplemented) have not been fulfilled or waived, the acquisition agreement (as supplemented) has lapsed on 30 June 2017. Further details were set out in the Company's announcements dated 21 December 2015, 11 January 2016, 3 February 2016, 19 February 2016, 21 March 2016, 31 March 2016, 29 April 2016, 6 May 2016, 17 May 2016, 17 June 2016, 30 September 2016, 30 November 2016, 29 December 2016, 3 July 2017 and 4 July 2017.

Having regarded to the financial difficulties and deterioration in repayment ability of counterparty, a provision of impairment of approximately HK$15,000,000 (2016: HK$Nil) was recognised in profit or loss during the year.

26. TRADE AND OTHER RECEIVABLES

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

26. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2017, aggregate allowances of approximately HK$84,192,000 (2016: HK$98,726,000) were made for estimated irrecoverable trade and other receivables. These receivables were individually impaired and were related to debtors that are in unexpected difficult economic situations or having disputes over the outstanding balances. Reconciliation of allowance for trade and other receivables:

	Trade receivables	Other receivables	Compensation income receivable	Prepayments for goods	Other prepayments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	—	128,153	—	—	—	128,153
Allowance for the year	9,045	—	5,084	40,834	—	54,963
Amounts written off	—	(78,148)	—	—	—	(78,148)
Reversals	—	(292)	—	—	—	(292)
Exchange differences	—	(5,950)	—	—	—	(5,950)
At 31 December 2016 and 1 January 2017	9,045	43,763	5,084	40,834	—	98,726
Allowance for the year	—	234	3,389	28,570	6,768	38,961
Amounts written off	—	(43,297)	—	—	—	(43,297)
Reversals	(9,373)	(810)	—	—	—	(10,183)
Exchange differences	328	110	—	(520)	67	(15)
At 31 December 2017	—	—	8,473	68,884	6,835	84,192

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

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

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

26. TRADE AND OTHER RECEIVABLES (Continued)

As of 31 December 2017, trade receivables of approximately HK$6,851,000 (2016: HK$6,031,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$'000	HK$'000
Overdue by:		
Within 3 months	**310**	—
3 to 6 months	**57**	—
Over 12 months	**6,484**	6,031
	6,851	6,031

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

Included in trade receivables was an amount due from a non-controlling shareholder of a subsidiary of approximately HK$680,000 (2016: HK$2,355,000).

At 31 December 2017, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK$367,000 (2016: HK$Nil).

During the year ended 31 December 2016, there was direct write-off of trade receivables of HK$4,027,000.

27. LOAN RECEIVABLES

Loan receivables represented advances to independent third parties.

Included in loan receivables was a loan of HK$100,000,000 (2016: HK$100,000,000) of which impairment of HK$40,000,000 (2016: HK$60,000,000) was made during the year. The loan was unsecured, interest-free, 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 announcements dated 5 June 2014.

At 31 December 2017, loan receivables also included loans of HK$12,010,000 and HK$13,211,000, which are unsecured, interest bearing at 0.5% per month and repayable on 19 May 2018 and 13 February 2018 respectively.

Subsequent to the date of the reporting period, approximately HK$9,008,000 out of loan receivables of HK$13,211,000 has been repaid while the remaining balance are extended and repayable on 13 August 2018.

27. LOAN RECEIVABLES (Continued)

Reconciliation of allowance for loan receivables:

	2017	2016
	HK$'000	HK$'000
At 1 January	**60,300**	—
Allowance for the year	**40,207**	60,300
Exchange differences	**30**	—
At 31 December	**100,537**	60,300

28. AMOUNTS DUE FROM AN EX-SUBSTANTIAL SHAREHOLDER AND ITS SUBSIDIARIES

As at 31 December 2016, except for amounts of HK$58,158,000 that are interest-bearing at fixed rate of 3.2%, balances are interest-free, unsecured and repayable on demand.

During the year, an impairment of approximately HK$72,495,000 (2016: HK$Nil) was made for amounts due from an ex-substantial shareholder and its subsidiaries.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	HK$'000
Held for trading		
Structured deposits, at fair value	**4,564**	2,233

The Group establishes fair value by using valuation techniques. These include the use of market comparable approach (2016: discounted cash flow), making maximum use of market inputs and relying as little as possible on entity-specific inputs.

30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2017, the bank and cash balances and pledged bank deposits of the Group denominated in RMB and kept in the PRC aggregately amounted to approximately HK$136,844,000 (2016: HK$30,779,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 December 2017, the bank and cash balances of the Group included a restricted deposit charged as security for the Group's bank borrowing amounted to approximately HK$2,598,000 (2016: HK$Nil).

