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

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

ANNUAL
REPORT
2019

Contents

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, *FCPA (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

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 (Beijing Office)
Dewell & Partners

PRINCIPAL BANKERS

Hang Seng Bank Limited
China Merchant Bank Co., Ltd.

STOCK CODE

1094

WEBSITE

www.cpphk1094.com

Chairman's Statement

(1) BUSINESS OPERATION

The Group kept a sustained development in its main business in 2019 and recorded steady growth in sales revenue with good momentum.

Firstly, technical information service products and public procurement services were gradually diversified. After two or three years of research and development, the Group managed to develop e-procurement platform for state-owned enterprises, financial services platform, Gongcai Tong service APP and other products in addition to the original electronic platform for government procurement and university procurement management system, thereby enriching the Group's product mix.

Secondly, the Group cooperated with industry organisations in the field of public procurement to jointly establish the research group for "Procurement Management Standards and Operation Standards for State-owned Enterprises", and participated in compiling the industry standards of "Procurement Operating Standards for State-owned Enterprises". By virtue of that, the Group has accumulated experience and customer resources for developing the procurement business of state-owned enterprises and laid a solid foundation for seizing a place in electronic procurement of state-owned enterprises.

Thirdly, the Group's sales market was further expanded. Currently, we have government procurement customers in more than 10 provinces and municipalities including Hubei Province, Inner Mongolia Autonomous Region, Tianjin, Hainan Province, Qinghai Province and Shenzhen, generating continuous increases in transaction volume, number of suppliers and revenue to the Group. We have also acquired large customer projects such as government procurement platform of Ningxia Hui Autonomous Region, procurement platform of Inner Mongolia Power Group, state-owned enterprises procurement platforms of Weihai in Shandong Province, government procurement platform of Ulanqab in Inner Mongolia and procurement system of Jiangxi Provincial Expressway Group.

Fourthly, our technical level and service capability gained high recognition and compliments from customers. This year, our technical services for government procurement customers have been upgraded, achieving good customer experience; the new procurement electronic platforms for state-owned enterprises we put into market also marked its leading position in the industry. The Group provided timely technical services and on-site services, added remote service and online payment for supplier customers, and continuously improved service quality.

The property which the Group invested in is a commercial office building in Donghu New Technology Development Zone, Wuhan City, Hubei Province. Since the appointment of a property management company to manage the building, its occupancy rate, tenant satisfaction rate and rental income have continued to increase. The rental income obtained has generated continuous and stable cash flow for the Group, providing financial support for the development of the public procurement electronic platform business.

(2) BUSINESS PROSPECTS

As the Chinese government puts more efforts into the anti-corruption in public institutions and the promotion of transparent procurement and as the full implementation of the "Internet Plus" guiding principle for bidding and procurement begins, electronic and e-commerce procurement becomes a more prominent trend in the field of public procurement. The demand for electronic procurement in the fields of government procurement, state-owned enterprise procurement and university material procurement in China, grows as the transaction volume grows. Apart from government procurement, state-owned enterprises, universities and colleges, public hospitals and social organisations are also actively using the electronic platforms for procurement of materials and services. Such external environment is favorable to the development of the Group's business.

From 2020, the Group will seize development opportunities, leverage on the brand advantage of public procurement electronic platform, and focus on developing the four products of "Government Procurement and Trading Platform", "Electronic Procurement Platform for Colleges and Universities", "Electronic Procurement Platform for State-owned Enterprise" and "Financial Services Platform", striving to expand the Group's market share rapidly. Meanwhile, a variety of transaction data are converged through the trading system, and data cleaning, processing and analysis are conducted to provide valuable services for both parties of the procurement transaction, especially for services such as supply chain financing, procurement information customisation, and bidding collaboration consulting.

Based on the first-mover advantage of e-procurement for state-owned enterprises, the Group will continue to strengthen the capability of the technical research and development team, concentrate on market development and brand expansion, and strive to rapidly expand its market share in the field of procurement platform for state-owned enterprises in China. At the same time, the Group will integrate its four pillar products, i.e. electronic platforms of government procurement, college and university procurement, state-owned enterprise procurement, and financial institutions procurement, and unify data standards, function modules and service model to achieve data sharing and supplier sharing between platforms, so as to enhance the influence of the "Gongcai Tong" service product, explore more value-added service projects, and further enhance the leading position of Group's e-procurement platform in China.

I. BUSINESS REVIEW

During the year ended 31 December 2019, the Group had four operating business segments, namely, public procurement, trading business, provision of corporate IT solution and rental income.

Public procurement

In 2019, the Group continued to operate electronic trading platforms and management systems for government procurement and electronic procurement platforms for universities and colleges in the domestic public procurement area. We have continued to improve the functions of the electronic procurement platforms and enhance our technical and service standards, therefore, both the number of customers who used the platform and the number of suppliers increased significantly, and technical service and related income continued to increase.

The Group participated in and initiated the establishment of research group for "Procurement Management Standards and Operation Standards for State-owned Enterprises", and participated in compiling industrial standards for "Procurement Operating Standards for State-owned Enterprises", both of which laid a good foundation for exploring other state-owned enterprises customers, and seizing a place in electronic procurement of state-owned enterprises industry.

During the year, the public procurement businesses of the Group further grew. The number of customers, suppliers, the volume of transactions as well as revenues for provincial and municipal governments such as Hubei Province, Inner Mongolia Autonomous Region, Tianjin, Hainan Province, Qinghai Province and Shenzhen continued to grow. In particular, the procurement platforms for governments in new areas such as Ningxia Hui Autonomous Region, Ulanqab in Inner Mongolia Autonomous Region, and Jingmen in Hubei were put into operation and had seen income contribution to the Group. The enterprises procurement platforms, including Inner Mongolia Power Group procurement platform, state-owned enterprises procurement platforms of Weihai in Shandong Province and procurement system of Jiangxi Provincial Expressway Group (江西省高速公路集團), launched a new page of the Group's future development.

Trading business

Our trading business is conducted on a "demand and supply" basis. The Group has been seeking trading opportunities from its potential customers and suppliers. During the year, the Group had conducted trading business which amounted to HK$37,703,000 (2018: HK$31,221,000), which had seen profit contribution to the Group this year.

Provision of corporate IT solution

The Group has been generating income from providing corporate IT solutions by the development of software and provision of maintenance services to customers. The Group has been expanding its coverage to certain second and third tier cities within the PRC and has hired more qualified staff who are specialised in information technology or software development. The Group believes that it is worthwhile to continue to develop this business segment with the support of the government policies and experienced team built throughout these years.

Rental income

The Group also generates income from leasing of a commercial building it owned, located in Donghu New Technological Development Area, Wuhan, Hubei Province, the PRC. The recurrent rental income generated stable cash inflow to the Group and funded part of the operation and development expenses of the Group.

II. FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue of the Group for the year was HK$73,324,000 (2018: HK$68,289,000), representing an increase of HK$5,035,000, or 7.4% as compared to last year.

The revenue included revenue from public procurement of HK$9,651,000, accounting for 13.2% of the total revenue; revenue from trading business of HK$37,703,000, accounting for 51.4% of the total revenue; revenue from provision of corporate IT solution of HK$12,906,000, accounting for 17.6% of the total revenue; and rental income of HK$13,064,000, accounting for 17.8% of the total revenue.

The increase in revenue for the year was mainly due to the increase in revenue in trading business, complemented by an increase in revenue in the provision of public procurement services, a decrease in revenue in the provision of corporate IT solution services and an increase in rental revenue. The increase of provision of public procurement services was due to increased efforts devoted in the promotion of our public procurement platform and increased income derived from the sales of public key with a digital certificate issued by a certificate authority (CA) during the year. The decrease in revenue from provision of corporate IT solution services, was due to a decrease in number of projects resulted from a more selective process in assessing projects profitability. Furthermore, the increase in occupancy ratio and increase in rental prices of renewal/new tenancy agreements of our commercial building in Wuhan, Hubei Province, the PRC led to an increase in rental revenue this year.

2. Cost of sales

Cost of sales for the year was HK$51,536,000 (2018: HK$45,471,000), representing an increase of HK$6,065,000, or 13.3% as compared to last year. Cost of sales mainly comprised cost of goods purchased for trading business, technical staff cost, relevant fixed assets depreciation, the cost of authentication key and the water and electricity of properties rented. Such increase was mainly due to increase in purchase costs incurred for the trading business this year and increase in cost of rental income arising from higher utilities costs, costs of appointing a property management company, which replaced certain administrative staffs to manage our commercial building in Wuhan, Hubei Province, the PRC. As a result, the cost of rental income increased and administrative expenses decreased during the year.

3. *Gross profit*

Gross profit for the year was HK$21,788,000 (2018: HK$22,818,000), representing a decrease of HK$1,030,000, or 4.5% as compared to last year. Gross profit margin for the year was 29.7%, representing a decrease of 3.7 percentage point as compared to the gross profit margin of 33.4% last year.

The decrease in gross profit margin was mainly due to an increase in trading business which has a low gross profit margin. Further, cost of rental income increased due to increased occupancy ratio which led to increase in utilities costs during the year. We also directly appointed a property management company to manage our commercial building in Wuhan, Hubei Province, the PRC to replace certain administrative staffs, leading to a shift of administrative costs to the cost of sales under rental income. Thus, the gross profit amount and gross profit margin decreased compared to last year.

4. *Other income and gains*

Other income and gains for the year was HK$12,992,000 (2018: HK$6,579,000), representing an increase of HK$6,413,000, or 97.5% as compared to last year. The other income and gains mainly comprised net fair value gains on investment properties, interest income, dividend income and government grants. The increase in other income and gains for the year was primarily due to higher net fair value gain on investment properties as compared to last year.

5. *Administrative expenses*

Administrative expenses for the year was HK$48,018,000 (2018: HK$55,553,000), representing a decrease of HK$7,535,000, or 13.6% as compared to last year. The administrative expenses mainly comprised staff cost and benefits, legal and professional fee, rental expenses, office expenses and share option expenses. The decrease in administrative expenses was mainly due to the decrease in share option expenses arising from the grant of share options during the year and our stringent cost control, resulting in a decrease in rental expenses and professional services expenses.

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

During the year, based on the valuation of expected credit loss performed by a professional valuer, the Group made a reversal of impairment loss on trade and other receivables of HK$185,000. Based on the net repayment of loan receivables received in 2019, the reversed impairment loss for loan receivables was HK$2,174,000. Further, the reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries was HK$2,726,000 as the result of successful legal actions that happened this year. The total amount of reversal of impairment loss was HK$5,085,000 for the year.

7. *Finance costs*

Finance costs for the year was HK$2,121,000 (2018: HK$3,009,000), representing a decrease of HK$888,000, or 29.5% as compared to last year.

The decrease in finance costs was mainly due to the decrease in interests on bank and other borrowings as a result of our principal repayments during the year.

8. *Income tax expenses*

Income tax expenses of the Group for the year amounted to HK$2,586,000 (2018: income tax credit HK$492,000). The income tax expenses mainly arise from the tax on land appreciation of our properties located in Wuhan, Hubei Province, the PRC.

9. *Loss for the year*

Loss of the Group for the year amounted to HK$13,695,000 (2018: HK$23,778,000), representing a decrease of HK$10,083,000, or 42.4% as compared to last year. The decrease was mainly due to the reversal of impairment loss, net fair value gains on investment properties and decrease in administrative expenses.

Financial Position

1. *Liquidity and capital structure*

As at 31 December 2019, the Group maintained bank and cash balances of HK$22,131,000, representing a decrease of HK$4,213,000, or 16.0% as compared to (2018: HK$26,344,000) last year. The Group's total assets amounted to HK$332,299,000, total equity amounted to HK$184,893,000, and total liabilities amounted to HK$147,406,000. The assets-liabilities ratio (total assets over total liabilities) was 2.25:1 (31 December 2018: 2.26:1), the current ratio (current assets over current liabilities) was 0.36:1 (31 December 2018: 0.68:1) and the gearing ratio (total bank borrowing over total equity) was 0.18:1 (31 December 2018: 0.21:1).

III. OTHER ISSUES

1. 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 year.

2. Pledge of assets

As at 31 December 2019, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK$89,384,000) from a bank in the PRC by pledging the Group's properties. Bank borrowing at 31 December 2019 and 2018 were secured by a charge over the Group's property, plant and equipment, part of right-of-use assets (2018: prepaid land lease payments), part of investment properties, trade receivables and bank and cash balances. As at 31 December 2019, facilities of RMB30,000,000 (equivalent to approximately HK$33,519,000) have been utilised by the Group.

3. Litigation and contingent liabilities

In November 2019, Beijing Dongcheng District People's Court (北京市東城區人民法院) published an announcement regarding a summons issued to Gongcai Network Technology Limited (公採網絡科技有限公司) ("**Gongcai Network**"), a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group during 2012 (the "**Legal Proceedings**"). The plaintiff claimed that the concerned work and services mentioned in the services contracts entered into between the plaintiff, Gongcai Network and other parties in 2012, including several supplemental contracts, were not performed by Gongcai Network in due course. As a result, the plaintiff claimed for a refund of RMB13,500,000 (approximately of HK$15,084,000) paid on 6 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately of HK$8,386,000). Due to the outbreak of coronavirus disease (COVID-19) ("**COVID-19**"), the hearing in the district court which had been scheduled to be conducted on 17 February 2020 was postponed. Based on a legal opinion of the Group's PRC lawyer, the Directors are of the view that the case is still at an early stage to predict any probability of success or loss.

As a result, no provision has been made in the consolidated financial statements of the Group for the year ended 31 December 2019 as the amount of obligation cannot be reasonably measured as at the date of this annual report.

