

CPP 中採

CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

Interim Report
2018

CPP 中採

中採網絡科技發展有限公司





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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, EMBA, BEng

(Chairman and Chief Executive)

Mr. Ho Wai Kong *(Honorary Chairman)*

Miss Ng Weng Sin, FCPA (HK), EMBA,
MCF, MPA *(resigned on 29 June 2018)*
(Chief Financial Officer)

Ms. He Qian, CPA (PRC), EMBA, BAcc

Non-executive Directors

Mr. Chen Limin, Solicitor (PRC), LLB

Mr. Zhang Jianguo, EMBA, BEng
(appointed on 19 July 2018)

Mr. Xu Peng, EMBA
(appointed on 19 July 2018)

Independent Non-executive Directors

Ms. Wong Yan Ki, Angel, FCPA (Aust.), FIPA,
EMBA, BA *(resigned on 29 July 2018)*

Mr. Deng Xiang, CPA (PRC), BSc, BEcon

Mr. Jiang Jun, BAcc

BOARD COMMITTEES

Audit Committee

Ms. Wong Yan Ki, Angel *(Chairman)*
(resigned on 29 July 2018)

Mr. Chen Limin

Mr. Deng Xiang

Remuneration Committee

Mr. Jiang Jun *(Chairman)*

Miss Ng Weng Sin
(resigned on 29 June 2018)

Mr. Deng Xiang

Nomination Committee

Mr. Zheng Jinwei *(Chairman)*

Mr. Jiang Jun

Mr. Deng Xiang

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)

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



CORPORATE INFORMATION

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

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

PRINCIPAL BANKERS

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

STOCK CODE

1094

WEBSITE

www.cpphk1094.com

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

During the six months ended 30 June 2018 (the “**Period**”), China Public Procurement Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) continued to develop and operate electronic trading platforms for government procurement, electronic procurement platforms for state-owned enterprises, as well as universities and colleges. During the Period, the Group continued to operate electronic procurement platforms for government procurement in Hubei Province, Hainan Province, Inner Mongolia Autonomous Region and Qinghai Province, as well as the procurement management platform for Tianjin City. Meanwhile, the Group commenced the operation of procurement trading platforms for new customers such as governments of Weihai City of Shandong Province, Xiangfan City of Hubei Province and Jingmen City of Hubei Province, launched the value-added services such as electronic key and electronic seal, and began to provide financial services including financing and loans for suppliers. In addition, procurement systems for seven universities including Wuhan Textile University and Central China Normal University developed by the Group were put into operation, achieving a transaction volume exceeding HK\$200,000,000.

The functions of the procurement platform developed by the Group became more advanced, both the number of users who used the platform to carry out procurement and the number of suppliers increased significantly, and technical service income and value-added service income achieved growth.

The investment properties of the Group, a commercial building, are located in Donghu New Technological Development Area, Wuhan City, Hubei Province, the People's Republic of China (the “**PRC**”). The recurring rental income generated from the investment properties provided stable cash inflows to the Group and funded part of the operation and development expenses of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue for the Period was HK\$12,376,000, representing an increase of HK\$4,008,000 or 47.9% as compared to HK\$8,368,000 for the same period of last year. The increase was mainly due to the substantial increase in services income from the provision of IT solution.

The revenue included revenue from public procurement of HK\$3,006,000, accounting for 24.3% of the total revenue; revenue from provision of corporate IT solution of HK\$4,649,000, accounting for 37.6% of the total revenue; and rental income of HK\$4,721,000, accounting for 38.1% of the total revenue.

2. Cost of Sales

Cost of sales for the Period was HK\$2,649,000, representing a decrease of HK\$1,620,000 or 37.9% as compared to HK\$4,269,000 for the same period of last year. Cost of sales mainly comprised technical staff cost, relevant fixed assets depreciation, cost of authentication key and utility incurred by leased properties. The decrease was mainly due to the substantially decreased costs in provision of corporate IT solution.

3. Gross Profit

Gross profit for the Period was HK\$9,727,000, representing an increase of HK\$5,628,000 or 1.37 times as compared to HK\$4,099,000 for the same period of last year. Gross profit margin for the period was 78.6%, representing an increase of 29.6 percentage point as compared to the gross profit margin of 49.0% for the same period of last year. The increase in gross profit margin was mainly due to the substantially increase in revenue and effective cost control on cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Other Income and Gains

Other income and gains for the Period was HK\$2,914,000, representing an increase of HK\$1,755,000 or 1.51 times as compared to HK\$1,159,000 for the same period of last year. Other income and gains mainly comprised of interest income and government grants. The increase in other income and gains was primarily due to the increase in interest income from bank and loan receivables.

5. Administrative Expenses

The administrative expenses for the Period was HK\$29,563,000, representing an increase of HK\$3,823,000 or 14.9% as compared to HK\$25,740,000 for the same period of last year. The administrative expenses mainly comprised of staff cost and benefits, office expenses, rental and professional fees. The administrative expenses increased were mainly due to the increase in staff cost and professional fee.