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

31. SHARE CAPITAL

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

31. SHARE CAPITAL (Continued)

Notes:

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

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

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

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

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

31. SHARE CAPITAL (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group's overall strategy remains unchanged from prior year. The Group regards equity attributable to owners of the Company and net debts (included bank and other borrowings and amounts due to an ex-substantial shareholder and its subsidiaries, net of cash and cash equivalents) as capital, for management purpose. The amount of capital as at 31 December 2017 amounted to approximately HK$249,326,000 (2016: HK$323,425,000), in which the Group considers as optimal having considered the projected capital expenditures and the projected investment opportunities.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the bank borrowing.

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2017, over 25% (2016: over 25%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowing. There have been no breaches in the financial covenants of bank borrowing for the year ended 31 December 2017.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

		As at 31 December	
		2017	2016
	Notes	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**25,196**	25,196
Deposit paid for potential acquisition of a subsidiary		**—**	15,000
Total non-current assets		**25,196**	40,196
Current assets			
Trade and other receivables		**1,708**	9,939
Amounts due from subsidiaries		**211,387**	215,870
Bank and cash balances		**319**	14,533
Total current assets		**213,414**	240,342
TOTAL ASSETS		**238,610**	280,538
EQUITY AND LIABILITIES			
Share capital	31	**161,152**	134,293
Reserves	32(b)	**70,117**	115,624
Total equity		**231,269**	249,917
LIABILITIES			
Non-current liabilities			
Convertible bonds		**—**	24,861
Current liabilities			
Amounts due to subsidiaries		**437**	563
Other payables and accruals		**6,904**	5,197
Total current liabilities		**7,341**	5,760
TOTAL EQUITY AND LIABILITIES		**238,610**	280,538

Approved by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Zheng Jinwei **Ng Weng Sin**

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium	Share-based payments reserve	Convertible bonds reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	7,095,274	88,496	—	332,310	(7,324,670)	191,410
Loss for the year	—	—	—	—	(107,120)	(107,120)
Issue of shares by subscription (note 31(b))	10,500	—	—	—	—	10,500
Issue of shares by capitalisation of other borrowing (note 31(c))	11,397	—	—	—	—	11,397
Equity components of convertible bonds (note 36)	—	—	5,139	—	—	5,139
Share-based payments	—	4,298	—	—	—	4,298
Transfer of reserve upon lapse of share options	—	(36,517)	—	—	36,517	—
At 31 December 2016 and 1 January 2017	7,117,171	56,277	5,139	332,310	(7,395,273)	115,624
Loss for the year	—	—	—	—	(82,259)	(82,259)
Issue of shares by subscription (note 31(e))	36,448	—	—	—	—	36,448
Redemption of convertible bonds	—	—	(5,139)	—	5,139	—
Share-based payments	—	304	—	—	—	304
Transfer of reserve upon lapse of share options	—	(47,500)	—	—	47,500	—
At 31 December 2017	7,153,619	9,081	—	332,310	(7,424,893)	70,117

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be utilised in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued in exchange therefor pursuant to the Group reorganisation.

(iii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 5(t) to the consolidated financial statements.

(iv) Statutory reserve

In accordance with the PRC Company Law and the articles of association of PRC subsidiaries, subsidiaries registered in the PRC are required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entities' capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

33. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 5(c)(iii) to the consolidated financial statements.

(vi) Revaluation reserve

The revaluation reserve has been set up and is dealt with the fair value changes arising from the reclassification of Group's property, plant and equipment and prepaid land lease payments to investment properties.

(vii) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 5(o) to the consolidated financial statements.

(viii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 5(j)(iii) to the consolidated financial statements.

(ix) Contributed surplus

The contributed surplus of the Company represents the difference between the fair value of the aggregate net assets of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued in exchange therefor pursuant to the Group reorganisation.

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 December 2017 and 2016, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

34. EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme was adopted on 13 June 2013 and will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant share options to full-time or part-time employees, directors, suppliers, customers, service providers for research, development and other technological support, advisors or consultants of the Group or its equity investments, shareholders or holders of any securities issued by the Group or its equity investments, or others who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all share options (excluding, for these purposes, share options which have lapsed in accordance with the terms of the Scheme) to be granted under the Scheme shall not exceed 10% of the issued share capital of the Company (the "**Limit**"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant share options beyond the Limit provided that the share options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the share options (including both exercised or outstanding options) under the Scheme to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of share options to a grantee under the Scheme would result in the shares issued and to be issued upon exercise of all share options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The offer for the grant of share options to any director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the share options).

34. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

Where share options are proposed to be granted to a substantial shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of share options would result in the shares issued and to be issued upon exercise of all share options already granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options: (i) representing in aggregate over 0.1% of the issued share capital of the Company and (ii) having an aggregate value (based on the closing price of a share of the Company at each date of the grant of these share options) exceed HK$5 million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting. Similar approval is required for any changes in terms of share options granted to substantial shareholders or independent non-executive directors or any of their respective associates.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

At 31 December 2017, the following share options were outstanding under the Scheme:

Categories	Date of grant	Number of outstanding share options as at 31 December 2017	Vesting period	Exercise period	Exercise price
					HK$
Directors	22 December 2015	6,000,000	50% of the share options vest on 22 December 2015 and 50% of the share option vest on 22 June 2017	22 December 2015 to 21 December 2018	2.28
Employees	22 December 2015	2,298,000	50% of the share options vest on 22 December 2015 and 50% of the share option vest on 22 June 2017	22 December 2015 to 21 December 2018	2.28

34. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

If the options remain unexercised after a period of three years from the date of grant, the options will be expired. Generally, options granted to directors and employees are forfeited in 6 months if the directors and employee leave the Group while options granted to consultants are forfeited immediately if the consultants leave the Group.

Details of the movement of share options during the year are as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at 1 January	**534,500**	**0.270**	865,340	0.420
Forfeited during the year	**(351,520)**	**0.239**	(80,040)	(0.516)
Expired during the year	**(100,000)**	**0.415**	(250,800)	0.708
Share consolidation	**(74,682)**	**—**	—	—
Outstanding at 31 December	**8,298**	**2.280**	534,500	0.270
Exercisable at 31 December	**8,298**	**2.280**	327,250	0.297

The share options outstanding at the end of the year have a weighted average remaining contractual life of 0.97 year (2016: 1.47 years) and the exercise price is HK$2.28 (2016: ranged from HK$0.228 to HK$0.415).

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recorded total expenses of approximately of HK$304,000 (2016: HK$35,570,000) during the year in respect of the Scheme.

35. DEFERRED INCOME

Deferred income represented government subsidies received for the capital investments of the Group. There is no unfulfilled condition relating to those granted and such grants are deferred and released to profit or loss in accordance with the useful lives of the related assets.

	2017	2016
	HK$'000	HK$'000 (Restated)
At 1 January	**5,010**	6,264
Credit to profit or loss for the year (note 10)	**(289)**	(860)
Exchange differences	**369**	(394)
At 31 December	**5,090**	5,010

36. CONVERTIBLE BONDS

On 16 December 2016, the Company entered into a subscription agreement with an independent third party for the issue of 7% convertible bonds ("**CBs**"). On 30 December 2016, the Company issued the CBs due on 29 December 2018 with an aggregate principal amount of HK$30,000,000. The CBs were denominated in HKD and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$0.07625 per share at any time after issuance and up to the close of business on the fifth day prior to the maturity date. The Company may at any time before the maturity date and from time to time by serving at least five business days prior written notice to bondholders to redeem the CBs in whole together with payment of interest accrued up to the date of such early redemption but unpaid. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest.

The net proceeds received from the issue of the convertible bonds have been split between the liability component and the equity component, as follows:

	2016
	HK$'000
Nominal value of convertible bonds issued	30,000
Equity component	(5,139)
Liability component at date of issue	24,861

36. CONVERTIBLE BONDS (Continued)

On 20 June 2017, the Company redeemed all the outstanding CBs with a principal amount of HK$30,000,000 and the relevant accrued interest at approximately HK$30,989,000 and a loss on early redemption of convertible bonds of HK$3,994,000 was recognised as follows:

	HK$'000
Liability component at 1 January 2017	24,861
Interest charged (note 12)	2,134
Amount paid on redemption, including accrued interest	(30,989)
Loss on early redemption of convertible bonds	(3,994)

The interest charged for the year is calculated by applying an effective interest rate of 18.21% to the liability component for the 24 month period since the bonds were issued.

37. DEFERRED TAX

The followings are the deferred tax liabilities and assets recognised by the Group.

