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

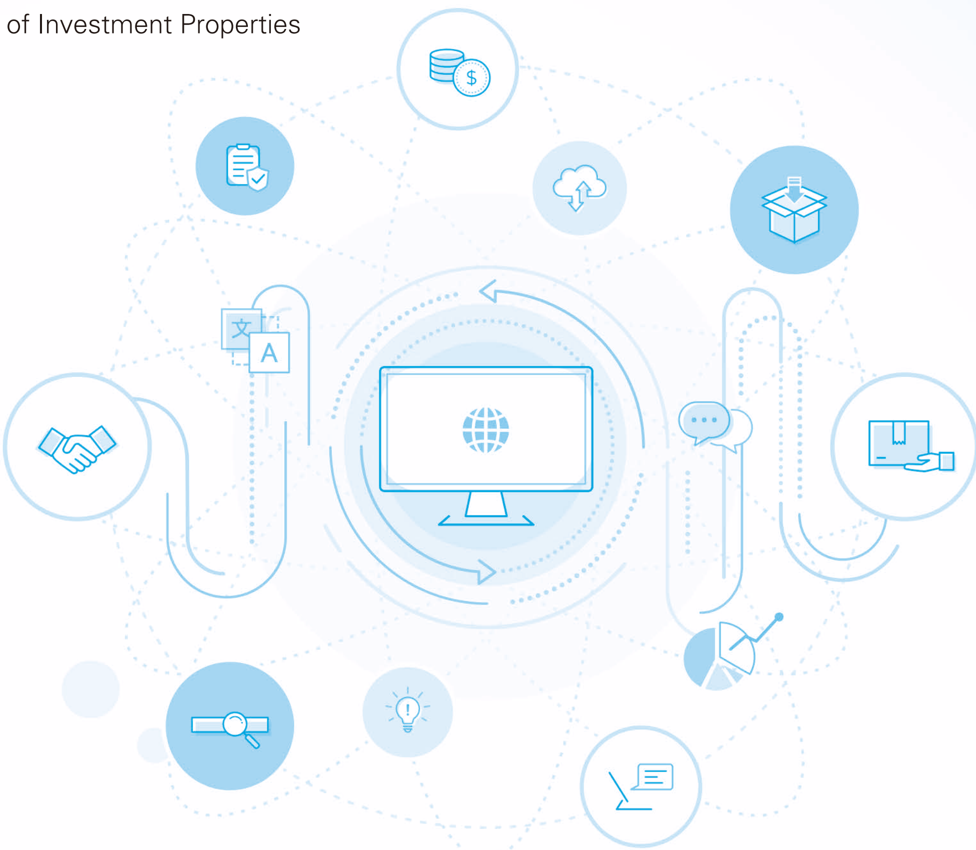
(incorporated in Bermuda with limited liability)

(Stock code: 1094)

Annual Report 2020

Leading the Intelligent Procurement
引領智慧採購

Contents



Corporate Information

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, *EMBA, BEng*
(Chairman and Chief Executive)
Ms. He Qian, *CPA (PRC), EMBA, BAcc*

Non-executive Directors

Mr. Chen Limin, *Solicitor (PRC), LLB*
(Resigned on 1 February 2021)
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 *(Resigned on 1 February 2021)*
Mr. Jiang Jun
Mr. Wang Shuai *(Appointed on 1 February 2021)*

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
Ms. Ng Weng Sin, *FCPA (HK), EMBA, MCF, MPA, BAcc*

COMPANY SECRETARY

Ms. 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

Crowe (HK) CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Hong Kong law
Fangda Partners

As to Bermuda law
Conyers Dill & Pearman

As to PRC law
Li & Partners (Beijing Office)
Beijing Dentons Law Offices, LLP
Dewell & Partners

PRINCIPAL BANKERS

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

STOCK CODE

1094

WEBSITE

www.cpphk1094.com

Chairman's Statement

BUSINESS OPERATION

China Public Procurement Limited (the "**Company**", together with its subsidiaries the "**Group**") kept a sustained development in its main business in 2020 and recorded steady growth in sales revenue with good momentum. Provision of IT solution services and public procurement services were gradually diversified. After years of product research and development and improvement, the Group managed to develop a broad range of products including electronic platform for government procurement, university procurement management platform, e-procurement platform for state-owned enterprises, financial services platform and Gongcai Tong service APP.