6. Finance Costs

Finance costs for the Period was HK\$1,929,000, representing a decrease of HK\$1,698,000 or 46.8% as compared to HK\$3,627,000 for the same period of last year. The finance costs mainly comprised of interests on bank and other borrowings. The decrease was mainly due to no interest expenses incurred in the Period for the convertible bonds issued in December 2016 and redeemed in June 2017.

7. Income Tax Credit

Income tax credit for the Period amounted to HK\$1,161,000. The credit amount was mainly arising from the entitlement of additional tax allowance of land appreciation tax on our commercial building located in Wuhan City, Hubei Province, PRC.

8. Loss for the Period

The loss for the Period was HK\$16,953,000, representing a decrease of HK\$162,392,000 or 90.5% as compared to HK\$179,345,000. The loss decreased substantially was primarily due to there was no impairment loss provision during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

1. *Liquidity and Capital Resources*

As at 30 June 2018, the Group maintained cash and bank balances of HK\$31,875,000, representing a decrease of HK\$11,395,000 or 26.3% as compared to HK\$43,270,000 as at 31 December 2017. During the Period, the net cash used in operating activities amounted to HK\$12,198,000; the cash flows generated from investing activities amounted to HK\$82,000; the net cash generated from financing activities amounted to HK\$347,000.

2. *Capital Structure*

At the end of the Period, the total assets of the Group amounted to HK\$470,459,000, the total equity amounted to HK\$226,963,000, the total liabilities amounted to HK\$243,496,000. The assets-liabilities ratio (total assets over total liabilities) was 1.93:1 (31 December 2017: 1.87:1). The current debt ratio (current assets over current liabilities) was 1.09:1 (31 December 2017: 1.09:1).

3. *Pledge of Assets*

As at 30 June 2018, the total pledged assets of the Group amounted to HK\$341,947,000: mainly investment properties pledged for a credit facility of RMB80,000,000 (equivalent to approximately HK\$94,816,000) from a bank in PRC. As at the end of the Period, the loan from the bank amounted to RMB36,000,000 (equivalent to approximately HK\$42,667,000); and bank deposits pledged for bills payables.

4. *Capital Commitments and Contingent Liabilities*

As at 30 June 2018, the capital commitment of the Group was HK\$28,442,000. Such commitment was mainly related to the acquisition of intangible assets and further capital injection to an associate.

The Group did not have any contingent liabilities as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) OTHER ISSUES

1. Capital Structure

On 25 May 2018, a total of 133,380,000 share options (the “**Share Options**”) to subscribe for 133,380,000 Shares of par value of HK\$0.1 each of the Company were granted by the Company under the Share Option Scheme approved and adopted by the Company on 13 June 2013 (the “**Share Option Scheme**”). The Share Options have been exercised and 133,380,000 Shares have been issued on 1 June 2018.

As at 30 June 2018, the Company's issued ordinary share capital was HK\$174,489,725 divided into 1,744,897,254 shares of HK\$0.1 each (“**Shares**”) (31 December 2017: HK\$161,151,725 divided into 1,611,517,254 shares of HK\$0.1 each).

2. Foreign Exchange Exposure

For the six months ended 30 June 2018, the Group mainly earned revenue in RMB and incurred costs 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 impact on the Group's results and financial positions.

3. Staff and Remuneration Policy

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2018, the Group employed approximately 130 employees, and the total remuneration of employees (including the directors of the Company (the “**Directors**”), was approximately HK\$15,610,000. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

4. Purchase, Sale or Redemption of the Company's Listed Securities

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

5. Change of Auditors

SHINEWING (HK) CPA Limited ("**SHINEWING**"), resigned as the auditors of the Company with effect from 29 January 2018, as the Company could not 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.

6. Refreshment of the Scheme Limit under the Share Option Scheme

On 29 June 2018, the refreshment of the 10% scheme limit of the Share Option Scheme (the "**Scheme Limit**") has been approved by the shareholders at the annual general meeting of the Company. After the approval of the refreshed Scheme Limit, the Company is allowed to issue the total of 174,489,725 options under the Share Option Scheme, representing approximately 10% of the total number of issued Shares as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) BUSINESS PROSPECTS

The Chinese Government expedited the entry into the “Government Procurement Agreement”, which means that the electronic government procurement platform will be the development direction of the government procurement in future. A public resources trading platform with government procurements, bidding and tendering process of construction projects and state-owned property right transaction as the core have been established all over the country. Apart from the government, universities and colleges, public hospitals, state-owned enterprises and social organizations are also trying to use the electronic platforms in the procurement of materials and services. After years of brand development, 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.

Since 2018, by leveraging on the market strength of online public procurement, the Group has focused on the development of the three key products, i.e. “government procurement trading platform”, “electronic procurement platform for colleges and universities” and “electronic procurement platform for enterprises”, in order to rapidly expand the market share of the Group. Meanwhile, the Company has provided valuable services for purchasers and suppliers, including supply chain financing, procurement information customization, price monitoring, bidding and tendering cooperation and market analysis and consultancy by collecting, screening, processing and analyzing various transaction information through the trading system, and developed more value-added service programs based on big data, in order to further consolidate the leading position of the Group in the public procurement field.