Other than the above, the Group did not have any contingent liabilities.

4. Foreign exchange exposure

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

5. Staff and remuneration

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion are based on individuals' merit and their development potential for the positions offered. As at 31 December 2019, the Group employed approximately 140 employees, and the total remuneration of employees (including the directors of the Company) was approximately HK$32,436,000. The Company maintains a share option scheme, pursuant to which share options are granted to the directors of the Company (the "**Directors**") selected 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.

6. 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 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

(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 (the "**Authorised Share Capital Increase**").

(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**").

(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 (the "**Bye-laws**").

7. Issue of shares

On 9 May 2019 and 11 June 2019, the Company and a subscriber, Mostly Benefit Limited entered into a subscription agreement and a supplemental agreement 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 ordinary 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 aggregate nominal value of the subscription shares is HK$3,489,700. The then market price on 9 May 2019 was HK$0.41 and the net price of each subscription share is approximately HK$0.333. The net proceeds from the subscription are approximately HK$11.63 million. The proceeds has been used 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.

8. Refreshment of the scheme limit under the Share Option Scheme

On 28 June 2019, the refreshment of the 10% scheme limit of the Share Option Scheme approved and adopted by the Company on 13 June 2013 (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 a total of 17,448,972 options under the Share Option Scheme, representing approximately 8.33% of the total number of issued shares as at the date of this annual report.

9. Change of Address of Bermuda Principal Share Registrar and Transfer Agent

The Company's Bermuda principal share registrar and transfer agent, MUFG Fund Services (Bermuda) Limited has changed its address to 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda, with effect from 19 July 2019.

10. Change of Principal Place of Business in Hong Kong

The Company's principal place of business in Hong Kong has changed to Unit 501, 5/F., Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, with effect from 12 June 2019.

11. Event after the reporting period

Amid the recent outbreak of COVID-19 in 2020, the PRC Government issued notices to extend the period of Chinese New Year holiday in China, in particular, various local provincial governments issued notice and required enterprises to suspend operations temporarily.

As the Group's business and offices are concentrated in China, and has investment property in Wuhan, Hubei Province, the PRC, the Group's operations have been significantly impacted by the outbreak of the coronavirus disease. Due to suspension of work since late January 2020 after the Chinese New Year holiday and staff in affected provinces and municipalities is unable to return to business units and resume work as planned, the Group has adopted the arrangement for home office and the Group's operations and productivity has been adversely affected.

As at the date of this annual report, the impact of COVID-19 persists. There has been a material adverse impact in the first quarter of the year of 2020 as compared to the corresponding period in 2019. In the second quarter, the operations of the Group has been gradually recovering.

IV. BUSINESS PROSPECTS

According to the statistics data as disclosed in the 6th Forum on National Public Resources by China Federation of Logistics and Purchasing, the total national public procurement in 2019 amounted to RMB35 trillion with a huge market volume. The electronic and e-commerce procurement from public institutions such as PRC government and state-owned enterprises are future directions for development, and also an inevitable requirement for the Chinese government to continue to vigorously prevent corruption, increase the transparency of power and promote the bidding and procurement strategy of "Internet Plus". Currently, the governments in China have substantially adopted electronic procurement for an open, fair, transparent and efficient environment for organisation procurement. State-owned enterprises, universities and colleges and public hospitals are also actively using the electronic platforms for procurement of materials and services. Such market environment is favorable to the development of the Group's business.

After years of brand accumulation, products research and market development, the Group is well positioned in the public procurement market and has built a solid foundation for the rapid development of business in the future. In 2020, the Group aims to capitalise on the advantage of its existing successful businesses and increase its R&D efforts and expand its market share in the area of electronic procurement for state-owned enterprises to other provinces. Meanwhile, the trading system will serve to gather various data for cleaning, processing and analysis to provide valuable service for both parties to the trading. In particular, the Group will focus on the value-added service such as supply chain finance service.

The Group will strive to gain brand advantage in the electronic public procurement platform, and focus on building the four products of "Government Procurement and Trading Platform", "Electronic Procurement Platform for Colleges and Universities", "Electronic Platform Procurement for State-owned Enterprise" and "Financial services Platform", striving to expand the Group's market share rapidly. Meanwhile, the Group will provide supply chain financing service, procurement information customisation service, bidding collaboration service, etc., expand the influence of the value-added service APP "Gongcai Tong" and further consolidate the Group's leading position in China's public procurement area.

The outbreak of the coronavirus disease (COVID-19) has imposed different degrees of impact on various industries. For the domestic business of China Public Procurement Limited, the negative impact is mainly reflected in the following aspects:

Firstly, the Group's main customer groups include provincial and municipal public resource trading centers, government procurement centers, large local state-owned enterprises and schools. The epidemic will inevitably lead to a decrease in the volume of e-procurement platform in the first and second quarters of 2020, and the Group's earnings is expected to be dropped significantly as compared to the corresponding period in 2019.

Secondly, the epidemic will have a direct impact on the overall economic situation and the office rental market, and thus, the leasing of the Group's properties. Our investment property ("**Wuhan CPP Building**") is located in Guanggu Financial Harbor, where tenants are small to medium enterprises. The epidemic has caused disruptions to their normal businesses and operations, which may cause risks of rent delay or even early surrender of the lease. Such office rental market downturn will result in a decline in rental demand, thus creating a vicious circle upon the rental market.

However, according to market assessment, the outbreak will also bring optimistic opportunities to a certain extent, such as the government's strong promotion of no-show transactions in the procurement process and the increase in the use of electronic platforms. This will enable the industry to enhance the electronic procurement awareness, speed up the decision-making processes, and bring certain market opportunities to the electronic procurement trading platform suppliers.

V. THE MANAGEMENT OF THE COMPANY AND THE AUDIT COMMITTEE'S VIEW ON THE QUALIFIED OPINION

Management's view

The Management is of the view that the qualified opinion on the opening balances as at 1 January 2018 and 2019 (the "**Audit Qualification**"), in particular, the revenue recognition, was mainly due to different interpretation by the Auditors and the former auditors of the Company, SHINEWING (HK) CPA Limited (the "**Former Auditors**") on the nature of revenue from the Transactions and whether such revenue should be recognised at the material time.

Given that the Transactions happened in 2012 and none of our existing management team members was on board nor involved in the Transactions, the Management has reviewed the annual report of the Company for the year ended 31 December 2012 and the independent auditor's report contained therein with clean audit opinion issued by the Former Auditors and understood the recognition of such revenue for that particular year. The Management noted the concern from the Auditors and has used its best endeavours to obtain and retrieve relevant documents in relation to the Transactions (the "**Documents**") to facilitate the audit processes of the Auditors and has already provided all of the Documents available to the Auditors as at the date of this annual report. However, the Auditors were still unable to obtain sufficient appropriate audit evidence as to whether the services to be provided under the agreements relating to the Transactions had been performed by the Group and as such whether it was appropriate to recognise all or part of such revenue in financial year 2012.

The Auditors also indicated that they need to review the court judgement for the Legal Proceedings in order to provide their view on the revenue nature and recognition regarding the Transactions, despite that a clean audit opinion was issued by the Former Auditors. The Auditors will, upon receipt of the court judgement for the Legal Proceedings, consider the basis of the judgement and will carry out the required audit work for satisfying themselves by obtaining sufficient appropriate audit evidence, if necessary, in meeting those applicable auditing standards and by ensuring the corresponding accounting treatments to be put through in compliance with the relevant accounting and/or financial reporting standards.

The Management has also consulted the Group's PRC legal advisers and sought its advice on the Legal Proceedings. The Management understood that the case is still at an early stage to predict any probability of success or loss. Provided the impact of COVID-19, the hearing date of the Legal Proceedings has been postponed and the Company has not yet received the hearing date notice as at the date of this annual report. The Management will closely follow with the Group's PRC legal advisers on the progress of the Legal Proceedings and explore other possible ways to resolve the disputes (i.e., mediation).

The Management is of the view that if the Company is able to receive the court judgement for the Legal Proceedings by end of 2020 that provides a more concrete indication on the interpretation of the nature of revenue from the Transactions, the Audit Qualification can be resolved. The Management has discussed with the Auditors and confirmed that since the Auditors expressed an Audit Qualification on the 2019 financial figures of the Group, this will have carryforward impact on the Company's annual results for the year ending 31 December 2020 as the 2019 financial figures will form the basis for the corresponding figures presented in the consolidated financial statements for the year ending 31 December 2020. As such, on the assumption that the Auditors do not express a qualified opinion on the 2020 financial figures of the Group, this would not have carryforward impact on the consolidated financial statements for the year ending 31 December 2021 (the "**2021 Financial Statements**") and the Audit Qualification will be removed in the 2021 Financial Statements.

Audit Committee's view

The Audit Committee has critically reviewed the Management's position on the major judgement areas and concurred with the positions of the Management to the Audit Qualification and the basis thereof.

Biography of Directors and Company Secretary

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, aged 50, joined the Company in December 2014, is an executive Director, chairman of the Board, chief executive, the chairman of the nomination committee of the Company (the "**Nomination Committee**"), a member of the remuneration committee of the Company (the "**Remuneration Committee**") (appointed in December 2018) and authorised representative as well as a director of several subsidiaries of the Company. He obtained a degree of bachelor of engineering from Beijing University of Chemical Industry in 1991, and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2014, and has previous work experience in Beijing University of Chemical Industry. Mr. Zheng has over 20 years of experience of serving as a company's director, including a director of Beijing Tiandi Jingwei Technology & Trade Limited* (北京天地經緯科貿有限公司) and Beijing Tiandi Ruiqi Technology & Trade Limited* (北京天地瑞祺科貿有限公司) from 1996 to 2006 and a director in Zhao Wei International Enterprise Limited* (兆偉國際企業有限公司) since 2006. Mr. Zheng has also accumulated years of business experience in China and Hong Kong, engaging in various aspects including business operations, business management and corporate governance, and plays a leading role in the Company's business development and operating strategies.

Ms. He Qian, aged 47, joined the Company in January 2015, is an executive Director. She obtained a bachelor's degree in accounting from University of International Business and Economics in 2006 and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2011, and she is a certified accountant and certified tax agent. She began her career in accounting in 1994, and served as the head of Tianrui Tax Agency Firm* (天瑞稅務師事務所) and Zhejiang Yuehua Certified Public Accountants* (浙江岳華會計師事務所) founded by her from 2001 to 2004. She became a partner of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from 2009 to July 2013, where she was responsible for the operation of the Zhejiang branch as its head. Highly experienced in accounting, she was a contracted project partner for The Potevio (普天集團), a state-owned key enterprise, Hangzhou Industrial Investment Group Co., Ltd.* (杭州實業投資集團), a state-owned enterprise, and listed companies such as Eastcom (東方通信), Jiangsu Akcome (江蘇愛康), EastcomPeace (東信和平) and Zhonghen Electric (中恒電氣), as well as the initial public offering of dozens of other companies. She was a partner and the head of Zhejiang Branch of Ruihua Certified Public Accountants (瑞華會計師事務所) from August 2013 to April 2015. She has been working for Zhejiang Yueyou Investment Management Co., Ltd (浙江岳佑投資管理有限公司) since May 2015.

Non-executive Directors

Mr. Chen Limin, aged 56, joined the Company in July 2015, is a non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**"). He graduated from the faculty of law of the Southwest University of Political Science & Law in 1985, and was qualified as a lawyer in the PRC in 1987. Since 1992, he has been engaged in securities-related legal affairs in the PRC and served as a lawyer and partner in a number of law firms in Shenzhen and Beijing. Currently he is a lawyer and partner serving in Zhong Lun Law Firm in Beijing. He served as an independent non-executive director in Hidili Industry International Development Limited from October 2009 to September 2015 and was an independent director of People.cn Co. Ltd from December 2010 to December 2016. Since May 2017, he was an independent director of Anhui Kouzi Distillery Co., Ltd.

Mr. Zhang Jianguo, aged 50, joined the Company in July 2018, is a non-executive Director. He graduated from Xidian University, the PRC with a bachelor's degree in engineering (computer application) in 1988. He further obtained an executive master's degree in business administration with Cheung Kong Graduate School of Business (CKGSB), the PRC in 2013. Mr. Zhang has years of experience in corporate management including the chairman of Xinjiang Jianming Equity Investment Co., Ltd.* (新疆建銘股權投資有限公司) since 2011.

Mr. Xu Peng, aged 51, joined the Company in July 2018, is a non-executive Director. He graduated from Tsinghua University, the PRC with an executive master's degree in business administration in 2008. Mr. Xu has been the chairman of Shanxi Tianxing Overseas Seafood Restaurant Group Co., Ltd.* (山西天星海外海餐飲集團有限公司) since 2000 and has been the chairman of Guanmiao (Beijing) Investment Management Co., Ltd.* (觀妙(北京)投資管理有限公司) since 2015.

Independent Non-executive Directors

Mr. Deng Xiang, aged 47, joined the Company in September 2014, is an independent non-executive Director and a member of the Nomination Committee, the Remuneration Committee and the chairman of the Audit Committee. He graduated from Sichuan University with a bachelor degree of science and also possesses a bachelor degree in Economics. He is also a certified public accountant in the PRC. Prior to joining the Company, Mr. Deng was the financial manager of Chengdu Branch of Dapeng Securities Co., Ltd.* (大鵬證券有限責任公司), the audit manager of Chengdu Shenlan Group Co., Ltd.* (成都深藍集團有限公司), head of internal audit department in the PRC of Asia Pulp & Paper Co., Ltd. (APP) and the senior manager of Guosen Securities Co., Ltd.* (國信證券有限責任公司). He served as deputy general manager, financial controller and board secretary of Xizang Haisco Pharmaceutical Group Co., Ltd. (Shenzhen Stock Exchange stock code: 002653) from November 2009 to December 2016. He is subsequently the vice president in charge of financial matters of the group and the board secretary of the company. He served as the financial controller of Shannan Yuanhong Technology Co., Ltd.* (山南遠宏科技有限公司) since January 2017.

