



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  
**2019**

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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng*  
(Chairman and Chief Executive)

Mr. Ho Wai Kong (Honorary Chairman)  
(Resigned on 31 May 2019)

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

#### Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*

Mr. Zhang Jianguo, *EMBA, BEng*

Mr. Xu Peng, *EMBA*

#### Independent Non-executive Directors

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

Mr. Jiang Jun, *BAcc*

Mr. Wang Shuai, *BEcon*

### BOARD COMMITTEES

#### Audit Committee

Mr. Deng Xiang (Chairman)

Mr. Chen Limin

Mr. Jiang Jun

#### Remuneration Committee

Mr. Jiang Jun (Chairman)

Mr. Deng Xiang

Mr. Zheng Jinwei

#### Nomination Committee

Mr. Zheng Jinwei (Chairman)

Mr. Jiang Jun

Mr. Deng Xiang

### AUTHORISED REPRESENTATIVES

Mr. Zheng Jinwei

Miss Ng Weng Sin, *FCCA (HK), EMBA, MCF, MPA*

### COMPANY SECRETARY

Miss Ng Weng Sin

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM12  
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



## CORPORATE INFORMATION

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 501, 5/F  
Tower Two, Lippo Centre  
89 Queensway  
Admiralty, Hong Kong

### AUDITOR

RSM Hong Kong

### LEGAL ADVISORS

#### As to Hong Kong law

Fangda Partners

#### As to Bermuda law

Conyers Dill & Pearman

#### As to PRC law

Li & Partners

Dewell & Partners 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](http://www.cpphk1094.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### (I) BUSINESS REVIEW

During the six months ended 30 June 2019 (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, and its business development was stable.

Firstly, the technical level and customer base of electronic procurement platforms for government procurement have gradually increased. In addition to continuing to operate the government procurement platforms of more than 10 provinces and cities in the People’s Republic of China (the “**PRC**”) such as Hubei Province, Qinghai Province, Hainan Province, Inner Mongolia Autonomous Region, Tianjin City, and Shenzhen City, the Group has been attracting and has acquired new government procurement customers such as Ningxia Hui Autonomous Region, Panjin City, Liaoning Province, Wulanchabu City, Inner Mongolia, Jingmen City, Hubei Province, and Heze City, Shandong Province, which will generate cash income in the second half of the year. In light of an improved procurement platform, the Group was able to deliver better customer experience and satisfaction, which in turn, will enhance industry influence.

Secondly, we officially launched our procurement platform for state-owned enterprises and it was put into service in Inner Mongolia Power Group. At the same time, we participated in compiling the industry standards of the “Standards of Procurement for State-owned Enterprises” with which the Group actively explored other state-owned enterprise customers and has signed cooperation intention agreements with a number of state-owned enterprises in Shandong, Inner Mongolia, Beijing, Shanxi and Yunnan.

Thirdly, the Group has applied and integrated its technical strengths in building its products. It has initially completed the research and development of “Electronic Platform for the Whole Purchase Process of Universities and Colleges” and the value-added service APP “Gongcai Tong” which we believe will further improve the Group’s product system and profit model.

The investment properties of the Group, a commercial building, are located in Donghu New Technological Development Area, Wuhan City, Hubei Province, 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\$11,322,000, representing a decrease of HK\$1,054,000 or 8.5% as compared to HK\$12,376,000 for the same period of last year.

The revenue included revenue from public procurement of HK\$3,738,000, accounting for 33.0% of the total revenue; revenue from provision of corporate IT solution of HK\$2,648,000, accounting for 23.4% of the total revenue; and rental income of HK\$4,936,000, accounting for 43.6% of the total revenue.

The decrease in revenue for the Period was mainly due to keen competition on provision of corporate IT solution, leading to the decrease in revenue in this segment. The overall decrease was partly mitigated by the revenue increment on the public procurement segment and rental income segment.

##### 2. *Cost of sales*

Cost of sales for the Period was HK\$3,570,000, representing an increase of HK\$921,000 or 34.8% as compared to HK\$2,649,000 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 increase in cost of sales for the Period was mainly due to keen market competition, leading to the need to devote more resources to generate revenue.

##### 3. *Gross profit*

Gross profit for the Period was HK\$7,752,000, representing a decrease of HK\$1,975,000 or 20.3% as compared to HK\$9,727,000 for the same period of last year. Gross profit margin for the period was 68.5%, representing a decrease of 10.1 percentage point as compared to the gross profit margin of 78.6% for the same period of last year. The decrease in gross profit margin was mainly due to the increase in cost of sales.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **4. Other income and gains**

Other income and gains for the Period was HK\$1,962,000, representing a decrease of HK\$952,000 or 32.7% as compared to HK\$2,914,000 for the same period of last year. Other income and gains mainly comprised of interest income and government grants. The decrease in other income and gains was primarily due to the decrease in bank interest income resulted from the decrease in bank balance during the Period.

### **5. Administrative expenses**

The administrative expenses for the Period was HK\$28,429,000, representing a decrease of HK\$1,134,000 or 3.8% as compared to HK\$29,563,000 for the same period of last year. The administrative expenses mainly comprised of staff cost and benefits, office expenses, rental and professional fees. The decrease in administrative expenses was mainly due to the decrease in staff cost, rental expenses and utility expenses.

### **6. Finance costs**

Finance costs for the Period was HK\$1,071,000, representing a decrease of HK\$858,000 or 44.5% as compared to HK\$1,929,000 for the same period of last year. The finance costs mainly comprised of interests on bank and other borrowings. The decrease in finance costs was mainly due to the decrease in bank and other borrowings during the Period.