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", which was initially applied in the Sunshine Procurement Electronic Service Platform for state-owned enterprises in Weihai and received well feedback.

During the year, the Group's sales market was further expanded. Currently, we have government procurement customers in several provinces and municipalities including Hubei Province, Inner Mongolia Autonomous Region, Tianjin, Shenzhen, Hainan Province, Qinghai Province and Ningxia Hui Autonomous Region. In particular, we started to promote our unified platform in Hubei Province.

Our technical level and service capability gained high recognition and compliments from customers. Our procurement electronic platform marked its leading position in the industry. The functions and application value of our platform in government procurement centers of Inner Mongolia Autonomous Region and Hubei Province have been published in national professional publications.

The Group's investment property, a commercial building located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, recorded growth in terms of occupancy rate and the average rental rate. The rental income has continued to increase. The rental income generated from the investment property provided stable cash inflow to the Group and support part of the Group's operating and development expenses.

BUSINESS PROSPECTS

There are two key opportunities for Internet Plus-oriented bidding and procurement this year. First, in response to national calls, local governments at all levels in China have optimised the business environment, adopted a series of methods to promote the reform of streamlining government and delegating authority, enhancement of regulation and optimisation of services, and conducted corresponding assessments. In the procurement field, the electronic application of transparent procurement was promoted to replace the traditional bidding approaches. Second, the COVID-19 pandemic blocks personal meet, and had made it impossible to implement traditional on-site bidding. Therefore, institutions used electronic procurement methods instead and optimised their inherent processes and methods. This is reflected in the significant increase in the demand for the establishment of electronic procurement platforms by large local state-owned enterprises, universities and agencies. The guiding effect of policies, together with the increase in demand, provide more room for the sustainable development of the Group's businesses.

Although the COVID-19 pandemic has hampered various sectors of society to varying degrees, it has positively stimulated the development of Internet enterprises, and has brought more demand-based business opportunities and technological advancements to the electronic trading platforms under the Group's principal businesses. As a result, the Group has accelerated the research and development of Internet-enabled applications in the procurement field, such as big data procurement behaviour analysis applications, mobile phone and cloud platform expansion applications, remote audio and video conferencing, in an effort to further promote and serve the more efficient, secure and extensive demands, enabling the platforms to stay at the forefront of the industry by virtue of their technologies while expanding our revenue stream.

I. BUSINESS REVIEW

During the year ended 31 December 2020, the Group had four operating business segments, namely, public procurement, trading business, provision of corporate IT solution and rental income. The Group has always adhered to the development strategy of informatisation and successfully obtained international authoritative certifications, namely ISO9000 Quality Management System, ISO20000 Information Technology Service Management System and ISO27001 Information Security Management System, which provided a better operational foundation for the Group's business development.

Public procurement

In 2020, in the domestic public procurement sector, the Group continued to operate electronic trading platforms for government procurement, management systems for government procurement and electronic procurement platforms for universities and colleges. Due to our continuous efforts in improving the functions of the electronic procurement platforms and enhancing our technical and service standards, 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.

In addition to the Group's existing provincial and municipal government clients in Hubei Province, Inner Mongolia Autonomous Region, Tianjin City and Qinghai Province, we have further expanded our client base through our newly launched government procurement platforms of Ningxia Hui Autonomous Region, Panjin City in Liaoning Province, Ulanqab City in Inner Mongolia Autonomous Region as well as enterprise procurement platforms for clients such as Inner Mongolia Power Group, state-owned enterprises in Weihai, Shandong Province, Jiangxi Provincial Expressway Group and Qinghai Normal University. These platforms were put into operation during the year and have been running smoothly.

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$55,446,000 (2019: HK$37,703,000), 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 is in the progress of developing this business segment.

During the year, the Group participated in the preparation of the industry standards of "Procurement Operating Standards for State-owned Enterprises", which was applied in the Sunshine Procurement Electronic Service Platform for state-owned enterprises in Weihai, Shandong Province.

Rental income

The Group also generates income from leasing of a commercial building it owned, located in Donghu New Technology Development Zone, 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$93,555,000 (2019: HK$73,324,000), representing an increase of HK$20,231,000, or 27.6% as compared to last year.

The revenue included revenue from public procurement of HK$10,649,000, accounting for 11.4% of the total revenue; revenue from trading business of HK$55,446,000, accounting for 59.3% of the total revenue; revenue from provision of corporate IT solution of HK$12,032,000, accounting for 12.8% of the total revenue; and rental income of HK$15,428,000, accounting for 16.5% of the total revenue.