Mr. Jiang Jun, aged 41, joined the Company in June 2017, is an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and the Audit Committee. He obtained a bachelor's degree in accounting from Beijing University of Chemical Technology in 2003. He is a qualified intermediate accountant and holds the National Computer Rank Examination Grade II Certificate. He started his career in accounting since 2003. He was an accountant for Beijing Longde Group Limited* (北京龍德實業集團有限公司) from September 2003 to June 2006, and he has been the chief audit executive for Shi Boo Investment Holding Co., Ltd. since July 2006.

Mr. Wang Shuai, aged 46, joined the Company in December 2018, is an independent non-executive Director. He was graduated with a bachelor degree in economics and management from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院) (by way of distance learning) in December 2005 and is currently pursuing a degree of executive master of business administration in Cheung Kong Graduate School of Business in the PRC.

Mr. Wang has accumulated years of business working experience, including served as the general manager of Shanxi Golden Mining Co., Ltd.* (山西金地礦業有限公司) from October 2010 to May 2016 and has been serving as the chairman of Jiangtun Financial Services (Shenzhen) Technology Co., Ltd.* (江豚金聯(深圳)科技有限公司) since June 2017.

COMPANY SECRETARY

Miss Ng Weng Sin, aged 48, joined the Company in April 2017 as Chief Financial Officer, appointed as Company Secretary and Authorised Representative since January 2018. She was an executive Director and a member of the Remuneration Committee during the period from June 2017 to June 2018. Miss Ng obtained her bachelor's degree of arts in accountancy in 1996, a master's degree of professional accounting in 2010, a master's degree of corporate finance in 2013 from the Hong Kong Polytechnic University and a master of business administration degree (Executive MBA programme) from the Chinese University of Hong Kong in 2015. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

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

* *The English translation is for identification purpose only*

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

COMPLIANCE WITH THE LISTING RULES AND CORPORATE GOVERNANCE PRACTICES

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

According to code provision A.2.1 of the CG Code, 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 of the CG Code, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive in Mr. Zheng Jinwei can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 of the CG Code by identifying and appointing a suitable and qualified candidate to the position of the chief executive in the future.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry with all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

Composition

As at the date of this annual report, the Board consists of 2 executive Directors, 3 non-executive Directors and 3 independent non-executive 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, *BSc, BEcon, CPA (PRC)*
Mr. Jiang Jun, *BAcc*
Mr. Wang Shuai, *BEcon*

Attendance of the Directors at the Board and General meetings

For the year ended 31 December 2019, 6 Board meetings and 2 general meetings have been held. Details of the attendance of the Directors are as follows:

	Number of meetings attended/ Number of meetings held	
Board members	**Board meetings**	**General meetings**
Executive Directors		
Mr. Zheng Jinwei, *EMBA, BEng*	6/6	0/2
Mr. Ho Wai Kong (resigned on 31 May 2019)	0/3	0/1
Ms. He Qian, *CPA (PRC), EMBA, BAcc*	2/6	1/2
Non-executive Directors		
Mr. Chen Limin, *Solicitor (PRC), LLB*	3/6	0/2
Mr. Zhang Jianguo, *EMBA, BEng*	3/6	0/2
Mr. Xu Peng, *EMBA*	5/6	1/2
Independent non-executive Directors		
Mr. Deng Xiang, *BSc, BEcon, CPA (PRC)*	6/6	0/2
Mr. Jiang Jun, *BAcc*	6/6	0/2
Mr. Wang Shuai, *BEcon*	6/6	0/2

Responsibilities of the Board and management

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

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

Continuous professional development of Directors

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2019, study materials of the Listing Rules, and The Codes on Takeovers and Mergers and Share Buy-backs was provided to Directors. All Directors (except Mr. Ho Wai Kong who has resigned as a Director on 31 May 2019) confirmed that they had taken the studies.

CHAIRMAN AND CHIEF EXECUTIVE

As at the date of this annual report, the Group does not separate the roles of the chairman and the chief executive. Mr. Zheng Jinwei is both the chairman of the Board and the chief executive. The Board considers that vesting the roles of chairman and chief executive in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive when necessary.

NON-EXECUTIVE DIRECTORS

The term of office under service contracts of non-executive Directors is three years and subject to retirement by rotation in accordance with the Bye-laws.

BOARD COMMITTEES

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

Audit Committee

Role and function

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

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

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

Composition

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

Mr. Deng Xiang *(Chairman)*
Mr. Chen Limin
Mr. Jiang Jun

Mr. Chen Limin is non-executive Director whereas Mr. Deng Xiang and Mr. Jiang Jun are independent non-executive Directors, two of whom possess recognised professional qualification in accounting and have proven experience in audit and accounting.

Attendance record

For the year ended 31 December 2019, 2 Audit Committee meetings have been held. Details of the attendance of the Audit Committee members are as follows:

Audit Committee members	Number of meetings attended/ Number of meetings held
Mr. Deng Xiang *(Chairman)*	2/2
Mr. Chen Limin	0/2
Mr. Jiang Jun	2/2

Summary of the work done

The work done by the Audit Committee for the year ended 31 December 2019 included:

- Reviewed the 2019 interim results and 2018 annual results of the Group;
- Discussed with the management of the Company over the completeness, fairness, adequacy and compliance of accounting standards and policies of the Group in the preparation of the 2019 interim and 2018 annual financial statements;
- Reviewed and discussed with the external auditors over the financial reporting of the Company; and
- Reviewed adequacy and effectiveness of risk management and internal control system, and the internal audit function maintained within the Group.

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

The audited consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee.

Remuneration Committee

Role and function

The terms of reference of the Remuneration Committee follow the code provisions under the CG Code. The Remuneration Committee shall meet at least once a year.

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

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

Composition

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

Mr. Jiang Jun *(Chairman)*
Mr. Deng Xiang
Mr. Zheng Jinwei

Mr. Jiang Jun and Mr. Deng Xiang are independent non-executive Directors whereas Mr. Zheng Jinwei is executive Director.

Attendance record

For the year ended 31 December 2019, one Remuneration Committee meeting has been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	Number of meetings attended/ Number of meetings held
Mr. Jiang Jun *(Chairman)*	1/1
Mr. Deng Xiang	1/1
Mr. Zheng Jinwei	1/1

Summary of the work done

The work done by the Remuneration Committee for the year ended 31 December 2019 included:

- Reviewed and approved the current remuneration policy and structure for the remuneration of all Directors and senior management by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong;
- Reviewed the remuneration package of all the Directors and senior management;
- Made recommendations of the above remuneration policy and remuneration packages to the Board; and
- Assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

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

Nomination Committee

Role and function

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

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

- Reviewing the structure, size, composition and the diversity (including the skills, knowledge and experience) of the Board at least annually;
- Assuring the independence of Independent non-executive Directors;
- Identifying and nominating for the approval of the Board candidates to fill Board vacancies; and
- Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Composition

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

Mr. Zheng Jinwei *(Chairman)*
Mr. Deng Xiang
Mr. Jiang Jun

Mr. Zheng Jinwei is executive Director whereas Mr. Deng Xiang and Mr. Jiang Jun are independent non-executive Directors.

Attendance record

For the year ended 31 December 2019, one Nomination Committee meeting has been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Zheng Jinwei *(Chairman)*	1/1
Mr. Deng Xiang	1/1
Mr. Jiang Jun	1/1

Summary of the work done

The work done by the Nomination Committee for the year ended 31 December 2019 included:

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

- Reviewed the independence of independent non-executive Directors; and

- Identified individuals suitably qualified to become Board members having taken into account the Company's board diversity policy and made recommendations to the Board on the selection of individuals nominated for directorships.

The Board has established a nomination policy (the "**Nomination Policy**") setting out the approach to identify and nominate candidates to make recommendations to the Board and for its consideration.

The criteria of nomination have been considered from a number of aspects, including but not limited to, balance of skills, knowledge, experience and, with reference to such evaluation, prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee shall:

(a) use open advertising or the services of external advisers to facilitate the search;

(b) consider candidates on merit and against objective criteria, taking care (in the case of non-executive appointments) that appointees have enough time available to devote to the position;

(c) keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;

(d) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(e) in consultation with the head of human resources, recommend to the Board procedures for formal and rigorous annual evaluation of performance of the Board, its committees and individual Directors;

(f) review annually the time required from non-executive Directors. Performance evaluation should be used to assess whether the non-executive Directors are spending sufficient time in performing their duties; and

(g) ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The Nomination Committee shall submit recommendations to the Board concerning the candidates for directorship for consideration and decision.

Board Diversity Policy

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

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the year ended 31 December 2019. The Board currently comprises experts from diversified professions such as accounting, legal and management with different gender, age and duration of service. The Nomination Committee is of the view that the structure, number of members and composition of the Board have maintained a diversification in terms of technique, expertise and experience, which is appropriate for the business operations of the Group and complies with the Board Diversity Policy.

Corporate Governance Functions

Role and function

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

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

- Developing and reviewing the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and making recommendations; and
- Reviewing and monitoring the training and continuous professional development of the Directors and senior management.

Summary of the work done

The work done by the Corporate Governance Functions for the year ended 31 December 2019 included:

- Developed and reviewed the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and made recommendations;
- Reviewed and monitored the training and continuous professional development of the Directors and senior management; and
- Reviewed the Group's compliance with the CG Code and disclosure in the "Corporate Governance Report" of the Company.

AUDITOR'S REMUNERATION

Remuneration paid to the Company's external auditor for annual audit services and services other than annual audit provided for the year ended 31 December 2019 was HK$900,000 and HK$468,000, respectively.

Financial reporting

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

The statement of the auditor regarding their reporting responsibility for the consolidated financial statements is set out in the Independent Auditor's Report on pages 41 to 46.

COMPANY SECRETARY

For the year ended 31 December 2019, Miss Ng Weng Sin took no less than 15 hours of relevant professional training pursuant to rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

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

Putting enquiries to the Board

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

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

Putting forward proposals at Shareholders' meeting

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

INVESTOR RELATIONS

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

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

MAJOR CHANGES TO THE BYE-LAWS

On 20 February 2019, resolution in relation to the amendment of the Bye-laws to provide the Directors may fill the vacancy of a resigning auditor and fix the remuneration of the auditor in the event that office of auditor becomes vacant was duly passed in the general meeting.

Save as disclosed above, these were no amendments to the existing memorandum of association and the Bye-laws.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

The Group complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), the Listing Rules and the SFO for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

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

Impact of Local and International Regulations

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

Third-Party Risks

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

ENVIRONMENTAL PROTECTION

The Group is responsible for its impact to the environment arising from its business operations. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. During the year ended 31 December 2019, to the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("**ESG**") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in note 10 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the Consolidated Statement of Profit or Loss on page 47.

DIVIDEND

Dividend Policy

The principle of dividend policy is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. In determining the recommended dividends, the Board will consider:

- the Group's actual and expected financial results;
- the economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group;
- the current and future operations, liquidity position, capital requirements and investment of the Group; and
- any other factors that the Board deems appropriate.

There is no fixed dividend payout ratio and there is no assurance that dividends will be paid in any particular amount for any given period.

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 143.

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

Details of the movements in the property, plant and equipment, prepaid lease payments and investment properties of the Group during the year are set out in notes 18, 19 and 20 to the consolidated financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's capital and share options during the year are set out in notes 28 and 31 to the consolidated financial statements, respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

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

Share Option Scheme

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

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

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

The principal terms of the Scheme are summarised as follows:

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

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

(i) the nominal value of the shares;

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

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

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

During the year ended 31 December 2019, a total of 17,400,000 share options to subscribe for 17,400,000 shares, representing approximately 9.97% of the number of the then issued shares of the Company, were granted on 9 May 2019, none of share option was exercised in 2019.

Refreshment of the scheme limit

At the annual general meeting held on 28 June 2019, a resolution was duly passed that 17,448,972 share options, being 10% scheme limit on the number of shares which may be allotted and issued upon exercise of the options to be granted under the Scheme.

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

Name of category	Date of grant of share options	Number of share options: Balance as at 1 January 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2019	Vesting period	Exercise period	Exercise price (HK$)
Employees	9 May 2019	—	17,400,000	—	—	—	17,400,000	—	9 May 2019 to 8 May 2021	0.416

DIRECTORS

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

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng (Chairman and Chief Executive)*
Mr. Ho Wai Kong *(Honorary Chairman)* (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, *BSc, BEcon, CPA (PRC)*
Mr. Jiang Jun, *BAcc*
Mr. Wang Shuai, *BEcon*

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

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

DIRECTORS' SERVICE CONTRACTS

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

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

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board duly authorised by the Shareholders at the AGM, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 31 to the financial statements contained in this annual report.

Save as disclosed in this annual report, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the year.

INDEMNITY OF DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

On 31 May 2019, Mr. Ho Wai Kong resigned as an executive Director and honorary chairman of the Company due to his other business development.

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

As at 31 December 2019, the interests and short positions of the directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity	Class of shares	Number of shares/underlying shares in the Company	Total interests as to percentage of the issued share capital of the Company as at 31 December 2019
Zheng Jinwei	Corporate interest	Ordinary	600,000 (Note 1)	0.29%

Notes:

1. These 600,000 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. As at 31 December 2019, the issued share capital of the Company was 209,386,725 shares.