### **7. Income tax credit**

Income tax credit for the Period amounted to HK\$1,673,000, representing an increase of HK\$512,000, or 44.1% as compared to HK\$1,161,000 for the same period of last year. The tax credit was mainly arising from the entitlement of additional tax allowance of land appreciation tax on our commercial building located in Wuhan City, Hubei Province, the PRC. The increase in the income tax credit was mainly due to the lessened amount of underprovision in prior years.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **8. Loss for the period**

The loss for the Period was HK\$10,223,000, representing a decrease of HK\$6,730,000 or 39.7% as compared to HK\$16,953,000 for the same period of last year. The loss decreased substantially primarily due to the reversal of impairment loss recorded during the Period.

### **Financial Position**

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

As at 30 June 2019, the Group maintained cash and bank balances of HK\$10,499,000, representing a decrease of HK\$15,845,000 or 60.1% as compared to HK\$26,344,000 as at 31 December 2018. During the Period, the net cash used in operating activities amounted to HK\$20,919,000; the cash flows generated from investing activities amounted to HK\$8,734,000; the net cash used in financing activities amounted to HK\$2,079,000.

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

At the end of the Period, the total assets of the Group amounted to HK\$315,353,000, the total equity amounted to HK\$174,444,000, the total liabilities amounted to HK\$140,909,000. The assets-liabilities ratio (total assets over total liabilities) was 2.24:1 (31 December 2018: 2.26:1), the current ratio (current assets over current liabilities) was 0.48:1 (31 December 2018: 0.68:1) and the gearing ratio (total bank and other borrowings over total equity) was 0.21:1 (31 December 2018: 0.21:1).



## MANAGEMENT DISCUSSION AND ANALYSIS

### (III) OTHER ISSUES

#### 1. Capital reorganisation

On 20 February 2019, resolutions in relation to the Company's capital reorganisation were duly passed by shareholders by way of poll and became effective from 21 February 2019. The capital reorganisation comprises the following:

##### (a) Share consolidation

- (i) every ten (10) issued and unissued ordinary share(s) of HK\$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share of HK\$1.00 each (the "**Consolidated Ordinary Share**"); and
- (ii) every ten (10) issued and unissued convertible preference share(s) of HK\$0.10 each in the share capital of the Company be consolidated into one (1) convertible preference share of HK\$1.00 each (the "**Consolidated Preference Share**").

##### (b) Capital reduction

- (i) reduction of any fractional Consolidated Ordinary Share in the issued share capital of the Company arising from the share consolidation by way of cancellation;
- (ii) reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK\$0.90 on each of the then issued Consolidated Ordinary Shares such that the par value of each issued Consolidated Ordinary Share will be reduced from HK\$1.00 to HK\$0.10; and



## MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) the authorised share capital of the Company of HK\$300,000,000 divided into 200,000,000 Consolidated Ordinary Shares and 100,000,000 Consolidated Preference Shares shall be reduced to HK\$30,000,000 divided into 200,000,000 New Ordinary Shares (as defined in the circular of the Company dated 28 January 2019 (the “**Circular**”) and 100,000,000 New Preference Shares (as defined in the Circular) by reducing the par value of all unissued Consolidated Shares (as defined in the Circular) from HK\$1.00 each to HK\$0.10 each (the “**Capital Reduction**”). The amount of crediting arising from the Capital Reduction was approximately HK\$157,041,000.

**(c) Authorised share capital increase**

Upon the Share Consolidation (as defined in the Circular) and Capital Reduction become effective, the authorised share capital of the Company be increased from HK\$30,000,000 divided into 200,000,000 New Ordinary Shares and 100,000,000 New Preference Shares of par value of HK\$0.10 each, respectively, to HK\$50,000,000 divided into 400,000,000 New Ordinary Shares and 100,000,000 New Preference Shares of par value HK\$0.10 each, respectively, by the creation of an additional 200,000,000 New Ordinary Shares.

**(d) Share premium reduction**

The amount standing to the credit of the share premium amount (approximately HK\$7,153,619,000 as at 31 December 2017, based on the audited consolidated financial statements for the year ended 31 December 2017) of the Company be reduced, with such amount of the credit arising therefrom being transferred to the Contributed Surplus (as defined in the Circular), and the amount standing to the credit of the Share Premium Account (as defined in the Circular) be reduced to nil (the “**Share Premium Reduction**”).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(e) *Offsetting the accumulated losses***

The amount of credit arising from the Capital Reduction in the sum of approximately HK\$157,041,000 and the amount of credit arising from the Share Premium Reduction in the sum of approximately HK\$7,153,619,000 be credited to the Contributed Surplus (as defined in the Circular) with the credit balance of approximately HK\$332,310,000 as at 31 December 2017, based on the audited consolidated financial statements for the year ended 31 December 2017. The amount standing to the credit of the Contributed Surplus was approximately HK\$7,642,970,000 following the two transfers of all the credit arising from the Capital Reduction and Share Premium Reduction to the Contributed Surplus. After that, the sum of HK\$7,424,893,000 in the Contributed Surplus shall be utilised to set off against the Accumulated Losses (as defined in the Circular) in full in the manner permitted by the Company Act (as defined in the Circular) and the bye-laws of the Company.