At present, large-scale state-owned enterprises have strong demands for the electronic procurement platform. The Company is currently participating in the formulation of the *Regulations on the Procurement Technology of State-owned Enterprises*, in order to achieve a higher position in the industry, and strengthen the promotion among state-owned enterprises. It is predicted that the electronic procurement business of state-owned enterprises will become an important growth point of the Company in the next two years.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Revenue	6	12,376	8,368
Cost of sales		(2,649)	(4,269)
Gross profit		9,727	4,099
Other income and gains	7	2,914	1,159
Administrative expenses		(29,563)	(25,740)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries		—	(69,621)
Impairment loss of deposit paid for potential acquisition of a subsidiary		—	(15,000)
Impairment loss of loan receivables		—	(40,203)
Impairment loss of trade and other receivables		—	(36,401)
Loss on early redemption of convertible bonds		—	(3,994)
Reversal of impairment loss of amounts due from a subsidiary of an ex-substantial shareholder		737	—
Reversal of impairment loss of trade and other receivables		—	9,983
Loss from operations		(16,185)	(175,718)
Finance costs	8	(1,929)	(3,627)
Loss before tax		(18,114)	(179,345)
Income tax credit	9	1,161	—
Loss for the period	10	(16,953)	(179,345)
Attributable to:			
Owners of the Company		(15,611)	(175,565)
Non-controlling interests		(1,342)	(3,780)
		(16,953)	(179,345)
Loss per share	11		
Basic (HK cents per share)		(0.96)	(13.07)
Diluted (HK cents per share)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)
Loss for the period	(16,953)	(179,345)
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes of equity investments at fair value through other comprehensive income ("FVTOCI")	(3,038)	—
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(2,749)	6,875
Other comprehensive income for the period, net of tax	(5,787)	6,875
Total comprehensive income for the period	(22,740)	(172,470)
Attributable to:		
Owners of the Company	(21,486)	(168,690)
Non-controlling interests	(1,254)	(3,780)
	(22,740)	(172,470)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

		30 June	31 December
		2018	2017
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,666	3,442
Prepaid land lease payments		4,433	4,544
Investment properties		275,381	279,052
Intangible assets		10,604	10,813
Available-for-sale financial assets		—	4,871
Equity investments at FVTOCI		1,877	—
Total non-current assets		294,961	302,722
Current assets			
Prepaid land lease payments		101	102
Inventories — raw materials		409	480
Contract assets		2,205	—
Trade and other receivables	14	17,647	21,312
Loan receivables	15	24,889	25,221
Financial assets at fair value through profit or loss ("FVTPL")		3,556	4,564
Current tax assets		—	617
Pledged bank deposits		94,816	96,080
Bank and cash balances		31,875	43,270
Total current assets		175,498	191,646
TOTAL ASSETS		470,459	494,368
EQUITY AND LIABILITIES			
Share capital	16	174,490	161,152
Reserves		58,804	74,583
Equity attributable to owners of the Company		233,294	235,735
Non-controlling interests		(6,331)	(6,073)
Total equity		226,963	229,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	<i>Notes</i>	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	17	37,926	40,834
Deferred income		4,874	5,090
Deferred tax liabilities		40,100	42,383
Total non-current liabilities		82,900	88,307
Current liabilities			
Bank and other borrowings	17	4,741	13,211
Trade and other payables	18	114,841	125,818
Contract liabilities		3,986	—
Amounts due to an ex-substantial shareholder and its subsidiaries	19	2,781	2,816
Current tax liabilities		34,247	34,554
Total current liabilities		160,596	176,399
TOTAL EQUITY AND LIABILITIES		470,459	494,368
Net current assets		14,902	15,247
Total assets less current liabilities		309,863	317,969



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited)													
	Attributable to owners of the Company													
	Share capital	Share premium	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency		Investment		FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
						reserve	translation reserve	revaluation reserve	revaluation reserve					
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
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	
Adjustments on initial application of														
— HKFRS 9 (Note 3)	—	—	—	—	—	—	—	1,093	(1,093)	—	—	—	—	
— HKFRS 15 (Note 3)	—	—	—	—	—	45	—	—	—	1,180	1,225	996	2,221	
Restated balance at 1 January 2018	161,152	7,153,619	8,390	9,081	15,744	152,120	3,492	—	(1,093)	(7,265,545)	236,960	(5,077)	231,883	
Total comprehensive income for the period	—	—	—	—	—	(2,837)	—	—	(3,038)	(15,611)	(21,496)	(1,254)	(22,740)	
Issue of shares on share option scheme	13,338	4,482	—	(4,482)	—	—	—	—	—	—	13,338	—	13,338	
Share-based payments	—	—	—	4,482	—	—	—	—	—	—	4,482	—	4,482	
Transfer of reserve upon lapse of share options	—	—	—	(566)	—	—	—	—	—	566	—	—	—	
Changes in equity for the period	13,338	4,482	—	(566)	—	(2,837)	—	—	(3,038)	(15,045)	(3,666)	(1,254)	(4,920)	
At 30 June 2018	174,490	7,158,101	8,390	8,515	15,744	149,283	3,492	—	(4,131)	(7,280,590)	233,294	(6,331)	226,963	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	(Unaudited) (Restated)											
	Attributable to owners of the Company											Total equity
	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	
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	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 period	—	—	—	—	—	6,875	—	—	(175,565)	(168,690)	(3,780)	(172,470)
Redemption of convertible bonds	—	—	—	—	—	—	—	(5,139)	5,139	—	—	—
Share-based payments	—	—	—	2,029	—	—	—	—	—	2,029	—	2,029
Transfer of reserve upon lapse of share options	—	—	—	(47,401)	—	—	—	—	47,401	—	—	—
Changes in equity for the period	—	—	—	(45,372)	—	6,875	—	(5,139)	(123,025)	(166,661)	(3,780)	(170,441)
At 30 June 2017	134,293	7,117,171	8,390	10,905	15,654	142,532	3,492	—	(7,266,856)	165,581	(5,373)	160,208