Save as disclosed above, as at 31 December 2019, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 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 ordinary shares of HK$0.1 each of the Company

Name of Shareholders	Capacity	Number of shares interested	Percentage of the issued share capital as at 31 December 2019
Huang Gegeng (Note)	Corporate interest	34,897,000	16.67%
Zhao Liuqing	Beneficial interest	26,858,600	12.83%

Note: These 34,897,000 shares are held by Mostly Benefit Limited which is incorporated in British Virgin Islands with limited liability and wholly-owned by Mr. Huang Gegeng.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 December 2019.

COMPETING INTERESTS

As at 31 December 2019, none of the Directors or substantial Shareholders or any of their respective close associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

RELATED PARTY TRANSACTIONS

Please refer to note 43 to the consolidated financial statements in this annual report for details of the related party transactions pursuant to HKFRSs and those related party transactions disclosed in note 43 are not considered as connected transactions, or are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 64% of the total sales for the year, in which sales to the largest customer represented approximately 51% of the total sales of the year.

The cost of sales mainly consists of purchase, depreciation, staff cost and sub-contractor fee. The purchases from the Group's five largest suppliers for trading and services rendered, amounted to 94% of the total purchases for the year, in which purchases from the largest suppliers represented approximately 87% of the total purchases of the year.

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

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2019 and up to the date of this annual report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 and 2019 were audited by RSM Hong Kong.

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

SHINEWING (HK) CPA Limited resigned as the auditor of the Company with effect from 29 January 2018 whereas RSM Hong Kong was appointed as the new auditors of the Company to fill the casual vacancy on 15 February 2018 pursuant to the Shareholders' approval at the special general meeting held on the same date.

For and on behalf of the Board

Zheng Jinwei
Chairman

Hong Kong, 30 June 2020

RSM

RSM Hong Kong

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

QUALIFIED OPINION

We have audited the consolidated financial statements of China Public Procurement Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 47 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION ON LIMITATION OF SCOPE

In 2012 financial year, the Group entered into several agreements and addendums (collectively referred to as the "**Agreements**") with an ex-substantial shareholder and Guocai South China Metal Exchange Service Limited ("**Guocai South China**"), an associate of the Group, which was later fully impaired in 2017 financial year, under which the Group agreed to develop, construct and maintain a metal trading platform (the "**Platform**") and the ex-substantial shareholder agreed to license to Guocai South China a right to operate the Platform for a period of 10 years in return for a fee of RMB15,000,000 (approximately HK$16,760,000) whereas the ex-substantial shareholder was the owner of the intellectual property of the Platform. The Group recognised RMB13,500,000 (approximately HK$15,084,000) for the agreed services to be rendered on the Platform as income in 2012 financial year, and subsequently received the consideration from Guocai South China in January 2013. As discussed in note 40, Guocai South China, the plaintiff, has brought legal proceedings against the Group asserting that the services to be provided under the Agreements had not been performed in due course and claiming for a refund of RMB13,500,000 (approximately HK$15,084,000) together with an accrued interest of RMB7,506,000 (approximately HK$8,386,000). The legal proceedings are ongoing as of the date of our report. We were unable to obtain sufficient appropriate audit evidence as to whether the services to be provided under the Agreements had been performed by the Group and as such whether it was appropriate to recognise all or part of RMB13,500,000 (approximately HK$15,084,000) consideration received as income in financial year 2012. Any adjustments to be found necessary to the opening balances as at 1 January 2018 and 2019 would have a consequential effect on the Group's accumulated losses brought forward and contract liabilities in the consolidated financial statements.

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss and net operating cash outflows of approximately HK$13,695,000 and HK$13,109,000 respectively for the year ended 31 December 2019, and the Group had net current liabilities of approximately HK$62,117,000 as at 31 December 2019. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Valuation of investment properties

2. Impairment assessment of intangible assets

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Valuation of investment properties Refer to notes 5(b)(iv) and 20 to the consolidated financial statements. Management has estimated the fair value of the Group's investment properties to be approximately HK$270,219,000 as at 31 December 2019 and net fair value gains on investment properties of approximately HK$9,030,000 were recorded in the consolidated statement of profit or loss for the year ended 31 December 2019. An independent external valuation was obtained in order to support management's estimate. The valuation of the investment properties involved significant unobservable inputs which require significant management judgement.	Our procedures in relation to this matter included: — Evaluating the independent external valuer's competence, capabilities and objectivity; — Assessing the appropriateness of the valuation methodology used; — Assessing the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the properties; — Checking on a sample basis, the accuracy and relevance of the input data used; and — Assessing the adequacy of the disclosures in relation to the fair value measurement of the investment properties.

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Impairment assessment of intangible assets Refer to notes 5(b)(iii) and 22 to the consolidated financial statements. As at 31 December 2019, the Group had intangible assets with carrying amount of approximately HK$8,976,000 which were attributable to the public procurement segment. Management has performed impairment assessment on these assets by estimating the value in use of the public procurement cash-generating unit (the "**CGU**") and impairment loss of intangible assets of approximately HK$835,000 was recognised in profit or loss during the year. An independent external valuation was obtained in order to support management's estimate. The value in use calculations required significant management judgement in respect of estimated future cash flows expected to arise from the CGU and other economic assumptions such as discount rate.	Our procedures in relation to this matter included: — Evaluating the independent external valuer's competence, capabilities and objectivity; — Assessing the integrity of the value in use models; — Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; — Checking input data to supporting evidence including approved budgets and considering the accuracy of management's past budgets; — Assessing the appropriateness of the discount rate adopted by management with the assistance of our internal valuation specialists; and — Performing sensitivity analysis to assess the impact of reasonably possible changes.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, regarding the limitation of audit scope on the license fee, accordingly, we are unable to conclude whether or not the Other Information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Hong Kong
Certified Public Accountants

Hong Kong
30 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	8	**73,324**	68,289
Cost of sales		**(51,536)**	(45,471)
Gross profit		**21,788**	22,818
Other income and gains	9	**12,992**	6,579
Administrative expenses		**(48,018)**	(55,553)
Impairment loss for intangible assets		**(835)**	—
Reversal of impairment loss/(impairment loss) for trade and other receivables		**185**	(665)
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries		**2,726**	710
Reversal of impairment loss for loan receivables		**2,174**	4,876
Write-off of other prepayments		**—**	(26)
Loss from operations		**(8,988)**	(21,261)
Finance costs	11	**(2,121)**	(3,009)
Loss before tax		**(11,109)**	(24,270)
Income tax (expense)/credit	12	**(2,586)**	492
Loss for the year	13	**(13,695)**	(23,778)
Attributable to:			
Owners of the Company		**(14,174)**	(24,402)
Non-controlling interests		**479**	624
		(13,695)	(23,778)
Loss per share	17		
Basis (HK cents per share)		**(7.47)**	(14.44)
Diluted (HK cents per share)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	2019	2018
	HK$'000	HK$'000
Loss for the year	**(13,695)**	(23,778)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**3,113**	(1,444)
Gain on revaluation of land and buildings	**6,544**	—
Income tax relating to revaluation of land and buildings	**(1,758)**	—
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(6,294)**	(12,809)
Other comprehensive income for the year, net of tax	**1,605**	(14,253)
Total comprehensive income for the year	**(12,090)**	(38,031)
Attributable to:		
Owners of the Company	**(12,747)**	(38,853)
Non-controlling interests	**657**	822
	(12,090)	(38,031)

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**3,882**	2,421
Prepaid land lease payments	19	**—**	4,227
Investment properties	20	**270,219**	266,776
Right-of-use assets	21	**14,433**	—
Intangible assets	22	**8,976**	10,162
Total non-current assets		**297,510**	283,586
Current assets			
Prepaid land lease payments	19	**—**	97
Inventories — raw materials		**235**	312
Equity instruments at FVTOCI	23	**—**	3,191
Trade and other receivables	24	**9,797**	11,342
Loan receivables	25	**—**	2,286
Financial assets at fair value through profit or loss ("**FVTPL**")	26	**2,626**	2,515
Bank and cash balances	27	**22,131**	26,344
Total current assets		**34,789**	46,087
TOTAL ASSETS		**332,299**	329,673
EQUITY AND LIABILITIES			
Share capital	28	**20,939**	174,490
Reserves	30	**171,323**	14,752
Equity attributable to owners of the Company		**192,262**	189,242
Non-controlling interests		**(7,369)**	(5,252)
Total equity		**184,893**	183,990

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowing	32	**—**	34,290
Deferred income	33	**4,176**	4,558
Lease liabilities — non-current	34	**3,709**	—
Deferred tax liabilities	35	**42,615**	39,234
Total non-current liabilities		**50,500**	78,082
Current liabilities			
Bank borrowing	32	**33,519**	4,572
Lease liabilities — current	34	**1,677**	—
Trade and other payables	36	**23,919**	25,073
Contract liabilities	37	**2,234**	1,817
Amounts due to an ex-substantial shareholder and its subsidiaries	38	**2,622**	2,682
Current tax liabilities		**32,935**	33,457
Total current liabilities		**96,906**	67,601
TOTAL EQUITY AND LIABILITIES		**332,299**	329,673
Net current liabilities		**(62,117)**	(21,514)
Total assets less current liabilities		**235,393**	262,072

Approved by the Board of Directors on 30 June 2020 and are signed on its behalf by:

Zheng Jinwei

He Qian

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	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	FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	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)	(25,461)	(25,461)	—	(25,461)
Restated balance at 1 January 2018	161,152	7,153,619	8,390	9,081	15,744	152,075	3,492	—	(1,093)	(7,292,186)	210,274	(6,073)	204,201
Total comprehensive income for the year	—	—	—	—	—	(13,007)	—	—	(1,444)	(24,402)	(38,853)	822	(38,031)
Appropriation to statutory reserve	—	—	—	—	34	—	—	—	—	(34)	—	—	—
Deemed acquisition of equity interests of a subsidiary from non-controlling interests	—	—	—	—	—	—	—	—	—	1	1	(1)	—
Share-based payments	—	—	—	4,482	—	—	—	—	—	—	4,482	—	4,482
Issue of shares on share option scheme (note 28(a))	13,338	4,482	—	(4,482)	—	—	—	—	—	—	13,338	—	13,338
Transfer of reserve upon lapse of share options	—	—	—	(9,081)	—	—	—	—	—	9,081	—	—	—
Changes in equity for the year	13,338	4,482	—	(9,081)	34	(13,007)	—	—	(1,444)	(15,354)	(21,032)	821	(20,211)
At 31 December 2018	174,490	7,158,101	8,390	—	15,778	139,068	3,492	—	(2,537)	(7,307,540)	189,242	(5,252)	183,990

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital	Share premium	Contribution surplus	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	FVTOCI reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	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 year	—	—	—	—	—	—	(6,472)	4,786	3,113	(14,174)	(12,747)	657	(12,090)
Acquisition of additional interest in a subsidiary (note 39(c))	—	—	—	—	—	—	—	—	—	2,433	2,433	(2,774)	(341)
Share-based payments (note 31)	—	—	—	—	1,574	—	—	—	—	—	1,574	—	1,574
Transfer of FVTOCI reserve upon the disposal of equity instruments of FVTOCI	—	—	—	—	—	—	—	—	(576)	576	—	—	—
Issue of shares by subscription (note 28(e))	3,490	8,270	—	—	—	—	—	—	—	—	11,760	—	11,760
Capital reorganisation (note 28(f))	(157,041)	(7,153,619)	(114,233)	—	—	—	—	—	—	7,424,893	—	—	—
Changes in equity for the year	(153,551)	(7,145,349)	(114,233)	—	1,574	—	(6,472)	4,786	2,537	7,413,728	3,020	(2,117)	903
At 31 December 2019	20,939	12,752	(114,233)	8,390	1,574	15,778	132,596	8,278	—	106,188	192,262	(7,369)	184,893

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(11,109)**	(24,270)
Adjustments for:			
Amortisation of deferred income		**(284)**	(296)
Amortisation of intangible assets	13	**125**	134
Amortisation of prepaid land lease payments	13	**—**	101
Depreciation of property, plant and equipment	13	**931**	841
Depreciation of right-of-use assets	13	**943**	—
Dividend income	9	**(4)**	(653)
Equity-settled share-based payments	13	**1,574**	4,482
Net fair value gains on investment properties	9	**(9,030)**	(1,243)
Finance costs	11	**2,121**	3,009
Impairment loss for intangible assets	22	**835**	—
Interest income		**(1,650)**	(3,420)
Loss on disposal of property, plant and equipment	13	**89**	4
(Reversal of impairment loss)/impairment loss for trade and other receivables		**(185)**	665
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries		**(2,726)**	(710)
Reversal of impairment loss for loan receivables		**(2,174)**	(4,876)
Write-off of other prepayments		**—**	26
Operating loss before working capital changes		**(20,544)**	(26,206)
Decrease in inventories		**72**	168
Decrease in trade and other receivables		**2,215**	10,282
(Increase)/decrease in financial assets at FVTPL		**(170)**	2,049
Decrease/(increase) in restricted bank balance		**4,749**	(3,445)
Decrease in trade and other payables		**(600)**	(6,049)
Increase in contract liabilities		**466**	1,817
Cash used in operations		**(13,812)**	(21,384)
Income taxes paid		**(66)**	(15)
Interest received		**874**	2,088
Interest on lease liabilities		**(105)**	—
Net cash used in operating activities		**(13,109)**	(19,311)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		**4**	653
Decrease in pledged bank deposits		**—**	94,696
Interest received		**58**	89
Loans advanced		**(10,222)**	(16,916)
Proceeds from disposal of property, plant and equipment		**10**	11
Proceeds from disposal of equity instrument at FVTOCI		**6,304**	—
Purchases of property, plant and equipment		**(1,652)**	(196)
Payments for right-of-use assets		**(593)**	—
Repayment from an ex-substantial shareholder and its subsidiaries		**2,726**	710
Settlement of loans advanced		**14,538**	20,715
Net cash generated from investing activities		**11,173**	99,762
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of additional interest in a subsidiary	39(c)	**(341)**	—
Interest paid		**(2,016)**	(3,009)
Proceeds from issue of shares		**11,760**	13,338
Repayment of bank and other borrowings		**(4,543)**	(13,021)
Repayment of bills payables		**—**	(94,696)
Principal elements of lease payments		**(291)**	—
Net cash generated from/(used in) financing activities		**4,569**	(97,388)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,633**	(16,937)
Effect of foreign exchange rate changes		**(2,097)**	(3,434)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**20,301**	40,672
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**20,837**	20,301
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**22,131**	26,344
Less: Restricted bank balance	27	**(1,294)**	(6,043)
		20,837	20,301