### **2. Material investment, material acquisition and disposal of subsidiaries and future material investment or capital and assets acquisition plan**

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

### **3. Pledge of assets**

As at 30 June 2019, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$90,992,000) from a bank in the PRC by pledging the Group's properties. Bank borrowing as at 31 December 2018 and 30 June 2019 was secured by a charge over the Group's investment properties, prepaid land lease payments, part of property, plant and equipment and trade receivables. As at 30 June 2019, facilities of RMB32,000,000 (equivalent to approximately HK\$36,397,000) have been utilised by the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Capital commitments and contingent liabilities

As at 30 June 2019, the capital commitment of the Group was HK\$27,295,000. 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 2019.

### 5. Foreign exchange exposure

For the six months ended 30 June 2019, 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.

### 6. 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 2019, the Group employed approximately 130 employees, and the total remuneration of employees (including the directors of the Company ("**Directors**")), was approximately HK\$16,473,000. 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

### 7. 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.

### 8. Refreshment of the scheme limit under the share option scheme

On 28 June 2019, the refreshment of the 10% scheme limit (the "**Scheme Limit**") of the share option scheme approved and adopted by the Company on 13 June 2013 (the "**Share Option Scheme**") has been approved by the shareholders at the annual general meeting of the Company (the "**AGM**"). After the approval of the refreshed Scheme Limit, the Company is allowed to issue a total of 17,448,972 options under the Share Option Scheme, representing approximately 10% and 8.3% of the total number of issued shares as at the date of the AGM and the date of this report, respectively.

### 9. Event after the reporting period

On 9 May 2019, the Company and Mostly Benefit Limited ("**Subscriber**") entered into a subscription agreement under the general mandate (the "**Subscription**"), pursuant to which the Subscriber had agreed to subscribe for, and the Company agreed to allot and issue 34,897,000 ordinary shares of the Company of HK\$0.1 each (being approximately 20% of the existing issued share capital of the Company as at the date of the agreement, being approximately 16.67% of the then issued share capital of the Company as enlarged by the allotment and issue of the subscription shares) at the subscription price of HK\$0.337 (a discount of approximately 17.8% to the closing price of the shares of HK\$0.41 per share on the last trading day). The net proceeds from the Subscription were approximately HK\$11.63 million and the net price of each subscription share was approximately HK\$0.333. The proceeds would be used to replenish the general working capital of the Group to support its day-to-day operation. The Subscription was completed on 26 July 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (IV) BUSINESS PROSPECTS

In light of the Chinese Government's intention and commitment to enter into the Government Procurement Agreement (GPA), and the rapid development of e-commerce technology, the government procurement, universities and colleges, state-owned enterprises and social organisations in China are actively promoting the development of openness and transparency of procurement practiced through electronic methods or application of e-commerce, big data, artificial intelligence, mobile internet and other technologies in the procurement segment.

In response to the market trend, the Group continued to carry on its three key products, i.e. "government procurement trading platform", "electronic procurement platform for state-owned enterprises" and "electronic procurement platform for colleges and universities", 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 customisation, price monitoring, bidding cooperation and market analysis and consultancy by screening, processing and analysing various transaction information collected through the trading system, and developed more value-added service programs based on the advantage of big data, in order to further consolidate the leading position of the Group in the public procurement segment.

At present, the Chinese government has also increased its efforts in anti-corruption detection, monitoring state-owned enterprises, which therefore have led to strong demands for solid electronic procurement platform that can satisfy the "compliant" and "efficient" roles. In addition, the Group is a key drafter of the Regulations on the Procurement Technology of State-owned Enterprises, and it will seize the opportunity to strengthen its efforts in the promotion of electronic procurement platform for state-owned enterprises, and make it a new profit driver of the Group.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>11,322</b>	12,376
Cost of sales		<b>(3,570)</b>	(2,649)
<b>Gross profit</b>		<b>7,752</b>	9,727
Other income and gains	7	<b>1,962</b>	2,914
Administrative expenses		<b>(28,429)</b>	(29,563)
Reversal of impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries		<b>2,781</b>	737
Reversal of impairment loss of loan receivables		<b>5,097</b>	—
Reversal of impairment loss of trade and other receivables		<b>12</b>	—
<b>Loss from operations</b>		<b>(10,825)</b>	(16,185)
Finance costs	8	<b>(1,071)</b>	(1,929)
<b>Loss before tax</b>		<b>(11,896)</b>	(18,114)
Income tax credit	9	<b>1,673</b>	1,161
<b>Loss for the period</b>	10	<b>(10,223)</b>	(16,953)
<b>Attributable to:</b>			
Owners of the Company		<b>(9,853)</b>	(15,611)
Non-controlling interests		<b>(370)</b>	(1,342)
		<b>(10,223)</b>	(16,953)
			(Restated)
<b>Loss per share</b>	11		
Basic (HK cents per share)		<b>(5.65)</b>	(9.56)
Diluted (HK cents per share)		<b>N/A</b>	N/A



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Loss for the period</b>	<b>(10,223)</b>	(16,953)
<b>Other comprehensive income:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
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	<b>(2,486)</b>	(2,749)
<b>Other comprehensive income for the period, net of tax</b>	<b>(2,486)</b>	(5,787)
<b>Total comprehensive income for the period</b>	<b>(12,709)</b>	(22,740)
<b>Attributable to:</b>		
Owners of the Company	<b>(12,509)</b>	(21,486)
Non-controlling interests	<b>(200)</b>	(1,254)
	<b>(12,709)</b>	(22,740)