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(18,114)	(179,345)
Depreciation	739	2,282
Equity-settled share-based payments	454	2,029
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	—	69,621
Impairment loss of deposit paid for potential acquisition of a subsidiary	—	15,000
Impairment loss of loan receivables	—	40,203
Impairment loss of trade and other receivables	—	36,401
Loss on early redemption of convertible bonds	—	3,994
Reversal of impairment loss of trade and other receivables	—	(9,983)
Other operating activities	4,723	7,440
NET CASH USED IN OPERATING ACTIVITIES	(12,198)	(12,358)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced	(14,749)	—
Loans refunded	14,749	—
Other investing activities	82	(492)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	82	(492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	—	30,623
Repayment of bank and other borrowings	(11,062)	(8,465)
Redemption of convertible bonds	—	(28,855)
Proceeds from issue of shares	13,338	—
Other financing activities	(1,929)	(3,434)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	347	(10,131)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,769)	(22,981)
Effect of foreign exchange rate changes	374	215
CASH AND CASH EQUIVALENTS AT 1 JANUARY	43,270	37,860
CASH AND CASH EQUIVALENTS AT 30 JUNE	31,875	15,094
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	31,875	15,094



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business 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 provision of public procurement services, trading of different products, development of software, provision of maintenance services and leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017 except as stated below.

The Group incurred a net loss and net operating cash outflows of approximately HK\$16,953,000 and HK\$12,198,000, respectively, during the six months ended 30 June 2018. 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 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 (equivalent to approximately HK\$94,816,000) from a bank in the PRC by pledging the Group's non-current assets. As at 30 June 2018, the loan from the bank amounted to RMB36,000,000 (equivalent to approximately HK\$42,667,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Measurement* (Continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income and gains. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and gains and impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income and gains in the period in which it arises.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Measurement* (Continued)

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income and gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income and gains in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Notes	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK\$'000	Carrying amount under HKFRS 9 HK\$'000
Equity investments	(a)	Available-for-sale	FVTOCI	4,871	4,871
Trade and other receivables		Loans and receivables	Amortised cost	21,312	21,312
Loan receivables		Loans and receivables	Amortised cost	25,221	25,221
Structured deposits	(b)	FVTPL	FVTPL	4,564	4,564

The impact of these changes on the Group's equity is as follows:

	Note	Effect on investment revaluation reserve for available-for-sale financial assets HK\$'000	Effect on FVTOCI reserve HK\$'000
Opening balance — HKAS 39		(1,093)	—
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	(a)	1,093	(1,093)
Total impact		1,093	(1,093)
Opening balance — HKFRS 9		—	(1,093)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

Notes:

- (a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. As a result, assets with a fair value of approximately HK\$4,871,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value losses of approximately HK\$1,093,000 were reclassified from the investment revaluation reserve for available-for-sale financial assets to the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- (b) Structured deposits that were previously classified as FVTPL were continued to be classified as FVTPL since the contractual cash flows do not consist solely of payments of principal and interest on the principal amount outstanding.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

(a) *Revenue from the public procurement business*

In prior reporting periods, revenue from the provision of public procurement services is generally recognised when the significant risks and rewards of ownership transferred, which generally coincided with the time when the goods or services are passed or rendered to customers.

As there is no identified contract meeting the criteria in HKFRS 15, revenue from the provision of public procurement services is now recognised when the consideration is received and is non-refundable, and goods or services have been transferred to the customer and the Group has no remaining obligations to perform.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

(b) Revenue from the corporate IT solution business

The Group's provision of corporate IT solution services mainly includes sales of software, grant of right to use its developed software and provision of maintenance and supporting services. In prior reporting periods, revenue from the sales of software is generally recognised when the significant risks and rewards of ownership transferred, which generally coincided with the time when the goods are passed to and accepted by customers. Revenue from the grant of right for customers to use its developed software for specific period of time and the provision of maintenance and supporting services would be recognised over time.