1. GENERAL INFORMATION

China Public Procurement Limited (the "**Company**") was incorporated in Bermuda with limited liability. The address of its registered office is 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda. The address of its principal place of business in Hong Kong 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 set out in note 45 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

Going Concern

The Company and its subsidiaries (collectively referred to as the "**Group**") incurred a net loss and net operating cash outflows of approximately HK$13,695,000 and HK$13,109,000 respectively during the year ended 31 December 2019, and as at 31 December 2019, the Group had net current liabilities of approximately HK$62,117,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

In order to improve the Group's financial position, liquidity and cash flows, the directors of the Company have adopted or are 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$89,384,000) from a bank in the People's Republic of China ("**PRC**") by pledging the Group's non-current assets. As at 31 December 2019, facilities of RMB30,000,000 (equivalent to approximately HK$33,519,000) have been utilised by the Group. The Group also will negotiate with its banker for the increase of the banking facilities when necessary; and

2. BASIS OF PREPARATION (Continued)

(c) The Company will continue to adopt the equity financing approach to strengthen the financial position of the Group and to raise additional funds for the Group to replenish its working capital.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK (IFRIC) Interpretation 4 Determining whether an Arrangement contains a Lease, Hong Kong (SIC) Interpretation 15 Operating Leases — Incentives and Hong Kong (SIC) Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from 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 or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant Group entities at the date of initial application. The weighted average incremental borrowing rate applied ranged from 4.71% to 6.37%.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) excluded initial direct costs from measuring the right-of use assets at the date of initial application; and

(iii) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as disclosed in note 42 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments as at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,075
Less: commitments relating to lease exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,075)
Lease liabilities recognised as at 1 January 2019	—

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16: Re-classification	Effects of adoption of HKFRS 16: Re-cognition of leases	Carrying amount as at 1 January 2019
		HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Right-of-use assets		—	4,324	—	4,324
Prepaid land lease payments	(a)	4,324	(4,324)	—	—

Note:

(a) Upfront payments for leasehold lands in the PRC own used properties were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to approximately HK$97,000 and HK$4,227,000, respectively, were classified to right-of-use assets.

(iii) Impact of the financial results and cash flows of the Group

During the year ended 31 December 2019, the Group has entered into new lease contracts for office premises for a term of 3 years as a lessee. Right-of-use assets and lease liabilities were recognised on the commencement date of the lease contracts in accordance with HKFRS 16. After the initial recognition, the Group is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(iii) Impact of the financial results and cash flows of the Group (Continued)

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 39(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of within the consolidated statement of cash flows (note 39(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1)**	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Financial results for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operations	**(8,988)**	**943**	**(396)**	**(8,441)**	(21,261)
Finance costs	**(2,121)**	**105**	**–**	**(2,016)**	(3,009)
Loss before tax	**(11,109)**	**1,048**	**(396)**	**(10,457)**	(24,270)
Loss for the year	**(13,695)**	**1,048**	**(396)**	**(13,043)**	(23,778)

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases (Continued)

(iii) Impact of the financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2)**	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(13,812)**	**(396)**	**(14,208)**	(21,384)
Interest element of lease rentals paid	**(105)**	**105**	**–**	—
Net cash used in operating activities	**(13,109)**	**(291)**	**(13,400)**	(19,311)
Payments for right-of-use assets	**(593)**	**593**	**–**	—
Net cash generated from investing activities	**11,173**	**593**	**11,766**	99,762
Capital element of lease rentals paid	**(291)**	**291**	**–**	—
Net cash generated from/(used in) financing activities	**4,569**	**291**	**4,860**	(97,388)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relates to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from investing and financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash generated from investing and financing activities as if HKAS 17 still applied.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

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

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

(c) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment properties

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

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

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

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is account for as described in note 4(q).

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases (Continued)

(i) *The Group as a lessee* (Continued)

Policy applicable from 1 January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(d).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

(i) Computer software and software copyrights acquired

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

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

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

(g) Inventories

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

(h) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in note 4(x) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(k) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Borrowings

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

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

(o) Trade and other payables

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

(p) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from trading of goods is recognised when control of the goods has transferred, being when the goods have been delivered to the customer. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Public procurement business:

Revenue from sales of CA Keys is recognised at a point in time upon delivery of the key.

Revenue from tendering services is recognised at a point in time on the later of (i) the consideration is received and is non-refundable; and (ii) completion of the services.

Corporate IT solution business:

Revenue from sale of online procurement software is recognised at a point in time when the software is transferred and accepted by the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue and other income (Continued)

Corporate IT solution business: (Continued)

Revenue from licensing online procurement platform is recognised rateably over the license period.

Revenue from provision of maintenance services is recognised rateably over the period of service.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Share-based payments

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

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

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

(t) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective from 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(u) Government grants

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Government grants (Continued)

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

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

(v) Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Taxation (Continued)

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

(w) Impairment of non-financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(x) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost and trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default;

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 Leases (prior to 1 January 2019).

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Provisions and contingent liabilities

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

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

(z) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

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

(i) Going concern basis

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

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

(ii) Useful lives of intangible assets

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

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

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

(iv) Deferred tax for investment properties

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

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

(v) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(vi) Significant increase in credit risk

As explained in note 4(x), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2019 were approximately HK$3,882,000 (2018: HK$2,421,000) and HK$14,433,000 (2018: HK$Nil) respectively.

(ii) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax expense of approximately HK$2,586,000 (2018: income tax credit approximately HK$492,000) was charged (2018: credited) to profit or loss.

(iii) Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of intangible assets at the end of the reporting period was approximately HK$8,976,000 (2018: HK$10,162,000) after an impairment loss of approximately HK$835,000 (2018: Nil) recognised during the year. Details of the impairment loss calculation are provided in note 22 to the consolidated financial statements.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Fair value of investment properties

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

The carrying amount of investment properties as at 31 December 2019 is approximately HK$270,219,000 (2018: HK$266,776,000).

(v) Impairment of trade and other receivables and loan receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and other receivables and loan receivables based on the credit risk of trade and other receivables and loan receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of trade and other receivables and loan receivables is approximately HK$9,797,000 (net of allowance for doubtful debts approximately HK$202,829,000) (2018: HK$13,628,000 (net of allowance for doubtful debts of approximately HK$206,925,000)).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

At 31 December 2019, if the Hong Kong dollar had weakened 10 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$1,232,000 (2018: HK$989,000) lower, arising mainly as a result of the foreign exchange loss on net of bank and cash balances and bank borrowing denominated in RMB. If the Hong Kong dollar had strengthened 10 per cent against RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$1,232,000 (2018: HK$989,000) higher, arising mainly as a result of the foreign exchange loss on net of bank and cash balances and bank borrowing denominated in RMB.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than two months past due are requested to settle certain outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**HK$'000**	**HK$'000**
Current (not past due)	**3.1%**	**5,906**	**184**
Within 3 months past due	**4.7%**	**86**	**4**
7 to 12 months past due	**41.0%**	**39**	**16**
Over 12 months past due	**63.2%**	**38**	**24**
		6,069	**228**

	2018		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Current (not past due)	0.5%	4,641	22
Within 3 months past due	0.8%	591	5
3 to 6 months past due	63.0%	192	121
Over 12 months past due	63.2%	38	24
		5,462	172

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019	2018
	HK$'000	HK$'000
At 1 January	**172**	124
Impairment losses recognised for the year	**182**	172
Reversals	**(126)**	(124)
At 31 December	**228**	172

The changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2019 was caused by origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$56,000.

Financial assets at amortised cost

All of the Group's financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Other receivables are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include other receivables, compensation income receivable, prepayments for goods, other prepayments, deposits and loan receivables.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Financial assets at amortised cost (Continued)

Movement in the loss allowance for financial assets at amortised cost during the year is as follows:

	Other receivables	Compensation income receivable	Prepayments for goods	Other prepayments	Deposits	Loan receivables	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018	76	8,473	68,916	6,842	1	125,758	210,066
Impairment losses recognised for the year	635	—	—	12	2	16,916	17,565
Reversal for the year	—	—	(32)	—	—	(21,792)	(21,824)
Exchange difference	—	—	1,060	(89)	—	(25)	946
At 31 December 2018 and 1 January 2019	711	8,473	69,944	6,765	3	120,857	206,753
Impairment losses recognised for the year	11	—	—	54	16	7,821	7,902
Reversal for the year	(321)	—	—	—	(1)	(9,995)	(10,317)
Exchange difference	—	—	(1,392)	(39)	—	(306)	(1,737)
At 31 December 2019	401	8,473	68,552	6,780	18	118,377	202,601

During the year, loan receivables of HK$14,538,000 (2018: HK$20,715,000) have been settled.

(c) Liquidity risk

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2019					
Trade and other payables	**22,260**	**—**	**—**	**—**	**22,260**
Amounts due to an ex-substantial shareholder and its subsidiaries	**2,622**	**—**	**—**	**—**	**2,622**
Bank borrowing	**40,617**	**—**	**—**	**—**	**40,617**
Lease liabilities	**1,939**	**2,372**	**1,497**	**—**	**5,808**

	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018					
Trade and other payables	24,704	—	—	—	24,704
Amounts due to an ex-substantial shareholder and its subsidiaries	2,682	—	—	—	2,682
Bank borrowing	6,601	6,356	17,555	17,641	48,153

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank balances, loan receivables and bank borrowing. Loan receivables bear interest at fixed interest rates and therefore are subject to fair value interest value risk. Other bank deposits and bank borrowing bear interest at variable rates varied with the then prevailing market condition.

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments at 31 December 2019

	2019	2018
	HK$'000	HK$'000
Financial assets:		
Equity instruments at FVTOCI	**—**	3,191
Financial assets at FVTPL	**2,626**	2,515
Financial assets at amortised cost	**30,199**	37,890
Financial liabilities:		
Financial liabilities at amortised cost	**58,401**	66,248

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2019:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total **2019**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL — structured deposits	—	2,626	—	**2,626**
Investment properties				
Commercial units situated in the PRC	—	—	270,219	**270,219**
Total	—	2,626	270,219	**272,845**

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Equity instruments at FVTOCI — listed equity security	—	—	3,191	3,191
Financial assets at FVTPL — structured deposits	—	2,515	—	2,515
Investment properties				
Commercial units located in the PRC	—	—	266,776	266,776
Total	—	2,515	269,967	272,482

7. FAIR VALUE MEASUREMENTS (Continued)

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

Description	Equity instruments at FVTOCI	Investment properties
	HK$'000	HK$'000
At 1 January 2019	3,191	266,776
Transfer to property, plant and equipment and right-of-use assets	—	(11,585)
Transfer from property, plant and equipment and right-of-use assets	—	12,153
Total gains recognised in profit or loss	—	9,030
Total gains recognised in other comprehensive income	3,113	—
Exchange differences	—	(6,155)
Derecognised due to disposal	(6,304)	—
At 31 December 2019	—	270,219
Total gains recognised in profit or loss for assets held at end of the reporting period	—	9,030

Description	Equity instruments at FVTOCI	Investment properties
	HK$'000	HK$'000
At 1 January 2018	—	279,052
Transfer from level 1	4,871	—
Total gains recognised in profit or loss	—	1,243
Total losses recognised in other comprehensive income	(1,444)	—
Exchange differences	(236)	(13,519)
At 31 December 2018	3,191	266,776
Total gains recognised in profit or loss for assets held at end of the reporting period	—	1,243

7. FAIR VALUE MEASUREMENTS (Continued)

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

During the year 2019, equity instruments at FVTOCI have been derecognised.

During the year 2018, equity instruments at FVTOCI amounting to HK$3,191,000 were transferred from measurement based on level 1 to level 3 as a result of the suspension of trading of the equity instruments at FVTOCI and therefore valuation technique of market comparison approach is used.

The total gains or losses recognised in other comprehensive income are presented in the item namely fair value changes of equity instruments of FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

The total gains recognised in profit or loss including those for assets held at end of the reporting period of approximately HK$9,030,000 (2018: HK$1,243,000) are presented in other income and gains in the consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 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 financial controller reports directly to the Board of Directors for these fair value measurements. Discussion of valuation processes and results are held between the financial controller and the Board of Directors once a year.