The increase in revenue for the year was mainly due to an increase in revenue in trading businesses, complemented by an increase in revenue in the provision of public procurement services, an increase in rental income and a slight decrease in revenue in the provision of corporate IT solution services.

The increase in revenue from trading of goods was mainly due to more matching of sales and purchases this year. The increase in revenue from 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 during the year. The slight decrease in revenue from provision of corporate IT solution services was mainly due to decrease in service orders of certain customers in one location during the year. Furthermore, the increase in occupancy ratio and increase in rental prices of renewal or new tenancy agreements of our commercial building in Wuhan, Hubei Province led to an increase in rental income this year.

2. *Cost of sales*

Cost of sales for the year was HK$74,940,000 (2019: HK$51,536,000), representing an increase of HK$23,404,000, or 45.4% as compared to last year. Cost of sales mainly comprised cost of goods purchased for trading business, technical staff cost which could generate income in the year, the cost of authentication key and the water and electricity of properties rented. Such increase was mainly due to the increase in purchase costs incurred for the trading business this year, staff cost classified as direct cost due to our successful projects which could generate income in the year, and reallocation of certain technical staff costs from administrative expenses to direct costs in light of a more accurate project cost controls implemented in the year. As a result, the cost of provision of corporate IT solution increased and administrative expenses decreased during the year.

3. *Gross profit*

Gross profit for the year was HK$18,615,000 (2019: HK$21,788,000), representing a decrease of HK$3,173,000, or 14.6% as compared to last year. Gross profit margin for the year was 19.9%, representing a decrease of 9.8 percentage points as compared to the gross profit margin of 29.7% 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 provision of IT solution increased as more direct costs were reallocated from administrative expenses due to more projects realised in the year and more accurate project cost controls were implemented in the year. 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$10,338,000 (2019: HK$12,992,000), representing a decrease of HK$2,654,000, or 20.4% as compared to last year. The other income and gains mainly comprised fair value gain on investment properties, government grants and interest income. The decrease in other income and gains for the year was primarily due to decrease in fair value gain on investment properties as compared to last year off-set by the amount received due to a successful legal action brought against an independent third party in the year for a refund of consultancy fee are paid in 2015.

5. *Administrative expenses*

Administrative expenses for the year was HK$36,169,000 (2019: HK$48,018,000), representing a decrease of HK$11,849,000, or 24.7% as compared to last year. The administrative expenses mainly comprised staff cost and benefits, legal and professional fee, and general office expenses. The decrease in administrative expenses was mainly due to reallocation of some technical staff costs from administrative expenses to direct cost due to more IT solution projects were realised in the year and more accurate direct cost control were implemented in the year, decrease in travelling expenses and number of staffs and no equity settled share-based payment. Besides, in view of the influence of COVID-19 pandemic, the Chinese government has rolled out, since February this year, a contribution relief towards enterprises in relation to the pension insurance, unemployment insurance and occupational injury insurance programs. Domestic subsidiaries of the Group which are entitled to such contribution relief have had their administrative expenses further decreased.

6. *Reversal of impairment loss for intangible assets, net impairment loss for trade and other receivables, reversal of impairment loss for prepayment and reversal of impairment loss of loan receivables*

As at 31 December 2020, based on the valuation conducted by a professional valuer, the Group made a reversal of impairment loss for intangible assets, which amounted to HK$4,340,000 arising from an increase in valuation of intangible assets of software technology knowhow. Based on an impairment assessment under expected credit loss model, the Group also made an impairment loss for trade and other receivables of HK$1,512,000 and a reversal of impairment for loan receivables of HK$427,000. Further, the reversal of impairment loss for prepayments for goods was HK$6,156,000 for amounts received from the successful legal actions in the year.

7. *Finance costs*

Finance costs for the year was HK$2,023,000 (2019: HK$2,121,000), representing a decrease of HK$98,000, or 4.6% as compared to last year due to the repayment of bank borrowings made according to repayment schedule.

8. *Income tax credit/expenses*

Income tax credit of the Group for the year amounted to HK$49,000 (2019: income tax expenses HK$2,586,000). The income tax credit mainly arise from the reversal of over-provision of Hong Kong Profits Tax in prior years offset by the deferred taxation on land appreciation of our properties located in Wuhan, Hubei Province, the PRC.