Contracts for the sales of software and grant of right to use its developed software generally include multiple deliverables, such as the delivery of software, installation services, training services, maintenance and supporting services, warranty services and software upgrade services. These services each meet the criteria of distinct under HKFRS 15 and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. The revenue from the above services each would be recognised over time when the performance obligation is satisfied.

If contracts for the sales of software include the above services, revenue for the software is now recognised at a point in time when the software is passed to and accepted by customers.

If contracts for the grant of right to use its developed software include the above services, revenue from the right is now recognised over time if the right is not distinct from other promised goods or services. Otherwise, the right is recognised at a point in time when the software is passed to and accepted by customers.

Revenue from the provision of maintenance and supporting services would continue to recognise over time when the services are rendered.

Set out below is the impact of the adoption of HKFRS 15 on the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The following table summarises the impact on the Group's opening accumulated losses and foreign currency translation reserve as at 1 January 2018 is as follows:

	Effect on accumulated losses <i>HK\$'000</i>	Effect on foreign currency translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Provision for public procurement services	671	26	697
Provision for corporate IT solution services	1,468	56	1,524
Adjustment to accumulated losses/foreign currency translation reserve from adoption of HKFRS 15 on 1 January 2018	2,139	82	2,221
Attributable to:			
Owners of the Company	1,180	45	1,225
Non-controlling interests	959	37	996
	2,139	82	2,221

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

Condensed consolidated statement of financial position (extract)	Previously stated as at 31 December 2017 <i>HK\$'000</i>	Adjustments under HKFRS 15 <i>HK\$'000</i>	Restated as at 1 January 2018 <i>HK\$'000</i>
Contract assets	—	2,081	2,081
Trade and other payables	125,818	(5,174)	120,644
Contract liabilities	—	5,034	5,034
Accumulated losses	7,266,725	(1,180)	7,265,545
Non-controlling interests	6,073	(996)	5,077
Foreign currency translation reserve	152,075	45	152,120

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18, HKAS 11 and related interpretations that was previously in effect before the adoption of HKFRS 15 is as follows:

As at 30 June 2018	As reported <i>HK\$'000</i>	Effect of the adoption of HKFRS 15 <i>HK\$'000</i>	Amounts without adoption of HKFRS 15 <i>HK\$'000</i>
Condensed consolidated statement of financial position (extract)			
Contract assets (<i>Note</i>)	2,205	(2,205)	—
Trade and other payables (<i>Note</i>)	114,841	3,114	117,955
Contract liabilities (<i>Note</i>)	3,986	(3,986)	—
Accumulated losses	7,280,590	683	7,281,273
Non-controlling interests	6,331	604	6,935
Foreign currency translation reserve	149,283	(46)	149,237
Six months ended 30 June 2018	As reported <i>HK\$'000</i>	Effect of the adoption of HKFRS 15 <i>HK\$'000</i>	Amounts without adoption of HKFRS 15 <i>HK\$'000</i>
Condensed consolidated statement of profit or loss (extract)			
Revenue	12,376	987	13,363
Cost of sales	2,649	117	2,766

Note:

Contract assets recognised in relation to corporate IT solution business were contract costs previously incurred of which the corresponding revenue has not yet been recognised.

Contract liabilities for progress billing recognised in relation to corporate IT solution business were previously presented as trade and other payables. Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. FAIR VALUE MEASUREMENTS

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

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 30 June 2018:

Description	(Unaudited)			
	Fair value measurements as at 30 June 2018			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
— listed equity security	1,877	—	—	1,877
Financial assets at FVTPL				
— structured deposits	—	3,556	—	3,556
Investment properties				
Commercial units situated in the PRC	—	—	275,381	275,381
Total	1,877	3,556	275,381	280,814

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June 2018: (Continued)

Description	(Audited)			
	Fair value measurements as at 31 December 2017			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets				
Available-for-sale financial assets				
— listed equity security	4,871	—	—	4,871
Financial assets at FVTPL				
— structured deposits	—	4,564	—	4,564
Investment properties				
Commercial units located in the PRC	—	—	279,052	279,052
Total	4,871	4,564	279,052	288,487

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

	Investment properties	
	Six months ended 30 June 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
At the beginning of the period	279,052	—
Exchange differences	(3,671)	—
At the end of the period	275,381	—
Total gains recognised in profit or loss for assets held at end of the reporting period	—	—

During the annual period ended 31 December 2017, investment properties amounted to approximately 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 to income capitalisation approach.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

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 chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussion of valuation processes and results are held between the chief financial officer and the Board of Directors at least 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 as at	
			30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Assets				
Structured deposits	Market comparison approach	Price per unit of investment	3,556	4,564

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at	
					30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Assets						
Commercial units located in the PRC	Income capitalisation	Terminal yield	6.5%	Decrease	275,381	279,052
		Reversionary yield	7%	Decrease		
		Monthly rental (RMB/square metre)	35-66	Increase		

There were no changes in the valuation techniques used during the six months period ended 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. SEGMENT INFORMATION