	Unrealised profits	Revaluation of investment properties	Total
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
At 1 January 2016	866	(27,073)	(26,207)
Charge to profit or loss for the year (note 13)	—	(8,535)	(8,535)
Exchange differences	(55)	2,142	2,087
At 31 December 2016 and 1 January 2017	811	(33,466)	(32,655)
Charge to profit or loss for the year (note 13)	(841)	(6,146)	(6,987)
Exchange differences	30	(2,771)	(2,741)
At 31 December 2017	—	(42,383)	(42,383)

37. DEFERRED TAX (Continued)

The following is the analysis of the deferred tax balances for statement of financial position purposes:

	2017	2016
	HK$'000	HK$'000 (Restated)
Deferred tax assets	**–**	811
Deferred tax liabilities	**(42,383)**	(33,466)
	(42,383)	(32,655)

At the end of the reporting period, the Group has unused tax losses of approximately HK$159,461,000 (2016: HK$216,945,000) and deductible temporary differences of approximately HK$383,000 (2016: HK$1,638,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately of HK$24,116,000, HK$4,857,000, HK$22,267,000, HK$24,199,000 and HK$21,111,000 will expire on 31 December 2018, 2019, 2020, 2021 and 2022 respectively. Other tax losses may be carried forward indefinitely. The unused tax losses of the Group have not yet been agreed by respective tax authorities.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$2,476,000 (2016: HK$18,881,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

38. BANK AND OTHER BORROWINGS

	2017	2016
	HK$'000	HK$'000
Bank borrowing	**45,638**	11,910
Other borrowings	**8,407**	14,513
	54,045	26,423

38. BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**13,211**	26,423
More than one year, but not exceeding two years	**4,804**	—
More than two years, but not exceeding five years	**14,412**	—
More than five years	**21,618**	—
	54,045	26,423
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(13,211)**	(26,423)
Amount due for settlement after 12 months	**40,834**	—

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	HKD	**RMB**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
2017			
Bank borrowing	**—**	**45,638**	**45,638**
Other borrowings	**—**	**8,407**	**8,407**
	—	**54,045**	**54,045**

	HKD	RMB	Total
	HK$'000	HK$'000	HK$'000
2016			
Bank borrowing	11,910	—	11,910
Other borrowings	—	14,513	14,513
	11,910	14,513	26,423

38. BANK AND OTHER BORROWINGS (Continued)

The effective interest rates of borrowings were as follows:

	2017	2016
Bank borrowing	**5.39%**	2.75%
Other borrowings	**30%**	30%

Bank borrowing is arranged at floating interest rate and exposes the Group to cash flow interest rate risk. Other borrowings are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

Bank borrowing at 31 December 2017 is secured by a charge over the Group's property, plant and equipment (note 19), prepaid land lease payments (note 20), part of investment properties (note 21), trade receivables (note 26) and bank and cash balances (note 30) while bank borrowing at 31 December 2016 is secured by the Group's pledged bank deposits (note 30).

Other borrowings at 31 December 2017 is secured by a charge over the Group's part of investment properties (note 21) and available-for-sale financial assets (note 24) while other borrowings at 31 December 2016 is secured by a charge over the Group's property, plant and equipment (note 19), prepaid land lease payments (note 20) and investment properties (note 21).

39. TRADE AND OTHER PAYABLES

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

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

Note b: Included unsecured interest-free advances of HK$1,141,000 (2016: HK$1,061,000) from an independent third party.

39. TRADE AND OTHER PAYABLES (Continued)

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

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

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

40. AMOUNTS DUE TO AN EX-SUBSTANTIAL SHAREHOLDER AND ITS SUBSIDIARIES

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2016, other borrowing of HK$24,000,000 and relevant interest of HK$360,000 was settled via the issue of 87,000,000 ordinary shares of the Company of HK$0.01 each.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Cash inflows/ (outflows)	Interest expense	Loss on early redemption	Exchange differences	31 December 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bonds — liabilities component (note 36)	24,861	(30,989)	2,134	3,994	—	—
Bank and other borrowings (note 38)	26,423	21,228	3,883	—	2,511	54,045
Bills payables (including in trade and other payables (note 39)	—	90,933	5,147	—	—	96,080
	51,284	81,172	11,164	3,994	2,511	150,125

42. CAPITAL COMMITMENTS

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

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

43. LEASE COMMITMENTS

The Group as lessee

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**1,892**	2,668
In the second to fifth years inclusive	**549**	1,840
	2,441	4,508

Operating lease payments represent rentals payable by the Group for certain of its offices premises and staff quarters. Leases are negotiated for terms ranging from six months to three years and rentals are fixed over the lease terms and do not include contingent rentals.

43. LEASE COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the year was approximately HK$9,901,000 (2016: HK$11,089,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 3.62% (2016: 4.38%) on an ongoing basis. Generally, leases are negotiated for terms ranging from one to five years.

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	7,618	8,732
In the second to fifth years inclusive	5,915	9,138
	13,533	17,870

44. RELATED PARTY TRANSACTIONS

The key management personnel represented solely the directors of the Company and the compensation paid to them is disclosed in note 16.