9. *Profit/loss for the year*

Profit for the year amounted to HK$221,000 (2019: Loss for the year HK$13,695,000). The profit for the year was mainly due to the reversal of provision for impairment loss of intangible assets and certain receivables, fair value gains on investment properties, decrease in administrative expenses and the amounts received as the results of certain successful legal actions.

Financial Position

1. *Liquidity and capital structure*

As at 31 December 2020, the Group maintained bank and cash balances of HK$16,293,000 (2019: HK$22,131,000), representing a decrease of HK$5,838,000, or 26.4% as compared to last year. The Group's total assets amounted to HK$360,002,000 (2019: HK$332,299,000), total equity amounted to HK$204,476,000 (2019: HK$184,893,000), and total liabilities amounted to HK$155,526,000 (2019: HK$147,406,000). The assets-liabilities ratio (total assets over total liabilities) was 2.31:1 (2019: 2.25:1), the current ratio (current assets over current liabilities) was 0.47:1 (2019: 0.36:1) and the gearing ratio (total bank borrowings over total equity) was 0.15:1 (2019: 0.18:1).

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 2020, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK$94,928,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, rental income and certain bank and cash balances. As at 31 December 2020, facilities of RMB26,000,000 (equivalent to approximately HK$30,851,000) have been utilised by the Group.

3. Litigation and contingent liabilities

In November 2019, the Beijing Dongcheng District People's Court ("**Beijing Dongcheng District Court**") 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 in 2012. Guocai South China Metal Exchange Service Limited (the "**Plaintiff**") claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK$16,019,000) 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$8,907,000) (collectively the "**Claimed Amounts**"). Based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

On 12 January 2021, the Plaintiff filed an appeal (the "**Appeal**") to No. 2 Intermediate People's. Court of Beijing Municipality on the Claimed Amounts. As at 30 March 2021, the director of the Company ("**Directors**") consider that the ground for the Appeal is invalid as advised by the Group's PRC legal advisers and no provision for the Claimed Amounts was made.

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 2020, the Group employed approximately 120 employees, and the total remuneration of employees (including the Directors) was approximately HK$26,068,000. The Company maintains a share option scheme, pursuant to which share options are granted to selected Directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

6. Issue of shares

On 27 July 2020, the Company and a subscriber, Natural Max Limited entered into a subscription 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 16.67% of the existing issued share capital of the Company as at the date of the agreement, being approximately 14.29% 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$0.142. The aggregate nominal value of the subscription shares is HK$3,489,700. The then market price on 27 July 2020 is HK$0.158 and the net price of each subscription share is approximately HK$0.1405. The net proceeds from the subscription are approximately HK$4.9 million. The proceeds have 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 24 August 2020.

IV. BUSINESS PROSPECTS

In response to national calls, local governments at all levels in China have optimised the business environment, adopted a series of methods to promote the reform of streamlining government and delegating authority, enhancement of regulation and optimisation of services, to improve the transparency of government office information, and also gradually intensified the electronic application of transparent procurement. With the help of the Internet Plus bidding and procurement method, the e-commerce procurement becomes a more prominent trend, and the demand for upgrading of the functions realised by the platform has increased. The COVID-19 pandemic had made it impossible to implement traditional on-site bidding. Therefore, institutions are pushed to use electronic procurement methods to optimise their inherent processes and methods, which is collectively reflected in the significant increase in the demand for the establishment of electronic procurement platforms by large local state-owned enterprises and universities. The increase in demand provides more room for the sustainable development of the Group's businesses.

In the past ten years of development, the Group has formed a relatively mature product system, including government procurement and trading platform, electronic procurement platform for colleges and universities, electronic procurement platform for state-owned enterprises, and financial services platform, to meet the customer needs of various industries.

The demand for electronic procurement is not limited to government procurement. Based on the first-mover advantage of electronic procurement for state-owned enterprises, the Group will continue to strengthen the capability of the technical research and development to increase the market share in the field of procurement platform for state-owned enterprises.

Biography of Directors and Company Secretary

DIRECTORS

Executive Directors

Mr. Zheng Jinwei, aged 51, joined the Company in December 2014, is an executive Director, chairman of the board of the Directors ("**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 48, 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. Zhang Jianguo, aged 51, 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, 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 52, 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 48, 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 of the Company ("**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. 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 42, 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 47, joined the Company in December 2018, is an independent non-executive Director and appointed as the member of the Audit Committee on 1 February 2021. 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 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

Ms. Ng Weng Sin, aged 49, 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. Ms. 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, Ms. 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, Ms. 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, Ms. 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 ("**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 deviation.