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

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2019	Fair value 2018
			HK$'000	HK$'000
Assets				
Structured deposits	Market comparison approach	Price per unit of investment	**2,626**	2,515

7. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019: (Continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019	Fair value 2018
					HK$'000	HK$'000
Equity instruments at FVTOCI	Market comparison approach	EBITDA	N/A	Decrease	**–**	3,191
Commercial units located in the PRC	Income capitalisation	Terminal yield	7% (2018: 6.5%)	Decrease	**270,219**	266,776
		Reversionary yield	7.5% (2018: 7%)	Decrease		
		Monthly rental (RMB/square metre)	35-130 (2018: 35-66)	Increase		

8. REVENUE

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

	2019	2018
	HK$'000	HK$'000
Provision of public procurement services	9,651	7,616
Trading of goods	37,703	31,221
Provision of corporate IT solution services	12,906	17,789
Rental income	13,064	11,663
	73,324	68,289

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

	2019	2018
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time		
— Trading of goods	37,703	31,221
— Provision of public procurement services	9,651	7,616
— Sales of online procurement software	8,287	12,384
Recognised over time		
— Licensing online procurement platform income	1,434	2,320
— Provision of maintenance services	3,185	3,085
	60,260	56,626
Revenue from other sources		
— Rental income	13,064	11,663
	73,324	68,289

9. OTHER INCOME AND GAINS

	2019	2018
	HK$'000	HK$'000
Bank interest income	**58**	89
Dividend income	**4**	653
Net foreign exchange gain	**25**	—
Net fair value gains on investment properties	**9,030**	1,243
Gains on disposals of financial assets at FVTPL	**33**	252
Government grants — amortisation of deferred income (note 33)	**284**	296
Government grants (note)	**1,475**	282
Interest income from a debtor	**—**	86
Interest income from an ex-substantial shareholder and its subsidiaries	**599**	—
Interest income from loan receivables	**993**	1,588
Interest income from pledged bank deposits	**—**	1,657
Sundry income	**491**	433
	12,992	6,579

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.

10. 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.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Segment profits or losses do not include directors' emoluments and remaining administrative expenses, net fair value gains on investment properties and remaining other income and gains, finance costs, reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries, impairment loss/reversal of impairment loss for certain receivables and write-off of other prepayments.

Segment assets do not include equity instrument at FVTOCI, bank and cash balances, certain intangible assets, certain property, plant and equipment, right-of-use assets, certain other receivables, financial assets at FVTPL and loan receivables.

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

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

10. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss:

	Public procurement	Trading business	Provision of corporate IT solution	Rental income	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019					
Revenue from external customers	**9,651**	**37,703**	**12,906**	**13,064**	**73,324**
Segment profit	**7,498**	**39**	**6,795**	**6,564**	**20,896**
Amounts included in the measure of segment profit or loss:					
Impairment loss for intangible assets	**835**	**–**	**–**	**–**	**835**
Impairment loss/(reversal of impairment loss) for trade and other receivables	**2**	**–**	**56**	**(1)**	**57**
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	**38**	**–**	**31**	**–**	**69**
As at 31 December 2019					
Segment assets	**8,220**	**–**	**5,507**	**270,603**	**284,330**
Segment liabilities	**3,483**	**–**	**2,234**	**5,131**	**10,848**
Amounts included in the measure of segment assets:					
Additions to segment non-current assets	**10**	**–**	**5**	**–**	**15**

10. SEGMENT INFORMATION (Continued)

Information about reportable segment profit or loss: (Continued)

	Public procurement	Trading business	Provision of corporate IT solution	Rental income	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2018					
Revenue from external customers	7,616	31,221	17,789	11,663	68,289
Intersegment revenue	—	—	—	1,291	1,291
Segment profit	6,360	119	7,938	8,390	22,807
Amounts included in the measure of segment profit or loss:					
Impairment loss/(reversal of impairment loss) for trade and other receivables	—	(93)	136	(32)	11
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	32	—	39	—	71
As at 31 December 2018					
Segment assets	9,283	—	4,560	267,736	281,579
Segment liabilities	5,629	—	1,817	2,408	9,854
Amounts included in the measure of segment assets:					
Additions to segment non-current assets	29	—	109	—	138

10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue and profit or loss:

	2019	2018
	HK$'000	HK$'000
Revenue		
Total revenue of reportable segments	**73,324**	69,580
Elimination of intersegment revenue	**—**	(1,291)
Consolidated revenue	**73,324**	68,289
Profit or loss		
Total profit of reportable segments	**20,896**	22,807
Unallocated amounts:		
Administrative expenses	**(48,018)**	(55,553)
Finance costs	**(2,121)**	(3,009)
Other income and gains	**12,992**	6,579
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**2,726**	710
Reversal of impairment loss for loan receivables	**2,174**	4,876
Unallocated reversal of impairment loss/(impairment loss) for trade and other receivables	**242**	(654)
Write-off of other prepayments	**—**	(26)
Consolidated loss before tax	**(11,109)**	(24,270)

10. SEGMENT INFORMATION (Continued)

Reconciliations of segment assets and liabilities:

	2019	2018
	HK$'000	HK$'000
Assets		
Total assets of reportable segments	284,330	281,579
Unallocated corporate assets	47,969	48,094
Consolidated total assets	332,299	329,673
Liabilities		
Total liabilities of reportable segments	10,848	9,854
Unallocated corporate liabilities	136,558	135,829
Consolidated total liabilities	147,406	145,683
Other material items — (reversal of impairment loss)/ impairment loss for trade and other receivables		
Total impairment loss for of trade and other receivables of reportable segments	57	11
Unallocated amounts	(242)	654
Consolidated (reversal of impairment loss)/impairment loss for trade and other receivables	(185)	665
Other material items — depreciation		
Total depreciation of reportable segments	69	71
Unallocated amounts	1,805	770
Consolidated depreciation	1,874	841

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

10. SEGMENT INFORMATION (Continued)

Geographical information:

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

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**549**	180
PRC except Hong Kong	**73,324**	68,289	**296,961**	283,406
Consolidated total	**73,324**	68,289	**297,510**	283,586

Revenue from major customers:

	2019	2018
	HK$'000	HK$'000
Trading business segment		
Customer A	**37,703**	31,221

11. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank borrowing	**2,016**	2,360
Interest on lease liabilities (note 21)	**105**	—
Interest on other borrowings	**—**	649
	2,121	3,009

12. INCOME TAX EXPENSE/(CREDIT)

	2019	2018
	HK$'000	HK$'000
Current tax — the PRC		
Provision for the year	35	28
Under-provision in prior years	—	622
	35	650
Deferred tax (note 35)	2,551	(1,142)
	2,586	(492)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2018: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

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

	2019	2018
	HK$'000	HK$'000
Loss before tax	(11,109)	(24,270)
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	(2,777)	(6,068)
Tax effect of income that is not taxable	(2,257)	(5,451)
Tax effect of expenses that are not deductible	2,848	3,663
Tax effect of utilisation of tax losses not previously recognised	(433)	(66)
Tax effect of tax losses not recognised	3,594	6,845
Tax effect of temporary differences not recognised	(782)	(49)
Effect of different tax rates of subsidiaries	1,185	1,633
PRC land appreciation tax	2,551	(1,142)
Tax effect of PRC land appreciation tax	(638)	285
Tax concession	(705)	(764)
Under-provision in prior years	—	622
Income tax expense/(credit)	2,586	(492)

13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$'000	HK$'000
Amortisation of intangible assets (included in administrative expenses)	125	134
Amortisation of prepaid land lease payments	—	101
Auditor's remuneration	900	1,030
Cost of inventories sold	37,660	31,191
Depreciation of property, plant and equipment	931	841
Depreciation of right-of-use assets	943	—
Direct operating expenses of investment properties that generate rental income	4,671	1,963
Equity-settled share-based payments	1,574	4,482
Net foreign exchange (gain)/loss	(25)	24
Loss on disposal of property, plant and equipment	89	4
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	—	3,688

14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS)

	2019	2018
	HK$'000	HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	28,780	30,491
Retirement benefits scheme contributions	2,082	2,309
Equity-settled share-based payments	1,574	4,482
	32,436	37,282

14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS) (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2018: two directors) whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2018: three) are set out below:

	2019
	HK$'000
Basic salaries and allowances	**4,052**
Discretionary bonus	**330**
Retirement benefits scheme contributions	**177**
	4,559

The five highest paid individuals in the Group for the year ended 31 December 2018 included a senior executive who decided not to offer herself for re-election as an executive director of the Company in the annual general meeting held on 29 June 2018 and remained as an employee of the Group. Her emolument, including those disclosed in note 15, and the remaining three individuals are set out as follows:

	2018
	HK$'000
Basic salaries and allowances	1,785
Discretionary bonus	931
Retirement benefits scheme contributions	76
	2,792

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
	HK$'000	HK$'000
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**1**	—

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note vi) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Staff benefit		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Zheng Jinwei (Chairman and Chief executive)	600	–	–	–	57	–	82	–	739
Mr. Ho Wai Kong (Honorary chairman) (note (i))	248	–	–	–	–	–	–	–	248
Ms. He Qian	240	–	–	–	–	–	–	–	240
Mr. Chen Limin	300	–	–	–	–	–	–	–	300
Mr. Zhang Jianguo (note (iv))	240	–	–	–	–	–	–	–	240
Mr. Xu Peng (note (iv))	240	–	–	–	–	–	–	–	240
Mr. Deng Xiang	360	–	–	–	–	–	–	–	360
Mr. Jiang Jun	360	–	–	–	–	–	–	–	360
Mr. Wang Shuai (note (v))	240	–	–	–	–	–	–	–	240
Total for 2019	**2,828**	–	–	–	**57**	–	**82**	–	**2,967**

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note vi) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Staff benefit		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Zheng Jinwei (Chairman and Chief executive)	600	–	–	–	65	–	83	–	748
Mr. Ho Wai Kong (Honorary chairman)	600	–	–	–	–	–	–	–	600
Miss Ng Weng Sin (note (ii))	149	–	–	–	9	–	–	1,263	1,421
Ms. He Qian	174	–	–	–	–	–	–	–	174
Mr. Chen Limin	300	–	–	–	–	–	–	–	300
Mr. Zhang Jianguo (note (iv))	108	–	–	–	–	–	–	–	108
Mr. Xu Peng (note (iv))	109	–	–	–	–	–	–	–	109
Ms. Wong Yan Ki Angel (note (iii))	207	–	–	–	–	–	–	–	207
Mr. Deng Xiang	305	–	–	–	–	–	–	–	305
Mr. Jiang Jun	360	–	–	–	–	–	–	–	360
Mr. Wang Shuai (note (v))	7	–	–	–	–	–	–	–	7
Total for 2018	2,919	–	–	–	74	–	83	1,263	4,339

Notes:
(i) Resigned on 31 May 2019

(ii) Resigned on 29 June 2018

(iii) Resigned on 29 July 2018

(iv) Appointed on 19 July 2018

(v) Appointed on 21 December 2018

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

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: Nil).

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

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

16. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

17. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$14,174,000 (2018: HK$24,402,000), and the weighted average number of ordinary shares of 189,691,000 (2018: 168,972,000) for both years, which has been adjusted for the effect of share consolidation on 21 February 2019.

Diluted loss per share

There was no potential ordinary share outstanding for the years ended 31 December 2019 and 2018.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2018	1,875	23,519	2,668	3,452	31,514
Additions	—	196	—	—	196
Write-off/disposal	—	(268)	—	—	(268)
Exchange differences	(91)	(1,258)	(113)	(72)	(1,534)
At 31 December 2018 and 1 January 2019	1,784	22,189	2,555	3,380	29,908
Additions	—	581	—	1,071	1,652
Write-off/disposal	—	(990)	—	—	(990)
Transfer from investment property (note 20)	2,385	—	—	—	2,385
Transfer to investment property	(1,773)	—	—	—	(1,773)
Exchange differences	(50)	(543)	(51)	(50)	(694)
At 31 December 2019	2,346	21,237	2,504	4,401	30,488
Accumulated depreciation and impairment					
At 1 January 2018	288	22,856	2,305	2,623	28,072
Charge for the year	93	387	90	271	841
Write-off/disposal	—	(253)	—	—	(253)
Exchange differences	(26)	(983)	(97)	(67)	(1,173)
At 31 December 2018 and 1 January 2019	355	22,007	2,298	2,827	27,487
Charge for the year	138	347	72	374	931
Write-off/disposal	—	(891)	—	—	(891)
Transfer to investment property (note 20)	(404)	—	—	—	(404)
Exchange differences	(5)	(427)	(48)	(37)	(517)
At 31 December 2019	84	21,036	2,322	3,164	26,606
Carrying amount					
At 31 December 2019	2,262	201	182	1,237	3,882
At 31 December 2018	1,429	182	257	553	2,421

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2019, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowing amounted to approximately HK$2,262,000 (2018: HK$1,429,000).

The Group carried out reviews of the recoverable amounts of its property, plant and equipment and intangible assets attributable to the public procurement segment in 2019, having regard to the change in economic circumstance surrounding that cash-generating unit. The review led to the recognition of impairment losses of approximately HK$835,000 (2018: Nil) for intangible assets. The recoverable amount of approximately HK$7,818,000 (2018: HK$12,590,000) for the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The pre-tax discount rate used was 43.8% (2018: 28.7%).