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2019

	<i>Notes</i>	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>2,565</b>	2,421
Right-of-use assets	14	<b>1,778</b>	—
Prepaid land lease payments		<b>4,158</b>	4,227
Investment properties		<b>265,469</b>	266,776
Intangible assets		<b>9,867</b>	10,162
<b>Total non-current assets</b>		<b>283,837</b>	283,586
<b>Current assets</b>			
Prepaid land lease payments		<b>97</b>	97
Inventories — raw materials		<b>464</b>	312
Trade and other receivables	15	<b>15,452</b>	11,342
Loan receivables	16	<b>2,047</b>	2,286
Financial assets at fair value through profit or loss (“FVTPL”)		<b>2,957</b>	2,515
Equity instruments at FVTOCI		<b>—</b>	3,191
Bank and cash balances		<b>10,499</b>	26,344
<b>Total current assets</b>		<b>31,516</b>	46,087
<b>TOTAL ASSETS</b>		<b>315,353</b>	329,673
<b>EQUITY AND LIABILITIES</b>			
Share capital	17	<b>17,449</b>	174,490
Reserves		<b>165,804</b>	14,752
Equity attributable to owners of the Company		<b>183,253</b>	189,242
Non-controlling interests		<b>(8,809)</b>	(5,252)
<b>Total equity</b>		<b>174,444</b>	183,990



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	18	<b>31,847</b>	34,290
Lease liabilities		<b>1,171</b>	—
Deferred income		<b>4,393</b>	4,558
Deferred tax liabilities		<b>37,385</b>	39,234
<b>Total non-current liabilities</b>		<b>74,796</b>	78,082
<b>Current liabilities</b>			
Bank and other borrowings	18	<b>4,550</b>	4,572
Trade and other payables	19	<b>23,186</b>	25,073
Contract liabilities		<b>1,758</b>	1,817
Lease liabilities		<b>613</b>	—
Amounts due to an ex-substantial shareholder and its subsidiaries	20	<b>2,669</b>	2,682
Current tax liabilities		<b>33,337</b>	33,457
<b>Total current liabilities</b>		<b>66,113</b>	67,601
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>315,353</b>	329,673
<b>Net current liabilities</b>		<b>(34,597)</b>	(21,514)
<b>Total assets less current liabilities</b>		<b>249,240</b>	262,072

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	(unaudited)												
	Attributable to owners of the Company												
	Share capital	Share premium	Contribution surplus	Share-based		Statutory reserve	Foreign currency		FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
				reserve	payments reserve		translation 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	
At 31 December 2018 (audited)	174,490	7,158,101	—	8,390	—	15,778	139,068	3,492	(2,537)	(7,307,540)	189,242	(5,252)	183,990
Total comprehensive income for the period	—	—	—	—	—	—	(2,656)	—	—	(9,653)	(12,509)	(200)	(12,709)
Acquisition of additional equity interests in subsidiaries	—	—	—	—	—	—	755	—	—	2,602	3,357	(3,357)	—
Changes in fair value	—	—	—	—	—	—	—	—	2,700	—	2,700	—	2,700
Transfer of FVTOCI reserve upon the disposal	—	—	—	—	—	—	—	—	(163)	163	—	—	—
Share-based payments	—	—	—	—	463	—	—	—	—	—	463	—	463
Capital reorganization	(157,041)	(7,153,619)	(114,233)	—	—	—	—	—	—	7,424,893	—	—	—
Changes in equity for the period	(157,041)	(7,153,619)	(114,233)	—	463	—	(1,901)	—	2,537	7,417,805	(5,989)	(3,557)	(9,546)
At 30 June 2019 (unaudited)	17,449	4,482	(114,233)	8,390	463	15,778	137,167	3,492	—	110,265	183,253	(8,809)	174,444



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	(Unaudited)												
	Attributable to owners of the Company												
	Share capital	Share premium	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	Investment revaluation reserve	FV/OCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
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	—	—	—	—	—	—	1,093	(1,093)	—	—	—	—	—
— HKFRS 15	—	—	—	—	—	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)	231,893
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 CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	<b>(11,896)</b>	(18,114)
Adjustments for:		
Depreciation	<b>508</b>	739
Equity-settled share-based payments	<b>463</b>	454
Reversal of impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	<b>(2,781)</b>	—
Reversal of impairment loss of loan receivables	<b>(5,097)</b>	—
Reversal of impairment loss of trade and other receivables	<b>(12)</b>	—
Other (gains and income)/operating activities	<b>(2,104)</b>	4,723
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(20,919)</b>	(12,198)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loans advanced	—	(14,749)
Loans refunded	<b>5,232</b>	14,749
Other investing activities	<b>110</b>	82
Repayment from an ex-substantial shareholder and its subsidiaries	<b>3,392</b>	—
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>8,734</b>	82
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank and other borrowings	<b>(2,275)</b>	(11,062)
Proceeds from issue of shares	—	13,338
Other financing activities	<b>196</b>	(1,929)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(2,079)</b>	347



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,264)</b>	(11,769)
Effect of foreign exchange rate changes	<b>(1,581)</b>	374
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>26,344</b>	43,270
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>10,499</b>	31,875
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>10,499</b>	31,875

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 501, 5/F., Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of 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 2018 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 2018 except as stated below.