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 2020.

BOARD

Composition

As at the date of this annual report, the Board consists of 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors:

Executive Directors
Mr. Zheng Jinwei, *EMBA, BEng (Chairman and Chief Executive)*
Ms. He Qian, *CPA (PRC), EMBA, BAcc*

Non-executive Directors
Mr. Chen Limin, *Solicitor (PRC), LLB (Resigned on 1 February 2021)*
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*

Attendance of the Directors at the Board and general meetings

For the year ended 31 December 2020, six Board meetings and one general meeting 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 meeting**
Executive Directors		
Mr. Zheng Jinwei *(Chairman and Chief Executive)*	5/6	1/1
Ms. He Qian	1/6	0/1
Non-executive Directors		
Mr. Chen Limin *(Resigned on 1 February 2021)*	1/6	0/1
Mr. Zhang Jianguo	0/6	0/1
Mr. Xu Peng	3/6	0/1
Independent non-executive Directors		
Mr. Deng Xiang	4/6	0/1
Mr. Jiang Jun	6/6	0/1
Mr. Wang Shuai	4/6	0/1

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 2020, study materials of the Listing Rules, Report on Corporate Governance Scorecard 2020 and Leadership Role and Accountability in ESG (Guide for Board and Directors) were provided to Directors. All Directors 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. Jiang Jun
Mr. Chen Limin *(Resigned on 1 February 2021)*
Mr. Wang Shuai *(Appointed on 1 February 2021)*

Mr. Deng Xiang, Mr. Jiang Jun and Mr. Wang Shuai 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 2020, six 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)*	6/6
Mr. Chen Limin *(Resigned on 1 February 2021)*	3/6
Mr. Jiang Jun	6/6
Mr. Wang Shuai *(Appointed on 1 February 2021)*	N/A

Summary of the work done

The work done by the Audit Committee for the year ended 31 December 2020 included:

- reviewed the 2020 interim results and 2019 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 2020 interim and 2019 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 2020 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 2020, one Remuneration Committee meeting has been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	**Number of meeting attended/ Number of meeting 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 2020 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 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 2020, one Nomination Committee meeting has been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	Number of meeting attended/ Number of meeting 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 2020 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 2020. 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 2020 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 2020 was HK$1,070,000 and HK$290,000, respectively. Remuneration paid to the Company's former external auditor, RSM Hong Kong ("**RSM**"), for under-provision of audit fee for the year ended 31 December 2019 was HK$180,000 and for non-audit services provided for the year ended 31 December 2020 was HK$280,000. Remuneration paid to the Company's external auditor, Crowe (HK) CPA Limited ("**Crowe**"), for annual audit services provided for the year ended 31 December 2020 was HK$890,000 and for non-audit services provided was HK$10,000.

In order to maintain the independence and objectivity of Crowe, the Group has been monitoring the use of the auditor for non-audit services and the balance of audit and non-audit fees paid. The Audit Committee has pre-approved the engagement of Crowe to provide the non-audit services and any other non-audit services must be specifically pre-approved by the Audit Committee.

Financial reporting

The Directors acknowledged that they are responsible for the preparation of the consolidated financial statements for the accounting period that 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 37 to 42.

COMPANY SECRETARY

For the year ended 31 December 2020, Ms. 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**") which is subject to review regularly to ensure its effectiveness. 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

These were no amendments to the existing memorandum of association and the Bye-laws for the year ended 31 December 2020.

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 and reviewed its effectiveness annually. 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 2020.

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 2020, 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 43.

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 2020 (2019: 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 139.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND RIGHT-OF-USE ASSETS

Details of the movements in the property, plant and equipment, investment properties and right-of-use assets 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 26 and 29 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 27 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 2020.

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 2020, no share options were granted.