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

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2018

	Public procurement HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Provision of corporate IT solution HK\$'000 (Unaudited)	Rental income HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	3,006	—	4,649	4,721	12,376
Segment profit	2,084	—	3,229	4,414	9,727
Administrative expenses					(29,563)
Finance costs					(1,929)
Other income and gains					2,914
Reversal of impairment loss of amounts due from a subsidiary of an ex-substantial shareholder					737
Consolidated loss before tax					(18,114)

As at 30 June 2018

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	9,696	2,267	3,816	275,797	291,576
Segment liabilities	3,140	421	3,877	1,921	9,359

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2017

	Public procurement HK\$'000 (Unaudited)	Trading business HK\$'000 (Unaudited)	Provision of corporate IT solution HK\$'000 (Unaudited)	Rental income HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited) (Restated)
Segment revenue	2,299	—	1,265	4,804	8,368
Segment profit/(loss)	510	—	(751)	4,340	4,099
Administrative expenses					(25,740)
Finance costs					(3,627)
Impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries					(69,621)
Impairment loss of deposit paid for potential acquisition of a subsidiary					(15,000)
Impairment loss of loan receivables					(40,203)
Impairment loss of trade and other receivables					(36,401)
Loss on early redemption of convertible bonds					(3,994)
Other income and gains					1,159
Reversal of impairment loss of trade and other receivables					9,983
Consolidated loss before tax					(179,345)

As at 31 December 2017

	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	9,884	10,197	2,057	279,419	301,557
Segment liabilities	4,720	427	4,735	1,504	11,386



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

6. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers and lease contracts.

The nature and effect of initially applying HKFRS 15 on the Group's interim financial statements are disclosed in Note 3.

In the following table, revenue is disaggregated by type of goods or services and timing of revenue recognition.

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of public procurement services — products and services transferred at a point in time	3,006	2,299
Provision of corporate IT solution services — products and services transferred over time	4,649	1,265
Rental income — other sources of revenue	4,721	4,804
	12,376	8,368

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	30 June	1 January
	2018	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Receivables, which are included in "trade receivables"	3,781	8,506
Contract assets	2,205	2,081
Contract liabilities	(3,986)	(5,034)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

6. REVENUE (Continued)

The contract assets primarily relate to contract costs previously incurred of which the corresponding revenue has not yet been recognised at the reporting date for corporate IT solution services. The contract assets are transferred to cost of sales when the corresponding revenue is recognised. The contract liabilities primarily relate to the advance consideration received from customers for corporate IT solution services, for which revenue is recognised over time.

The amount of approximately HK\$2,582,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2018.

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	1,425	198
Gains on disposals of financial assets at FVTPL	155	—
Government grants — amortisation of deferred income	154	142
Government grants (<i>Note</i>)	71	—
Interest income on loan receivables	846	—
Sundry income	263	819
	2,914	1,159

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing	1,255	303
Interest on convertible bonds	—	2,134
Interest on other borrowings	674	1,190
	1,929	3,627

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Underprovision in prior years	629	—
Deferred tax — PRC	(1,790)	—
	(1,161)	—

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (six months ended 30 June 2017: 25%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

10. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Staff costs		
— Directors' emoluments (excluding equity-settled share-based payments)	2,743	1,394
— Salaries, bonuses and allowances	11,833	11,152
— Retirement benefits scheme contributions	1,034	853
— Equity-settled share-based payments	—	2,029
Total staff costs	15,610	15,428
Amortisation of intangible assets (included in administrative expenses)	69	64
Depreciation	739	2,282
Equity-settled share-based payments (<i>Note</i>)	454	2,029
Loss on disposals of property, plant and equipment	4	—
Operating leases charges — land and buildings	1,947	1,665

Note: Equity-settled share-based payments includes HK\$Nil (unaudited) (six months ended 30 June 2017: approximately HK\$2,029,000 (unaudited)) which is also included in the staff costs separately presented.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

11. 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 period attributable to owners of the Company of approximately HK\$15,611,000 (unaudited) (six months ended 30 June 2017: approximately HK\$175,565,000 (unaudited)) and the weighted average number of ordinary shares of approximately 1,633,624,000 (unaudited) (six months ended 30 June 2017: approximately 1,342,931,000 (unaudited)) in issue during the period.

Diluted loss per share

There was no dilutive potential ordinary shares for the Company's share options for the six months ended 30 June 2018 and 2017.

12. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, additions to the Group's property, plant and equipment were approximately HK\$61,000 (unaudited) (six months ended 30 June 2017: approximately HK\$23,000 (unaudited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade receivables	4,197	8,873
Other receivables	4,066	2,548
Compensation income receivable	8,473	8,473
Allowance for compensation income receivable	(8,473)	(8,473)
	—	—
Prepayments for goods	68,168	72,598
Allowance for prepayments for goods	(68,083)	(68,884)
	85	3,714
Other prepayments	14,466	12,107
Allowance for other prepayments	(6,811)	(6,835)
	7,655	5,272
Deposits	1,644	905
	17,647	21,312

Reconciliation of allowance for trade and other receivables:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
At the beginning of the period/year	84,192	98,726
Allowance for the period/year	—	38,961
Amounts written off	—	(43,297)
Reversals	—	(10,183)
Exchange differences	(825)	(15)
At the end of the period/year	83,367	84,192

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. TRADE AND OTHER RECEIVABLES (Continued)

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 of the Company.