The Group incurred a net loss and net operating cash outflows of approximately HK\$10,223,000 and HK\$20,919,000, respectively, during the six months ended 30 June 2019, the Group had net current liabilities of approximately HK\$34,597,000 as at 30 June 2019. 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;
- (b) The Group has obtained the credit facilities of RMB80,000,000 (equivalent to approximately HK\$90,992,000) from a bank in the PRC by pledging the Group's non-current assets. As at 30 June 2019, facilities of RMB32,000,000 (equivalent to approximately HK\$36,397,000) has been utilised by the Group; and



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. BASIS OF PREPARATION (Continued)

- (c) The Company has adopted the equity financing approach to strengthen the financing position of the Group and raise additional funds for the Group to replenish its working capital. On 9 May 2019, the Company and a subscriber entered into a subscription agreement to allot and issue 34,897,000 shares, approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company immediately after completion of the subscription, at the subscription price of HK\$0.337 per subscription share, under the general mandate. The subscription of new shares was completed on 26 July 2019, raising the net proceeds of HK\$11.63 million.

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use asset representing its rights to use the underlying assets and lease liability representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### (a) *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### HKFRS 16 Leases (Continued)

##### (b) As a lessee

The Group leases properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use asset and lease liability for most leases.

However, the Group has elected not to recognise right-of-use asset and lease liability for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following type of assets:

	<b>Balance as at</b>	
	<b>30 June 2019 HK\$'000</b>	1 January 2019 HK\$'000
Office properties	<b>1,778</b>	—

#### *Significant accounting policies*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### HKFRS 16 Leases (Continued)

##### (b) As a lessee (Continued)

###### *Significant accounting policies (Continued)*

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

###### *Transition*

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises and staff quarters. The leases typically run for a period of one year.

At transition, the Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use asset and liability for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### (c) As a lessor

The Group which leases out its investment properties has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### HKFRS 16 Leases (Continued)

##### (d) Impacts of financial statements

###### *Impact on transition*

On transition to HKFRS 16, the Group did not recognise additional right-of-use assets and additional lease liabilities by application of exemption.

	1 January 2019 HK\$'000
<hr/>	
<b>Assets</b>	
Right-of-use assets	—
Property, plant and equipment	—
	<hr/> — <hr/>
 <b>Liabilities</b>	
Lease liabilities	—
	<hr/>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.71%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### HKFRS 16 Leases (Continued)

#### (d) Impacts of financial statements (Continued)

##### Impact on transition (Continued)

	1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements (audited)	1,075
Discounted using the incremental borrowing rate at 1 January 2019	899
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(899)
<b>Lease liability recognised as at 1 January 2019 (unaudited)</b>	<b>—</b>

##### Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK\$1,778,000 of right-of-use asset and approximately HK\$1,784,000 of lease liability as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised approximately HK\$135,000 of depreciation charges and approximately HK\$14,000 of finance costs from these leases. No depreciation is recognised for the right-of-use asset that meets the definition of investment properties.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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 to the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

#### (a) Disclosures of level in fair value hierarchy at 30 June 2019:

Description	(Unaudited)			
	Fair value measurements as at 30 June 2019			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
— structured deposits	—	2,957	—	2,957
<b>Investment properties</b>				
Commercial units situated in the PRC	—	—	265,469	265,469
<b>Total</b>	<b>—</b>	<b>2,957</b>	<b>265,469</b>	<b>268,426</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 4. FAIR VALUE MEASUREMENTS (Continued)

#### (a) Disclosures of level in fair value hierarchy at 30 June 2019: (Continued)

Description	(Audited)			
	Fair value measurements as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
<b>Financial assets</b>				
Financial assets at FVTOCI				
— listed equity security	—	—	3,191	3,191
Financial assets at FVTPL				
— structured deposits	—	2,515	—	2,515
<b>Investment properties</b>				
Commercial units situated in the PRC	—	—	266,776	266,776
Total	—	2,515	269,967	272,482

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

	Investment properties	
	Six months ended 30 June 2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At the beginning of the period	266,776	279,052
Exchange differences	(1,307)	(3,671)
At the end of the period	265,469	275,381
Total gains recognised in profit or loss for assets held at end of the reporting period	—	—



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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 2019:

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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Structured deposits	Market comparison approach	Price per unit of investment	2,957	2,515

#### 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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Equity instruments at FVTOCI	Market comparison approach	EBITDA	N/A	Decrease	—	3,191
Commercial units located in the PRC	Income capitalisation	Terminal yield	6.5%	Decrease	265,469	266,776
		Reversionary yield	7%	Decrease		
		Monthly rental (RMB/square metre)	35-68	Increase		
			(2018: 6.5%)			
			(2018: 7%)			
			(2018: 35-68)			

There were no changes in the valuation techniques used during the six months period ended 30 June 2019.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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 2019

### 5. SEGMENT INFORMATION (Continued)

	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)
<b>Six months ended 30 June 2019:</b>					
Revenue from external customers	3,738	—	2,648	4,936	11,322
Intersegment revenue	—	—	—	—	—
Segment profit	3,565	—	964	3,235	7,764
<b>As at 30 June 2019:</b>					
Segment assets	9,437	2,275	2,105	265,605	279,422
Segment liabilities	4,507	—	1,758	2,936	9,201
<b>Six months ended 30 June 2018:</b>					
Revenue from external customers	3,006	—	4,649	4,721	12,376
Intersegment revenue	—	—	—	—	—
Segment profit	2,084	—	3,229	4,414	9,727
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>As at 31 December 2018:</b>					
Segment assets	9,283	—	4,560	267,736	281,579
Segment liabilities	5,629	—	1,817	2,408	9,854
<b>Six months ended 30 June</b>					
<b>2019</b>					
<b>2018</b>					
<b>HK\$'000</b>					
<b>HK\$'000</b>					
<b>Reconciliations of reportable segment profit or loss:</b>					
Total profit or loss of reportable segments			7,764		9,727
Administrative expenses			(28,429)		(29,563)
Finance costs			(1,071)		(1,929)
Other income and gains			1,962		2,914
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries			2,781		737
Reversal of impairment loss for loan receivables			5,097		—
Consolidated loss before tax			(11,896)		(18,114)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 6. REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Provision of public procurement services	<b>3,738</b>	3,006
Provision of corporate IT solution services	<b>2,648</b>	4,649
Rental income	<b>4,936</b>	4,721
	<b>11,322</b>	12,376