Refreshment of the scheme limit

At the annual general meeting held on 20 August 2020, a resolution was duly passed that 20,938,672 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:

		Number of share options								
Name of category	Date of grant of share options	Balance as at 1 January 2020	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2020	Vesting period	Exercise period	Exercise price *(HK$)*
Employees	9 May 2019	17,400,000	—	—	(8,700,000)	—	8,700,000	—	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)*
Ms. He Qian, *CPA (PRC), EMBA, BAcc*

Non-executive Directors
Mr. Chen Limin, *Solicitor (PRC), LLB (Resigned on 1 February 2021)*
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*

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. Zheng Jinwei, Mr. Deng Xiang and Mr. Zhang Jianguo will retire by rotation at the forthcoming annual general meeting of the Company. Each of Mr. Zheng Jinwei, Mr. Deng Xiang and Mr. Zhang Jianguo, 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 an unexpired 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 29 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 1 February 2021, Mr. Chen Limin resigned as an non-executive Director 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 2020, 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 2020
Zheng Jinwei	Corporate interest	Ordinary	600,000 (Note 1)	0.25%

Notes:

1. These 600,000 shares are held by Samway International Enterprise Limited which is incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Zheng Jinwei.

2. As at 31 December 2020, the issued share capital of the Company was 244,283,725 shares.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 2020
Huang Gegeng (Note 1)	Corporate interest	34,897,000	14.29%
Zhang Ye (Note 2)	Corporate interest	34,897,000	14.29%
Zhao Liuqing	Beneficial interest	26,858,600	10.99%

Notes:

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

2. These 34,897,000 shares are held by Natural Max Limited which is incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Zhang Ye.

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 2020.

COMPETING INTERESTS

As at 31 December 2020, 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 41 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 41 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 72.5% of the total sales for the year, in which sales to the largest customer represented approximately 33.7% 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 95.0% of the total purchases for the year, in which purchases from the largest supplier represented approximately 87.5% 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 2020 and up to the date of this annual report.

AUDITOR

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

On 16 December 2020, Crowe was appointed by the Board to fill the casual vacancy following the resignation of RSM and the consolidated financial statements of the Group for the year ended 31 December 2020 were audited by Crowe.

Crowe 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 Crowe as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

Zheng Jinwei
Chairman

Hong Kong, 30 March 2021

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of China Public Procurement Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 43 to 138, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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 of our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(b) to the consolidated financial statements which indicates that as at 31 December 2020, the Group had net current liabilities of approximately HK$40,748,000. This condition, along with other matters as set forth in note 2(b), indicates the existence of a material uncertainty which 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 period. 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgments and estimates required in determining the fair values. As disclosed in note 19 to the consolidated financial statements, the carrying amount of investment properties is HK$293,802,000 as at 31 December 2020. During the year ended 31 December 2020, a fair value gain on investment properties of approximately HK$6,469,000 was recognised in the consolidated statement of profit or loss. As disclosed in note 2(f) to the consolidated financial statements, the Group's investment properties are stated at fair value based on the valuations performed by an independent qualified professional valuer ("**Valuer**"). Details of the valuation techniques are disclosed in note 7 to the consolidated financial statements. These valuations involve a significant degree of judgment and estimation in respect of the key unobservable inputs including market rentals and market yield, taking into account the lettable units and type of the properties.	Our procedures in relation to the valuation of investment properties included: • Obtaining an understanding of the management's valuation processes and significant assumptions to assess if these approaches are in compliance with the requirements of HKFRSs and industry norms; • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining the detailed work of the Valuer to evaluate the accuracy and relevance of key inputs used in the valuation; • Evaluating the appropriateness of the valuation methods used based on our knowledge of the property markets; and • Assessing the reasonableness of the key inputs and assumptions based on our knowledge of the property markets.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets	
We identified the impairment assessment of intangible assets as a key audit matter due to the significant judgments involved in the management's impairment assessment process. As disclosed in note 21 to the consolidated financial statements, the carrying amount of intangible assets attributable to the public procurement segment is approximately HK$12,880,000 as at 31 December 2020. In deciding whether intangible assets were impaired or not requires the determination of the recoverable amount which requires estimation of the value in use of the cash-generating unit ("**CGU**") of public procurement segment. In estimating the value in use of the CGU, key assumptions used by the management included the discount rate, budgeted revenue and gross margin taking into account the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by management. Reversal of impairment loss for intangible assets of approximately HK$4,340,000 was recognised in the consolidated statement of profit or loss. An independent external valuation was performed by the Valuer in support of the management's estimate.	Our procedures in relation to the impairment assessment of intangible assets included: • Understanding how the management perform impairment assessment including the estimation of future cash flows and key assumptions used; • Evaluating the competence, capabilities and objectivity of the Valuer; • Evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including budgeted revenue and gross margin through assessing the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by the management; • Assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data; • Evaluating the potential impact of value in use based on the reasonably possible change of the key assumptions used; and • Evaluating the historical accuracy of the cash flows forecast by comparing historical cash flows forecast to the actual results in the current year and understanding the causes of any significant variances.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed a qualified opinion on those statements on 30 June 2020.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