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
0 to 90 days	1,172	2,332
91 to 180 days	263	57
181 to 365 days	235	—
Over 365 days	2,527	6,484
	4,197	8,873

15. LOAN RECEIVABLES

Loan receivables represented advances to independent third parties.

As at 30 June 2018, loan receivables included a loan of HK\$100,000,000 (unaudited) (31 December 2017: HK\$100,000,000 (audited)) of which accumulated impairment of HK\$100,000,000 (unaudited) (31 December 2017: HK\$100,000,000 (audited)) was made. 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.

As at 30 June 2018, loan receivables of approximately HK\$24,889,000 (unaudited) (31 December 2017: approximately HK\$25,221,000 (audited)) are unsecured, with monthly interest rate from 0.5% to 0.6% (unaudited) (31 December 2017: 0.5% (audited)) and repayable within one year.

The loan receivables of approximately HK\$4,148,000 (unaudited) (31 December 2017: approximately HK\$13,211,000 (audited)) are due from a company that is majority-owned by Mr. Zhang Jianguo, a non-executive director of the Company appointed on 19 July 2018. On 8 August 2018, the balance has been repaid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Ordinary shares, authorised:			
At 1 January 2017 (HK\$0.01 each)		20,000,000	200,000
Share consolidation	(a)	(18,000,000)	—
<hr/>			
At 31 December 2017 (audited), 1 January 2018 and 30 June 2018 (unaudited) (HK\$0.1 each)		2,000,000	200,000
<hr/>			
Ordinary shares, issued and fully paid:			
At 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)	(b)	268,586	26,859
<hr/>			
At 31 December 2017 (audited) and 1 January 2018 (HK\$0.1 each)		1,611,517	161,152
Issue of shares on share option scheme (HK\$0.1 each)	(c)	133,380	13,338
<hr/>			
At 30 June 2018 (unaudited) (HK\$0.1 each)		1,744,897	174,490

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 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.
- (c) On 1 June 2018, 133,380,000 ordinary shares of the Company of HK\$0.1 each were issued upon exercise of share options on 31 May 2018 at an exercise price of HK\$0.1 per share.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

17. BANK AND OTHER BORROWINGS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Bank borrowing	42,667	45,638
Other borrowings	—	8,407
	42,667	54,045

The borrowings are repayable as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	4,741	13,211
More than one year, but not exceeding two years	4,741	4,804
More than two years, but not exceeding five years	14,222	14,412
More than five years	18,963	21,618
	42,667	54,045
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,741)	(13,211)
Amount due for settlement after 12 months	37,926	40,834

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

The effective interest rates of borrowings were as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank borrowing	5.39%	5.39%
Other borrowings	N/A	30%

Bank borrowing is secured by a charge over the Group's property, plant and equipment, prepaid land lease payments, part of investment properties, trade receivables and bank and cash balances.

As at 31 December 2017, other borrowings were secured by a charge over the Group's part of investment properties and available-for-sale financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

18. TRADE AND OTHER PAYABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Trade payables (<i>Note a</i>)	169	171
Bills payables (<i>Note b</i>)	94,816	96,080
Accruals	7,092	9,760
Security deposits	675	2,077
Receipt in advance	830	5,450
Other payables	9,191	10,184
Payables for acquisition of intangible assets	2,068	2,096
	114,841	125,818

Notes:

- (a) The average credit period on purchases of goods ranges from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Over 365 days	169	171

- (b) During year ended 31 December 2017, the Group issued bills payables of RMB80,000,000 (equivalent to approximately HK\$94,816,000 as at 30 June 2018 (31 December 2017: approximately HK\$96,080,000)). Half of the bills payables would be matured on 13 September 2018 while the remaining bills payables would be matured on 15 September 2018.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

20. PLEDGE OF ASSETS

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

	30 June 2018	31 December 2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment — building	1,522	1,587
Prepaid land lease payments	4,534	4,646
Investment properties	236,417	279,052
Available-for-sale financial assets	—	4,871
Trade receivables — rental receivables	416	367
Pledged bank deposits	94,816	96,080
Bank and cash balances	4,242	2,598
	341,947	389,201

21. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2018 (31 December 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

22. CAPITAL COMMITMENTS

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Acquisition of intangible assets	8,057	8,164
Further capital injection to an associate	20,385	20,657
	28,442	28,821

23. LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	3,889	1,892
In the second to fifth years inclusive	1,481	549
	5,370	2,441

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

23. LEASE COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the period was approximately HK\$4,721,000 (unaudited) (six months ended 30 June 2017: approximately HK\$4,804,000 (unaudited)).