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Recognised at point in time		
— Provision of public procurement services	<b>3,738</b>	3,006
— Sales of online procurement software	<b>747</b>	4,452
Recognised over time		
— Licensing online procurement platform income	<b>524</b>	—
— Provision of maintenance services	<b>1,377</b>	197
	<b>6,386</b>	7,655
<b>Revenue from other sources</b>		
— Rental income	<b>4,936</b>	4,721
	<b>11,322</b>	12,376



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 6. REVENUE (Continued)

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

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Receivables, which are included in "Trade and other receivables"	<b>2,018</b>	5,290
Contract liabilities	<b>(1,758)</b>	(1,817)

The amount of approximately HK\$1,214,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the six months ended 30 June 2019.

### 7. OTHER INCOME AND GAINS

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>24</b>	1,425
Dividend income	<b>4</b>	—
Exchange gain	<b>3</b>	—
Gains on disposals of financial assets at FVTPL	<b>15</b>	155
Government grants — amortisation of deferred income	<b>145</b>	154
Government grants ( <i>Note</i> )	<b>362</b>	71
Interest income on loan receivables	<b>1,227</b>	846
Sundry income	<b>182</b>	263
	<b>1,962</b>	2,914

*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 2019

### 8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing	1,057	1,255
Interest on lease liabilities	14	—
Interest on other borrowings	—	674
	<b>1,071</b>	<b>1,929</b>

### 9. INCOME TAX CREDIT

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the year	9	—
Underprovision in prior years	6	629
Deferred tax — the PRC	(1,688)	(1,790)
	<b>(1,673)</b>	<b>(1,161)</b>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2018: 25%).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 10. LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Staff costs		
— Directors' emoluments (excluding equity-settled share-based payments)	<b>1,821</b>	2,743
— Salaries, bonuses and allowances	<b>13,343</b>	11,833
— Retirement benefits scheme contributions	<b>846</b>	1,034
— Equity-settled share-based payments ( <i>Note</i> )	<b>463</b>	—
<b>Total staff costs</b>	<b>16,473</b>	15,610
Amortisation of intangible assets (included in administrative expenses)	<b>65</b>	69
Depreciation	<b>508</b>	739
Equity-settled share-based payments ( <i>Note</i> )	—	454
Loss on disposals of property, plant and equipment	—	4
Operating leases charges — land and buildings	<b>1,211</b>	1,947

*Note:* Equity-settled share-based payments include HK\$463,000 (unaudited) which is included in the staff costs for the six months ended 30 June 2019. For the six months ended 30 June 2018, they include HK\$454,000 (unaudited) in administrative expenses.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### **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\$9,853,000 (unaudited) (six months ended 30 June 2018: approximately HK\$15,611,000 (unaudited)) and the weighted average number of ordinary shares of approximately 174,490,000 (unaudited) (six months ended 30 June 2018: approximately 163,362,000 (restated and unaudited)) for both periods, which has been adjusted for the effect of share consolidation on 21 February 2019.

#### **Diluted loss per share**

There was no dilutive potential ordinary shares for the Company's share options for the six months ended 30 June 2019 and 2018.

### **12. DIVIDEND**

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

During the six months ended 30 June 2019, additions to the Group's property, plant and equipment were approximately HK\$550,000 (unaudited) (six months ended 30 June 2018: approximately HK\$61,000 (unaudited)).

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

During the six months ended 30 June 2019, the Group entered into a new lease agreement for use of property for 3 years. The Group makes fixed payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised approximately HK\$1,913,000 and HK\$1,826,000 of right-of-use assets and lease liabilities respectively. As at 30 June 2019, the right-of-use assets' carrying amount was approximately HK\$1,778,000.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 15. TRADE AND OTHER RECEIVABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade receivables	<b>2,190</b>	5,462
Provision for impairment loss	<b>(172)</b>	(172)
	<b>2,018</b>	5,290
Other receivables	<b>8,223</b>	3,469
Provision for impairment loss	<b>(711)</b>	(711)
	<b>7,512</b>	2,758
Compensation income receivable	<b>8,473</b>	8,473
Provision for impairment loss	<b>(8,473)</b>	(8,473)
	<b>—</b>	—
Prepayments for goods	<b>71,952</b>	69,944
Provision for impairment loss	<b>(69,677)</b>	(69,944)
	<b>2,275</b>	—
Other prepayments	<b>9,144</b>	8,847
Provision for impairment loss	<b>(6,757)</b>	(6,765)
	<b>2,387</b>	2,082
Deposits	<b>1,263</b>	1,215
Provision for impairment loss	<b>(3)</b>	(3)
	<b>1,260</b>	1,212
	<b>15,452</b>	11,342



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 15. TRADE AND OTHER RECEIVABLES (Continued)

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

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
At the beginning of the period/year	<b>86,068</b>	84,192
Additional impairment recognised at 1 January 2018 under HKFRS 9	—	240
Restated at 1 January 2018	<b>86,068</b>	84,432
Provision for impairment loss for the period/year	—	665
Exchange differences	<b>(275)</b>	971
At the end of the period/year	<b>85,793</b>	86,068

At 30 June 2019, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK\$136,000 (unaudited) (31 December 2018: HK\$989,000 (audited)).