45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Directly held:				
Guocai Financial Information Consultancy Limited*,# 國採金融信息諮詢有限公司	The PRC	Registered/contributed capital RMB100,000,000 / RMB19,999,000	100%	Inactive
Indirectly held:				
Gongcai Network Technology Limited*,# 公採網絡科技有限公司	The PRC	Registered and contributed capital US$50,000,000	100%	Provision of rental income, trading of goods and investment holding
Guocai Jinggang Investment Limited*,# 國採京港投資有限公司	The PRC	Registered and contributed capital RMB50,000,000	90%	Inactive
Guocai (Beijing) Technology Limited*,# ("Guocai (Beijing)") 國採(北京)技術有限公司	The PRC	Registered and contributed capital RMB60,000,000	90%	Provision of public procurement and corporate IT solution services and investment holding
Guocai (Hubei) Technology Limited*,# 國採(湖北)技術有限公司	The PRC	Registered and contributed capital RMB10,000,000	100%	Provision of public procurement and corporate IT solution services

45. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Guocai (Qinghai) Tendering Limited*,^ 國採(青海)招標有限公司	The PRC	Registered and contributed capital RMB2,000,000	63%	Provision of public procurement services
Guocai (Shenzhen) Information Technology Limited*, # 國採(深圳)信息技術有限公司	The PRC	Registered and contributed capital RMB4,000,000	60%	Provision of corporate IT solution services
Public Procurement Limited	Hong Kong	Ordinary share HK$34,000,000	100%	Investment holding
Qinghai Gongcai Shutong Information Technology Limited (formerly known as Guocai (Qinghai) Technology Limited)*,^ 青海公採數通信息技術有限公司(前稱:國採(青海)技術有限公司)	The PRC	Registered and contributed capital RMB10,000,000	63%	Provision of public procurement services and investment holding
Shenzhen City Zhongcai Information Technology Limited*,# 深圳市中採信息技術有限公司	The PRC	Registered and contributed capital RMB3,000,000	70%	Inactive

* For identification purposes only.

\# Foreign investment enterprise.

^ Domestic Invested enterprise.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

45. PRINCIPAL SUBSIDIARIES (Continued)

The following table shows information of a subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company elimination.

Name	Guocai (Beijing)	
	2017	2016
Principal place of business/country of registration	PRC/PRC	
% of ownership interests/voting rights held by NCI	**10%**	10%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**29,600**	40,626
Current assets	**8,907**	9,786
Current liabilities	**(113,519)**	(106,066)
Net liabilities	**(75,012)**	(55,654)
Accumulated NCI	**(7,501)**	(5,565)
Year ended 31 December		
Revenue	**1,438**	2,853
Loss	**(12,802)**	(8,699)
Other comprehensive income	**(6,556)**	4,951
Total comprehensive income	**(19,358)**	(3,748)
Loss allocated to NCI	**(1,936)**	(375)
Dividends paid to NCI	**—**	—
Net cash used in operating activities	**(6,930)**	(2,775)
Net cash generated from investing activities	**8,759**	11
Effect of foreign exchange rate changes	**1,898**	171
Net increase/(decrease) in cash and cash equivalents	**3,727**	(2,593)

Five-Year Financial Summary

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000	HK$'000
Results					
Revenue	**64,837**	51,216	2,516,060	1,223,077	90,003
(Loss)/Profit before tax	**(182,113)**	(201,675)	(1,072,361)	(663,018)	73,865
Income tax (expense)/credit	**2,569**	(9,126)	2,349	(5,164)	(37,120)
(Loss)/Profit for the year	**(179,544)**	(210,801)	(1,070,012)	(668,182)	36,745
Attributable to:					
Owners of the Company	**(176,395)**	(208,224)	(1,062,453)	(665,164)	37,403
Non-controlling interests	**(3,149)**	(2,577)	(7,559)	(3,018)	(658)
	(179,544)	(210,801)	(1,070,012)	(668,182)	36,745

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000	HK$'000
Assets and liabilities					
Total assets	**494,368**	493,451	697,098	1,743,462	2,106,744
Total liabilities	**(264,706)**	(162,802)	(162,664)	(293,366)	(256,437)
Total equity	**229,662**	330,649	534,434	1,450,096	1,850,307
Attributable to:					
Owners of the Company	**235,735**	332,242	533,608	1,439,855	1,836,882
Non-controlling interests	**(6,073)**	(1,593)	826	10,241	13,425
	229,662	330,649	534,434	1,450,096	1,850,307