19. PREPAID LAND LEASE PAYMENTS

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

	HK$'000
At 1 January 2018	4,646
Amortisation of prepaid land lease payments	(101)
Exchange differences	(221)
At 31 December 2018 and 1 January 2019	4,324
Reclassification due to adoption of HKFRS 16 (note 3)	(4,324)
Restated balance at 1 January 2019	—

	2018
	HK$'000
Current portion	97
Non-current portion	4,227
	4,324

20. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
At 1 January	266,776	279,052
Transfer to property, plant and equipment and right-of-use assets (notes 18 and 21)	(11,585)	—
Transfer from property, plant and equipment and right-of-use assets* (notes 18 and 21)	12,153	—
Net fair value gains	9,030	1,243
Exchange differences	(6,155)	(13,519)
At 31 December	270,219	266,776

*: The amount included a revaluation surplus of approximately HK$6,544,000 and the concerned deferred tax of approximately HK$1,758,000 resulting in a net balance of approximately HK$4,786,000 was credited to revaluation reserve upon transfer from property, plant and equipment and right-of-use asset to investment properties.

Investment properties were revalued at 31 December 2019 and 2018 by Grant Sherman Appraisal Limited, an independent qualified professional valuer, using income approach with reference to comparable sale transactions for similar properties in the same location and condition or using income capitalisation approach by reference to net rental income allowing for reversionary income potential.

At 31 December 2019, the carrying amount of investment properties pledged as security for the Group's bank borrowing amounted to approximately HK$270,219,000 (2018: HK$266,776,000).

The Group leases out office premises under operating leases with rentals receivable monthly. The leases typically run for an initial period of one to five years.

The Group is exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB of group entity. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

21. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2019 (note 3)	4,324	—	4,324
Additions	—	6,335	6,335
Depreciation	(181)	(762)	(943)
Transfer to investment property (note 20)	(4,240)	—	(4,240)
Transfer from investment property (note 20)	9,200	—	9,200
Exchange differences	(175)	(68)	(243)
At 31 December 2019	8,928	5,505	14,433

Lease liabilities of approximately HK$5,386,000 are recognised with related right-of-use assets of approximately HK$5,505,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2019
	HK$'000
Depreciation expenses on right-of-use assets	**943**
Interest expense on lease liabilities (included in finance costs)	**105**
Expenses relating to short-term lease (included in administrative expenses)	**1,409**

Details of total cash outflow for lease is set out in note 39(b).

For both years, the Group leases for its operations. Lease contracts are entered into for fixed term of 3 years, but have termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

22. INTANGIBLE ASSETS

	Computer software	Online platform promotion right	Online platform development and technical support right	Software technology knowhow	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2018	1,983	9,608	8,408	78,107	98,106
Exchange differences	(96)	(464)	(406)	(3,771)	(4,737)
At 31 December 2018 and 1 January 2019	1,887	9,144	8,002	74,336	93,369
Exchange differences	(42)	(206)	(180)	(1,671)	(2,099)
At 31 December 2019	1,845	8,938	7,822	72,665	91,270
Accumulated amortisation and impairment					
At 1 January 2018	471	9,608	8,408	68,806	87,293
Amortisation for the year	134	—	—	—	134
Exchange differences	(28)	(464)	(406)	(3,322)	(4,220)
At 31 December 2018 and 1 January 2019	577	9,144	8,002	65,484	83,207
Amortisation for the year	125	—	—	—	125
Impairment loss recognised for the year	—	—	—	835	835
Exchange differences	(15)	(206)	(180)	(1,472)	(1,873)
At 31 December 2019	687	8,938	7,822	64,847	82,294
Carrying amount					
At 31 December 2019	1,158	—	—	7,818	8,976
At 31 December 2018	1,310	—	—	8,852	10,162

The average remaining amortisation period of the computer software is 6.28 years (2018: 6.95 years).

At 31 December 2019, the carrying amount of intangible assets that assessed as indefinite useful life amounted to approximately HK$7,818,000 (2018: HK$8,852,000). These assets are attributable to the public procurement segment.

During the year, the Group assessed the recoverable amount of the public procurement segment and as a result recognised impairment loss of approximately HK$835,000 (2018: Nil) in respect of intangible assets attributable to that cash-generating unit. Details of the impairment assessment are disclosed in note 18.

23. EQUITY INSTRUMENTS AT FVTOCI

	2019	2018
	HK$'000	HK$'000
Equity security listed in the PRC, at fair value	—	3,191
Analysed as:		
Current assets	—	3,191

During the year, equity instruments at FVTOCI have been disposed of and derecognised.

Equity instruments at FVTOCI are denominated in RMB.

24. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables	6,069	5,462
Allowance for trade receivables	(228)	(172)
	5,841	5,290
Other receivables	1,318	3,469
Allowance for other receivables	(401)	(711)
	917	2,758
Compensation income receivable	8,473	8,473
Allowance for compensation income receivable	(8,473)	(8,473)
	—	—
Prepayments for goods	68,552	69,944
Allowance for prepayments for goods	(68,552)	(69,944)
	—	—
Other prepayments	8,508	8,847
Allowance for other prepayments	(6,780)	(6,765)
	1,728	2,082
Deposits	1,329	1,215
Allowance for deposits	(18)	(3)
	1,311	1,212
	9,797	11,342

24. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2019, aggregate allowances of approximately HK$84,452,000 (2018: HK$86,068,000) were made for estimated irrecoverable trade and other receivables. These receivables were individually impaired and were related to debtors that are in unexpected difficult economic situations or having disputes over the outstanding balances. Reconciliation of allowance for trade and other receivables:

	Trade receivables	Other receivables	Compensation income receivable	Prepayments for goods	Other prepayments	Deposit	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
A 1 January 2018	124	76	8,473	68,916	6,842	1	84,432
Allowance/(reversal) for the year	48	635	—	(32)	12	2	665
Exchange differences	—	—	—	1,060	(89)	—	971
At 31 December 2018	172	711	8,473	69,944	6,765	3	86,068
Allowance/(reversal) for the year	56	(310)	—	—	54	15	(185)
Exchange differences	—	—	—	(1,392)	(39)	—	(1,431)
At 31 December 2019	228	401	8,473	68,552	6,780	18	84,452

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 (2018: 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 management.

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

	2019	2018
	HK$'000	HK$'000
0 to 90 days	**5,735**	5,152
91 to 180 days	**23**	87
181 to 365 days	**32**	25
Over 365 days	**51**	26
	5,841	5,290

24. TRADE AND OTHER RECEIVABLES (Continued)

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

Included in trade receivables was an amount due from a non-controlling shareholder of a subsidiary of approximately HK$4,469,000 (2018: HK$3,513,000).

At 31 December 2019, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK$413,000 (2018: HK$989,000).

25. LOAN RECEIVABLES

Loan receivables represented advances to independent third parties.

At 31 December 2019, included in loan receivables was a loan of HK$100,000,000 (2018: HK$100,000,000) of which impairment of HK$100,000,000 (2018: HK$100,000,000) 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.

At 31 December 2019, loan receivables also included loans of approximately HK$2,235,000, HK$3,352,000, HK$2,235,000, HK$2,234,000, HK$3,352,000 and HK$4,469,000 with impairment of approximately HK$17,877,000 in aggregate. These loans were unsecured, interest bearing at a range of 0.3% to 0.6% per month and repayable on 31 December 2020, 26 September 2020, 31 December 2020, 31 December 2020, 22 October 2020 and 29 December 2020 respectively.

The remaining loan receivable of approximately HK$500,000 with impairment of HK$500,000 was unsecured, repayable on demand.

26. FINANCIAL ASSETS AT FVTPL

	2019	2018
	HK$'000	HK$'000
Held for trading		
Structured deposits, at fair value	**2,626**	2,515

The Group establishes fair value by using valuation techniques for both years. These include the use of market comparable approach, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

27. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB and kept in the PRC aggregately amounted to approximately HK$21,203,000 (2018: HK$25,334,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 December 2019, the bank and cash balances of the Group included a restricted deposit charged as security for the Group's bank borrowing amounted to approximately HK$1,294,000 (2018: HK$6,043,000).

28. SHARE CAPITAL

	Notes	**Number of shares** *'000*	**Amount** *HK$'000*
Authorised share capital			
Ordinary shares			
At 1 January 2018 and 31 December 2018 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
Authorised ordinary shares at 31 December 2019 (HK$0.1 each)		400,000	40,000
Preference shares			
At 1 January 2018 and 31 December 2018 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)
Authorised preference shares at 31 December 2019 (HK$0.1 each)		100,000	10,000
Total authorised share capital at 31 December 2019 (HK$0.1 each)		500,000	50,000

28. SHARE CAPITAL (Continued)

	Notes	Number of shares '000	Amount HK$'000
Issued and fully paid:			
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 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)
Issue of shares	(e)	34,897	3,490
At 31 December 2019 (HK$0.1 each)		209,387	20,939
Preference shares			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 (HK$0.1 each)		—	—
Total issued and fully paid at 31 December 2019 (HK$0.1 each)		209,387	20,939

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$1.0 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$1.0 each to HK$0.1 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$0.1 each and 100,000,000 preference shares of HK$0.1 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. The aforesaid capital reduction of approximately HK$157,041,000 was then transferred to contributed surplus (note 28(f)).

28. SHARE CAPITAL (Continued)

Notes: (Continued)

(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.

(e) On 26 July 2019, 34,897,000 ordinary shares of the Company of HK$0.1 each were issued at HK$0.337 per share. The premium on the issue of shares, amounting to approximately HK$8,270,000 was credited to the Company's share premium account.

(f) Pursuant to the Company's circular dated 28 January 2019 (the "**Circular**"), a proposed capital reorganisation was passed by shareholders' special general meeting on 20 February 2019 with a resolution, among other things, to proceed with a capital reorganisation for transferring (i) a balance of HK$7,153,619,000, by debiting share premium account, to the contributed surplus, (ii) a balance of HK$157,041,000, by debiting to share capital account, to the contributed surplus and (iii) a balance of HK$7,424,893,000, by debiting the contributed surplus, to set off against the accumulated losses.

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

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

The Group's overall strategy remains unchanged from prior year. The Group regards equity attributable to owners of the Company and net debts (included bank borrowing and amounts due to an ex-substantial shareholder and its subsidiaries, net of cash and cash equivalents) as capital, for management purpose. The amount of capital as at 31 December 2019 amounted to approximately HK$206,272,000 (2018: HK$204,442,000), in which the Group considers as optimal having considered the projected capital expenditures and the projected investment opportunities.

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

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 December 2019, over 25% (2018: over 25%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowing. There have been breached in the financial covenants of bank borrowing for the year ended 31 December 2019 as set out in note 32 to the consolidated financial statements for details.

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

(a) Statement of financial position of the Company

		As at 31 December	
		2019	2018
	Note	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2**	2
Total non-current assets		**2**	2
Current assets			
Trade and other receivables		**32**	1,458
Amounts due from subsidiaries		**6,259**	17,769
Bank and cash balances		**11**	82
Total current assets		**6,302**	19,309
TOTAL ASSETS		**6,304**	19,311
EQUITY AND LIABILITIES			
Share capital	28	**20,939**	174,490
Reserves	29(b)	**(28,959)**	(166,895)
Total equity		**(8,020)**	7,595
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**9,637**	8,657
Other payables and accruals		**4,687**	3,059
Total current liabilities		**14,324**	11,716
TOTAL EQUITY AND LIABILITIES		**6,304**	19,311

Approved by the Board of Directors on 30 June 2020 and is signed on its behalf by:

Zheng Jinwei	**He Qian**

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

(b) Reserve movement of the Company

	Share premium	Share-based payments reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
A 1 January 2018	7,153,619	9,081	332,310	(7,628,496)	(133,486)
Loss for the year	—	—	—	(37,891)	(37,891)
Share-based payments	—	4,482	—	—	4,482
Issue of shares on share option scheme	4,482	(4,482)	—	—	—
Transfer of reserve upon lapse of share options	—	(9,081)	—	9,081	—
At 31 December 2018 and 1 January 2019	7,158,101	—	332,310	(7,657,306)	(166,895)
Loss for the year	—	—	—	(28,949)	(28,949)
Share-based payments	—	1,574	—	—	1,574
Capital reorganisation	(7,153,619)	—	(114,233)	7,424,893	157,041
Issue of shares by subscription	8,270	—	—	—	8,270
At 31 December 2019	12,752	1,574	218,077	(261,362)	(28,959)

30. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

30. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Merger reserve

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

(iii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(s) to the consolidated financial statements.

(iv) Statutory reserve

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

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(b)(iii) to the consolidated financial statements.

(vi) Revaluation reserve

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

30. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(vii) FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(j) to the consolidated financial statements.

(viii) Contributed surplus

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

As at 31 December 2019 and 2018, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

31. EQUITY-SETTLED SHARE OPTION SCHEME

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

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

31. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

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

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

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

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

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

31. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

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

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

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

During the year, 17,400,000 share options were granted to the employees of the Company. Details of share options granted during the year are as follows:

Date of grant	Exercise period	Exercise price
		HK$
9 May 2019	9 May 2019 to 8 May 2021	0.416

According to Black-Scholes Model, the details of the options granted during the year under the option scheme were as follows:

Date of grant	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk fee rate	Volatility	Expiration of the options	Dividend yield
9 May 2019	17,400,000	HK$1,574,000	0.41	1.72%	54.62%	8 May 2021	0%

(i) Historical volatilities, instead of implied volatilities, are used because the options would not have an active secondary market, and the historical daily volatilities of the Company have been applied.

(ii) The historical dividend yield of the Company's stock is used to estimate the future dividend yield of the stock during the option validity period.

(iii) Risk-free rate was based on the yield of HKMA Hong Kong Exchange, fund bills and government bond yield curve.

The values of the options are subject to a number of assumptions and the limitation of the model.

31. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

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

	2019		2018	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at 1 January	**–**	**–**	8,298	2.280
Granted during the year	**17,400**	**0.416**	133,380	0.100
Forfeited during the year	**–**	**–**	(1,224)	2.280
Exercised during the year	**–**	**–**	(133,380)	0.100
Expired during the year	**–**	**–**	(7,074)	2.280
Outstanding at 31 December	**17,400**	**0.416**	–	–
Exercisable at 31 December	**17,400**	**0.416**	–	–

The share options outstanding at the end of the year have a weighted average remaining contractual life of 1.35 years.

Share options granted to employees were incentives to work towards growing the value of the Company's share. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

The Group recorded total expenses of approximately HK$1,574,000 (2018: HK$4,482,000) during the year in respect of the Scheme.

32. BANK BORROWING

	2019	2018
	HK$'000	HK$'000
Bank loan	**33,519**	38,862

32. BANK BORROWING (Continued)

The bank loan is repayable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**33,519**	4,572
More than one year, but not exceeding two years	**–**	4,572
More than two years, but not exceeding five years	**–**	13,716
More than five years	**–**	16,002
	33,519	38,862
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(33,519)**	(4,572)
Amount due for settlement after 12 months	**–**	34,290

The carrying amounts of the Group's bank loan is denominated in RMB.

The effective interest rates of borrowings were as follows:

	2019	2018
Bank loan	**5.39%**	5.39%

Bank loan is arranged at floating interest rate and exposes the Group to cash flow interest rate risk.

Bank loan at 31 December 2019 and 2018 was secured by a charge over the Group's property, plant and equipment, part of right-of-use assets (2018: prepaid land lease payments), part of investment properties, trade receivables and bank and cash balances.

During the year 2019 and up to the date of this report, Gongcai Network Technology Limited ("**Gongcai Network**"), a wholly-owned subsidiary, breached a clause of a bank loan agreement in relation to placing all monies collected from rental income from the investment properties into a designated bank account. As a result, the bank loan of approximately HK$33,519,000 is subject to an early repayment option and/or a withholding of granting the unused portion of bank loan by the bank. Such bank loan is classified as a current liability as at 31 December 2019. As at the date of this report, the bank has not requested for the early repayment of the bank loan.

33. DEFERRED INCOME

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**4,558**	5,090
Credit to profit or loss for the year (note 9)	**(284)**	(296)
Exchange differences	**(98)**	(236)
At 31 December	**4,176**	4,558

34. LEASE LIABILITIES

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,939**	—	**1,677**	—
In the second to fifth years, inclusive	**3,869**	—	**3,709**	—
	5,808	—	**5,386**	—
Less: Future finance charges	**(422)**	—	**—**	—
Present value of lease obligations	**5,386**	—	**5,386**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,677)**	—
Amount due for settlement after 12 months			**3,709**	—

All lease liabilities are denominated in either Hong Kong dollars or RMB.

35. DEFERRED TAX LIABILITIES

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

	Revaluation of investment properties
	HK$'000
At 1 January 2018	(42,383)
Credit to profit or loss for the year (note 12)	1,142
Exchange differences	2,007
At 31 December 2018 and 1 January 2019	(39,234)
Charge to profit or loss for the year (note 12)	(2,551)
Charge to other comprehensive income	(1,758)
Exchange differences	928
At 31 December 2019	(42,615)

At the end of the reporting period, the Group has unused tax losses of approximately HK$176,785,000 (2018: HK$161,686,000) and deductible temporary differences of approximately HK$99,000 (2018: HK$99,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses of approximately of HK$20,715,000, HK$21,859,000, HK$19,640,000, HK$33,704,000 and HK$14,143,000 will expire on 31 December 2020, 2021, 2022, 2023 and 2024 respectively. Other tax losses may be carried forward indefinitely. The unused tax losses of the Group have not yet been agreed by respective tax authorities.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$632,000 (2018: HK$2,476,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

36. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Trade payables	167	163
Accruals	8,177	7,086
Security deposits	1,438	3,546
Receipt in advance	1,659	369
Other payables (note)	10,579	11,966
Payables for acquisition of intangible assets	1,899	1,943
	23,919	25,073

Note: Included unsecured interest-free advances of approximately HK$1,061,000 (2018: HK$1,086,000) from an independent third party and unsecured interest-free payables of approximately Nil (2018: HK$2,035,000) to a staff of a subsidiary of the Company.

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

	2019	2018
	HK$'000	HK$'000
0 to 90 days	8	—
Over 365 days	159	163
	167	163

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

37. CONTRACT LIABILITIES

	2019	2018
	HK$'000	HK$'000
Billings in advance of performance obligation		
— Provision of corporate IT solution services	**2,234**	1,817

Contract liabilities relating to service contracts are balances due to customers under service contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

There were no significant changes in the contract liabilities balances during the reporting period.

Movements in contract liabilities:

	2019	2018
	HK$'000	HK$'000
Balance at 1 January	**1,817**	4,991
Increase/(decrease) in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**2,029**	(3,174)
Decrease in contract liabilities as a result of recognising revenue during the year	**(1,612)**	—
Balance at 31 December	**2,234**	1,817

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

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

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	1 January 2018	Cash outflows	Interest expense	Exchange differences	31 December 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank and other borrowings (note 32)	54,045	(16,030)	3,009	(2,162)	38,862
Bills payables (including in trade and other payables) (note 36)	96,080	(94,696)	—	(1,384)	—
	150,125	(110,726)	3,009	(3,546)	38,862

	1 January 2019	**Impact on initial application of HKFRS16**	**Cash outflows**	**Interest expense**	**Exchange differences**	**31 December 2019**
	HK$'000		**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Bank borrowing (note 32)	**38,862**	**–**	**(6,559)**	**2,016**	**(800)**	**33,519**
Lease Liabilities (note 34)	**–**	**5,742**	**(396)**	**105**	**(65)**	**5,386**
	38,862	**5,742**	**(6,955)**	**2,121**	**(865)**	**38,905**

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprises the followings:

	2019	2018
	HK$'000	HK$'000
Within operating cash flows	**1,514**	3,688
Within investing cash flows	**593**	—
Within financing cash flows	**291**	—
	2,398	3,688

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases (Continued)

These amounts relate to the following:

	2019	2018
	HK$'000	HK$'000
Lease rental paid	1,805	3,688
Payments for right-of-use assets	593	—
	2,398	3,688

(c) Acquisition of additional interest in a subsidiary

	2019
	HK$'000
Carrying amount of non-controlling interest acquired	2,774
Consideration paid to a non-controlling shareholder	(341)
	2,433

40. LITIGATIONS AND CONTINGENT LIABILITIES

In November 2019, Beijing Dongcheng District People's Court published an announcement regarding a summons issued to Gongcai Network, a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group during 2012. The plaintiff claimed that the concerned work and services mentioned in the services contracts entered into between the plaintiff, Gongcai Network and other parties in 2012, including several supplemental contracts, were not performed by Gongcai Network in due course. As a result, the plaintiff claimed for a refund of RMB13,500,000 (approximately HK$15,084,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately HK$8,386,000). Due to the outbreak of COVID-19, the hearing in the district court which had been scheduled to be conducted on 17 February 2020 was postponed. Based on a legal opinion obtained from the Group's PRC lawyer, the Directors are of the view that the case is still at an early stage to predict the probability of success or loss.

As a result, no provision has been made in the consolidated financial statements of the Group for the year ended 31 December 2019 as the amount of obligation cannot be reasonably measured as at the date of this report.

41. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	HK$'000
Acquisition of intangible assets	**7,595**	7,770
Acquisition of property, plant and equipment	**11**	—
Further capital injection to an associate (note)	**19,218**	19,659
	26,824	27,429

Note:

The due date of the capital injection to an associate is 30 June 2020.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018
	HK$'000
Within one year	1,075

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

The Group regularly entered into short-term leases for the staff quarters and office premises. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21.

In addition to the portfolio of short-term leases for staff quarters and office premises which are regularly entered into by the Group during the year ended 31 December 2019, the Group entered into several short-term leases for staff quarters and office premises. As at 31 December 2019, the outstanding lease commitments relating to these staff quarters and office premises are HK$234,000.

42. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

Property rental income earned during the year was approximately HK$13,064,000 (2018: HK$11,663,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 4.83% (2018: 4.37%) on an ongoing basis. Generally, leases are negotiated for terms ranging from one to five years.

Minimum lease payments receivable on leases are as follows:

	2019
	HK$'000
Within year 1	11,868
In the second year	8,450
In the third year	3,536
Total	**23,854**

The following table presents the amounts reported in profit or loss:

	2019
	HK$'000
Lease income on operating leases	13,064

Operating leases relate to investment properties owned by the Group with lease terms of one to five years. The lessee does not have an option to purchase the property at the expiry of the lease period.

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018
	HK$'000
Within one year	8,408
In the second to fifth years inclusive	7,245
	15,653

43. RELATED PARTY TRANSACTIONS

The key management personnel represented solely the directors of the Company and the compensation paid to them is disclosed in note 15.

At 31 December 2019, the Group had a prepaid education benefit of approximately HK$1,558,000 (2018: HK$2,036,000) for a director.

44. EVENT AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

45. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE

(a) Principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2019 are as follows:

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

45. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2019 are as follows: (Continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Indirectly held: (Continued)				
Guocai (Beijing) Technology Limited*,# ("**Guocai (Beijing)**") 國採(北京)技術有限公司	The PRC	Registered and contributed capital RMB60,000,000	90%	Provision of public procurement and corporate IT solution services and investment holding
Guocai (Hubei) Technology Limited*,# 國採(湖北)技術有限公司	The PRC	Registered and contributed capital RMB10,000,000	100%	Provision of public procurement and corporate IT solution services
Guocai (Qinghai) Tendering Limited*,^ 國採(青海)招標有限公司	The PRC	Registered and contributed capital RMB2,000,000	93%	Provision of public procurement services
Guocai (Shenzhen) Information Technology Limited*,# 國採(深圳)信息技術有限公司	The PRC	Registered and contributed capital RMB4,000,000	60%	Provision of corporate IT solution services
Jining Gongcai Wangluo Technology Limited*,# 濟寧公採網絡科技有限公司	The PRC	Registered and contributed capital RMB3,000,000	100%	Provision of public procurement and corporate IT solution services
Public Procurement Limited	Hong Kong	Ordinary share capital HK$34,000,000	100%	Investment holding
Qinghai Gongcai Shutong Information Technology Limited*,# 青海公採數通信息技術有限公司	The PRC	Registered and contributed capital RMB10,000,000	93%	Provision of public procurement service, corporate IT solution services and investment holding

45. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2019 are as follows: (Continued)

Name	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Indirectly held: (Continued)				
Weihai Guocai Information Technology Limited*,^ 威海國採信息技術有限公司	The PRC	Registered and contributed capital RMB5,000,000	100%	Provision of corporate IT solution services

* For identification purposes only.

\# Foreign investment enterprise.

^ Domestic invested enterprise.

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

45. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

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

Name	Guocai (Beijing)	
	2019	2018
Principal place of business/country of registration	PRC/PRC	
% of ownership interests/voting rights held by NCI	**10%**	10%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**28,827**	28,366
Current assets	**2,250**	1,876
Non-current liabilities	**(676)**	—
Current liabilities	**(113,753)**	(109,376)
Net liabilities	**(83,352)**	(79,134)
Accumulated NCI	**(8,335)**	(7,913)
Year ended 31 December		
Revenue	**(448)**	2,128
Loss	**(6,293)**	(9,169)
Other comprehensive income	**2,075**	4,344
Total comprehensive income	**(4,218)**	(4,825)
Loss allocated to NCI	**(422)**	(482)
Net cash generated from/(used in) operating activities	**66**	(10,348)
Net cash used in investing activities	**(151)**	(14)
Effect of foreign exchange rate changes	**(11)**	4,955
Net decrease in cash and cash equivalents	**(96)**	(5,407)

45. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(b) An associate

Particulars of the associate as at 31 December 2019 are as follows:

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

* For identification purposes only.

For the year ended 31 December 2017, the Group cannot exercise significant influence on financial and operating policy of Guocai South China. Having regard to the fact that Guocai South China has been inactive with no revenue generated since 2015, investment in Guocai South China was fully written off in 2017.

Five-Year Financial Summary

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Results					
Revenue	**73,324**	68,289	64,837	51,216	2,516,060
Loss before tax	**(11,109)**	(24,270)	(182,113)	(201,675)	(1,072,361)
Income tax (expense)/credit	**(2,586)**	492	2,569	(9,126)	2,349
Loss for the year	**(13,695)**	(23,778)	(179,544)	(210,801)	(1,070,012)
Attributable to:					
Owners of the Company	**(14,174)**	(24,402)	(176,395)	(208,224)	(1,062,453)
Non-controlling interests	**479**	624	(3,149)	(2,577)	(7,559)
	(13,695)	(23,778)	(179,544)	(210,801)	(1,070,012)

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)
Assets and liabilities					
Total assets	**332,299**	329,673	494,368	493,451	697,098
Total liabilities	**(147,406)**	(145,683)	(264,706)	(162,802)	(162,664)
Total equity	**184,893**	183,990	229,662	330,649	534,434
Attributable to:					
Owners of the Company	**192,262**	189,242	235,735	332,242	533,608
Non-controlling interests	**(7,369)**	(5,252)	(6,073)	(1,593)	826
	184,893	183,990	229,662	330,649	534,434

Particulars of Investment Properties

Location	Existing use	Type of lease
G/F – 6/F, 7/F (Partial), 8/F – 11/F, Wuhan CPP building, Jinronggang Road Central, No 77 Guanggu Avenue, Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC	Commercial	Medium term