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:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
0 to 90 days	<b>762</b>	5,152
91 to 180 days	<b>1,206</b>	87
181 to 365 days	—	25
Over 365 days	<b>50</b>	26
	<b>2,018</b>	5,290



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 16. LOAN RECEIVABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Loan receivables ( <i>Note</i> )	117,797	123,143
Provision for impairment loss	<b>(115,750)</b>	(120,857)
	<b>2,047</b>	2,286

Reconciliation of provision for impairment loss for loan receivables:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
At the beginning of the period/year	120,857	100,537
Additional impairment recognised at 1 January 2018 under HKFRS 9	—	25,221
Restated at 1 January 2018	120,857	125,758
Reversal of impairment loss for the period/year	<b>(5,097)</b>	(4,876)
Exchange differences	<b>(10)</b>	(25)
At the end of the period/year	<b>115,750</b>	120,857

*Note:*

As at 30 June 2019, loan receivables included a loan of HK\$100,000,000 (unaudited) (31 December 2018: HK\$100,000,000 (audited)) of which accumulated impairment of HK\$100,000,000 (unaudited) (31 December 2018: 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 17. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorized share capital</b>			
Ordinary shares			
At 1 January 2018 and 31 December 2018 (audited) and 1 January 2019 (HK\$0.1 each)		2,000,000	200,000
Share consolidation	(b)	(1,800,000)	—
		200,000	200,000
Capital reduction	(c)	—	(180,000)
		200,000	20,000
Increase in authorised number of shares (HK\$0.1 each)	(d)	200,000	20,000
Authorized ordinary shares at 30 June 2019 (unaudited) (HK\$0.1 each)		400,000	40,000
Preference shares			
At 1 January 2018 and 31 December 2018 (audited) and 1 January 2019 (HK\$0.1 each)		1,000,000	100,000
Share consolidation	(b)	(900,000)	—
		100,000	100,000
Capital reduction	(c)	—	(90,000)
Authorized preference shares at 30 June 2019 (unaudited) (HK\$0.1 each)		100,000	10,000
Total authorized share capital at 30 June 2019 (unaudited) (HK\$0.1 each)		500,000	50,000
<b>Issued and fully paid:</b>			
Ordinary shares			
At 1 January 2018 (HK\$0.1 each)		1,611,517	161,152
Share issued under share option scheme	(a)	133,380	13,338
At 31 December 2018 (audited) and 1 January 2019 (HK\$0.1 each)		1,744,897	174,490
Share consolidation	(b)	(1,570,407)	—
		174,490	174,490
Capital reduction	(c)	—	(157,041)
At 30 June 2019 (unaudited) (HK\$0.1 each)		174,490	17,449



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 17. SHARE CAPITAL (Continued)

<i>Notes</i>	<b>Number of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
Preference shares		
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (HK\$0.1 each)	—	—
Total issued and fully paid at 30 June 2019 (unaudited) (HK\$0.1 each)	174,490	17,449

*Notes:*

- (a) 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.
- (b) On 20 February 2019, an ordinary resolution was passed at a special general meeting to consolidate every 10 shares in the authorised and issued ordinary and preference shares of the Company of HK\$0.1 each into one consolidated share of HK\$1 each.
- (c) On 20 February 2019, a special resolution was passed at a special general meeting to cancel any fractional consolidated ordinary share in the issued share capital of the Company arising from the Share Consolidation; to reduce the par value of all the issued ordinary shares from HK\$1.00 each to HK\$0.10 each; and to reduce the authorised share capital of the Company from HK\$300,000,000 to HK\$30,000,000 divided into 200,000,000 ordinary shares of HK\$0.10 each and 100,000,000 preference shares of HK\$0.10 each. The capital reduction had become effective on 21 February 2019 and the authorised and issued ordinary share capital of the Company was amounted to HK\$20,000,000 and approximately HK\$17,449,000, respectively.
- (d) On 20 February 2019, an ordinary resolution was passed at a special general meeting to approve the authorised share capital of the Company be increased from HK\$30,000,000 divided into 200,000,000 ordinary shares of HK\$0.1 each and 100,000,000 preference shares of HK\$0.1 each to HK\$50,000,000 divided into 400,000,000 ordinary shares of HK\$0.1 each and 100,000,000 preference shares of HK\$0.1 each by the creation of an additional 200,000,000 ordinary shares of HK\$0.1 each.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 18. BANK AND OTHER BORROWINGS

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Bank borrowing	<b>36,397</b>	38,862

The borrowings are repayable as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Within one year	<b>4,550</b>	4,572
More than one year, but not exceeding two years	<b>4,550</b>	4,572
More than two years, but not exceeding five years	<b>13,649</b>	13,716
More than five years	<b>13,648</b>	16,002
	<b>36,397</b>	38,862
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(4,550)</b>	(4,572)
Amount due for settlement after 12 months	<b>31,847</b>	34,290

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

The effective interest rates of borrowings were as follows:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Bank borrowing	<b>5.39%</b>	5.39%
Other borrowings	<b>N/A</b>	N/A

Bank borrowing at 30 June 2019 and 31 December 2018 was secured by a charge over the Group's investment properties, prepaid land lease payments, part of property, plant and equipment and trade receivables.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 19. TRADE AND OTHER PAYABLES