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Within one year	7,614	7,618
In the second to fifth years inclusive	6,002	5,915
	13,616	13,533

24. RELATED PARTY TRANSACTIONS

The key management personnel represented solely the directors of the Company and the compensation paid to them is disclosed in Note 10.

25. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards that has been issued but is not yet effective.

The Group is still assessing the impact of these new or amended standards and there are no significant updates to the information provided in the last annual financial statements about the possible impacts of these new or amended standards.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 August 2018.

GENERAL INFORMATION

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to the ordinary resolution passed by the shareholders of the Company on 13 June 2013. Details of the share options movements during the six months ended 30 June 2018 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Balance as at 30.06.2018	Vesting period	Validity period of share options	Exercise price (HK\$)
		Balance as at 01.01.2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
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 (resigned on 29 July 2018)	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
Subtotal		6,000,000	-	-	-	-	6,000,000			



GENERAL INFORMATION

Name of category	Date of grant of share options	Number of share options					Balance as at 30.06.2018	Vesting period	Validity period of share options	Exercise price (HK\$)
		Balance as at 01.01.2018	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Employees and others	25.05.2018	-	133,380,000	133,380,000	-	-	-	25.05.2018 to 24.05.2021	25.05.2018 to 24.05.2021	0.10
	22.12.2015	2,298,000	-	-	514,000	-	1,784,000	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		2,298,000	133,380,000	133,380,000	514,000	-	1,784,000			
Total		8,298,000	133,380,000	133,380,000	514,000	-	7,784,000			

Note: 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.

GENERAL INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of Directors	Capacity	Number of shares/underlying shares in the Company			Total interests	Total interests as to percentage of the issued share capital of the Company as at 30.06.2018 (approximately)
		Interests in shares	Derivative interests			
Zheng Jinwei	Corporate interest	6,000,000 (Note 1)	–	6,000,000	0.34%	
	Beneficial interest	–	2,000,000 (Note 2)	2,000,000	0.11%	
Ho Wai Kong	Corporate interest	63,167,272 (Note 3)	–	63,167,272	3.62%	
	Beneficial interest	4,048,728	2,000,000 (Note 2)	6,048,728	0.35%	
	Spousal interest	27,934,800 (Note 4)	–	27,934,800	1.60%	
He Qian	Beneficial interest	–	500,000 (Note 2)	500,000	0.03%	
Chen Limin	Beneficial interest	–	500,000 (Note 2)	500,000	0.03%	
Wong Yan Ki, Angel (resigned on 29 July 2018)	Beneficial interest	–	500,000 (Note 2)	500,000	0.03%	
Deng Xiang	Beneficial interest	–	500,000 (Note 2)	500,000	0.03%	



GENERAL INFORMATION

Notes:

1. 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.
2. These share options were granted by the Company under the Share Option Scheme.
3. 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, and 50,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong.
4. Mr. Ho Wai Kong is 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.
5. As at 30 June 2018, the issued share capital of the Company was 1,744,897,254 shares.

Save as disclosed above, as at 30 June 2018, none of the Directors, the chief executives of the Company 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.

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

As at 30 June 2018, 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:

GENERAL INFORMATION

Long positions in shares 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 30 June 2018 <i>(approximately)</i>
Zhao Liuqing	Beneficial interest	268,586,000	–	268,586,000	15.39%
Guo Binni <i>(Note)</i>	Beneficial interest	27,934,800	–	27,934,800	1.60%
	Spousal interest	67,216,000	2,000,000	69,216,000	3.97%

Note: Ms. Guo Binni is 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 Share Option 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 30 June 2018.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).



CORPORATE GOVERNANCE

CHANGE OF DIRECTORS

On 29 June 2018, Miss Ng Weng Sin retired as an executive Director at the Annual General Meeting and decided not to offer herself for re-election and ceased to be a member of the remuneration committee of the Company.

On 19 July 2018, Mr. Zhang Jianguo and Mr. Xu Peng were appointed as non-executive Directors.

On 29 July 2018, Ms. Wong Yan Ki, Angel resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee with effect from 29 July 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (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 will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive in future.

On 29 July 2018, Ms. Wong Yan Ki, Angel tendered her resignation as (i) an independent non-executive Director; and (ii) ceased to be the chairman of the Audit Committee with effect from 29 July 2018 due to her other personal commitments. As a result, with effect from 29 July 2018, the Company only had two independent non-executive Directors, and the compositions of its Board and the Audit Committee fell below the applicable requirements under Listing Rules and/or the applicable code provisions of the CG Code. The Company will endeavor to identify a suitable candidate to fill the vacancies as soon as practicable in order to re-comply with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules as soon as possible.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises two members, namely, Mr. Chen Limin and Mr. Deng Xiang. Mr. Chen Limin is a non-executive Director whereas Mr. Deng Xiang is an independent non-executive Director. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2018, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2018.

APPOINTMENT OF COMPLIANCE ADVISER

The Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance adviser of the Company on an on-going basis for consultation on compliance with the Listing Rules pursuant to Rule 3A.20 of the Listing Rules for a period of two years with effect from 10 May 2018.

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

Hong Kong, 30 August 2018