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Trade payables ( <i>Note</i> )	162	163
Accruals	7,434	7,086
Security deposits	2,411	3,546
Receipt in advance	797	369
Other payables	10,448	11,966
Payables for acquisition of intangible assets	1,934	1,943
	<b>23,186</b>	25,073

*Note:*

The average credit period on purchase 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:

	<b>30 June 2019 HK\$'000 (Unaudited)</b>	31 December 2018 HK\$'000 (Audited)
Over 365 days	162	163

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 21. 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:

	<b>30 June 2019</b>	31 December 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Property, plant and equipment — building	<b>1,378</b>	1,429
Prepaid land lease payments	<b>4,255</b>	4,324
Investment properties	<b>265,469</b>	266,776
Trade receivables — rental receivables	<b>136</b>	989
	<b>271,238</b>	273,518

### 22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2019 (31 December 2018: Nil).

### 23. CAPITAL COMMITMENTS

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

	<b>30 June 2019</b>	31 December 2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Acquisition of intangible assets	<b>7,732</b>	7,770
Further capital injection to an associate	<b>19,563</b>	19,659
	<b>27,295</b>	27,429



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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. EVENT AFTER THE REPORTING PERIOD

On 9 May 2019, the Company and a subscriber entered into a subscription agreements under the general mandate, pursuant to which the subscriber has agreed to subscribe for, and the Company agreed to allot and issue 34,897,000 shares (being approximately 20% of the existing issued share capital of the Company as at the date of the agreement, being approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares) at the subscription price of HK\$0.337. The net proceeds from the subscription are approximately HK\$11.63 million. The proceeds would be issued to replenish the general working capital of the Group to support its day-to-day operation. The subscription of new shares was completed on 26 July 2019.

### 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 2019.



## 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, the Scheme Limit of which had been refreshed pursuant to the ordinary resolution passed by the shareholders held on 28 June 2018.

On 9 May 2019, a total of 17,400,000 Share Options to subscribe for 17,400,000 shares, representing approximately 9.97% of the issued share capital of the Company on the same date were granted by the Company to 10 employees under the Share Option Scheme. None of the grantees is a director, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company, nor an associate (as defined under the Listing Rules) of any of them. Details of the share options movements during the six months ended 30 June 2019 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 June 2019	Vesting period	Exercise period	Exercise price (HK\$)
		Balance as at 1 January 2019	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Employees	9 May 2019	—	17,400,000	—	—	—	17,400,000	—	9 May 2019 to 8 May 2021	0.416

Note: The fair value of the 17,400,000 share options granted on 9 May 2019 amounted to approximately HK\$463,000 based on the computation of Black-Scholes model with Binomial Tree method.



## 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 2019, 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 of 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 in the Company (Note 2)	Total Interests as to percentage of the issued share capital of the Company as at 30 June 2019 (Note 1) (approximately)
			0.34%
Zheng Jinwei	Corporate interest	600,000 (Note 3)	0.34%

#### Notes:

- The Company underwent a capital reorganisation on 21 February 2019 which comprised share consolidation of every ten issued shares into one share (the "Share Consolidation"). As at 30 June 2019, the total number of issued shares of the Company was 174,489,725 shares (i.e. 1,744,897,254 shares before the Share Consolidation).
- These shares represent the number of shares after the Share Consolidation.
- These 600,000 shares (i.e. 6,000,000 shares before the Share Consolidation) are held by Samway International Enterprise Limited ("Samway International") which is incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Zheng Jinwei ("Mr. Zheng"). Mr. Zheng is deemed to be interested in such shares held by Samway International pursuant to the SFO.

Save as disclosed above, as at 30 June 2019, 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.

## GENERAL INFORMATION

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

As at 30 June 2019, 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 shares of the Company

Name of Shareholders	Capacity	Number of shares interested <i>(Note 2)</i>	Percentage of the issued share capital as at 30 June 2019 <i>(Note 1)</i> <i>(approximately)</i>
Zhao Liuqing	Beneficial interest	26,858,600	15.39%
Ho Wai Kong <i>(Note 3)</i>	Beneficial interest	404,872	0.23%
	Corporate interest	6,316,727	3.62%
	Spousal interest	2,793,480	1.60%
Guo Binni <i>(Note 3)</i>	Beneficial interest	2,793,480	1.60%
	Spousal interest	6,721,599	3.85%

Notes:

- As at 30 June 2019, the total number of issued shares of the Company was 174,489,725 shares (i.e. 1,744,897,254 shares before the Share Consolidation).
- These shares represent the number of shares after the Share Consolidation.
- Mr. Ho Wai Kong ("**Mr. Ho**") and Ms. Guo Binni ("**Ms. Guo**") are spouses. Pursuant to the SFO, (i) Ms. Guo is therefore deemed to be interested in 6,316,727 shares under the controlled corporation of Mr. Ho and 404,872 shares directly held by Mr. Ho and (ii) Mr. Ho is deemed to be interested in 2,793,480 shares directly held by Ms. Guo.

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 2019.

### DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2019 (30 June 2018: Nil).



## CORPORATE GOVERNANCE

### 1. CHANGE OF DIRECTORS

On 31 May 2019, Mr. Ho Wai Kong resigned as an executive Director and honorary chairman of the Company.

### 2. 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.

### 3. AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely, Mr. Deng Xiang (Chairman), Mr. Chen Limin and Mr. Jiang Jun. Mr. Chen Limin is a non-executive Director whereas Mr. Deng Xiang and Mr. Jiang Jun are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2019, 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.

## CORPORATE GOVERNANCE

### 4. 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 2019.

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

Hong Kong, 30 August 2019