Crowe (HK) CPA Limited
Certified Public Accountants

Hong Kong, 30 March 2021

Chan Wing Fai
Practising Certificate Number P07327

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	8	**93,555**	73,324
Cost of sales and services rendered		**(74,940)**	(51,536)
Gross profit		**18,615**	21,788
Other income and gains	9	**10,338**	12,992
Administrative expenses		**(36,169)**	(48,018)
Reversal of impairment loss/(impairment loss) for intangible assets		**4,340**	(835)
(Impairment loss)/reversal of impairment loss for trade and other receivables, net		**(1,512)**	185
Reversal of impairment loss for prepayments		**6,156**	—
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries		**—**	2,726
Reversal of impairment loss for loan receivables, net		**427**	2,174
Profit/(loss) from operations		**2,195**	(8,988)
Finance costs	11	**(2,023)**	(2,121)
Profit/(loss) before tax		**172**	(11,109)
Income tax credit/(expenses)	12	**49**	(2,586)
Profit/(loss) for the year	13	**221**	(13,695)
Profit/(loss) attributable to:			
Owners of the Company		**1,643**	(14,174)
Non-controlling interests		**(1,422)**	479
		221	(13,695)
Earnings/(loss) per share	17		
Basis and diluted (HK cents per share)		**0.74**	(7.47)

The notes on pages 51 to 138 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
Profit/(loss) for the year	**221**	(13,695)
Other comprehensive income/(expense):		
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
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	**14,407**	(6,294)
Other comprehensive income for the year, net of tax	**14,407**	1,605
Total comprehensive income/(expense) for the year	**14,628**	(12,090)
Other comprehensive income/(expense) attributable to:		
Owners of the Company	**17,163**	(12,747)
Non-controlling interests	**(2,535)**	657
	14,628	(12,090)

The notes on pages 51 to 138 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**4,098**	3,882
Investment properties	19	**293,802**	270,219
Right-of-use assets	20	**12,798**	14,433
Intangible assets	21	**13,365**	8,976
Total non-current assets		**324,063**	297,510
Current assets			
Inventories — raw materials		**84**	235
Trade and other receivables	22	**11,692**	9,797
Loan receivables	23	**6,505**	—
Financial assets at fair value through profit or loss ("**FVTPL**")	24	**1,365**	2,626
Bank and cash balances	25	**16,293**	22,131
Total current assets		**35,939**	34,789
TOTAL ASSETS		**360,002**	332,299
EQUITY			
Share capital	26	**24,429**	20,939
Reserves		**189,951**	171,323
Equity attributable to owners of the Company		**214,380**	192,262
Non-controlling interests		**(9,904)**	(7,369)
Total equity		**204,476**	184,893

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowing	30	**26,105**	—
Deferred income	31	**4,139**	4,176
Lease liabilities — non-current	32	**1,554**	3,709
Deferred tax liabilities	33	**47,041**	42,615
Total non-current liabilities		**78,839**	50,500
Current liabilities			
Bank borrowing	30	**4,746**	33,519
Lease liabilities — current	32	**2,331**	1,677
Trade and other payables	34	**30,512**	23,919
Contract liabilities	35	**3,787**	2,234
Amounts due to an ex-substantial shareholder and its subsidiaries	36	**2,784**	2,622
Current tax liabilities		**32,527**	32,935
Total current liabilities		**76,687**	96,906
TOTAL EQUITY AND LIABILITIES		**360,002**	332,299
Net current liabilities		**(40,748)**	(62,117)
Total assets less current liabilities		**283,315**	235,393

Approved by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Zheng Jinwei | **He Qian**

The notes on pages 51 to 138 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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
(Loss)/profit for the year	—	—	—	—	—	—	—	—	—	(14,174)	(14,174)	479	(13,695)
Fair value changes of equity instruments at FVTOCI	—	—	—	—	—	—	—	—	3,113	—	3,113	—	3,113
Gain on revaluation of land and buildings	—	—	—	—	—	—	—	6,544	—	—	6,544	—	6,544
Income tax relating to revaluation of land and buildings	—	—	—	—	—	—	—	(1,758)	—	—	(1,758)	—	(1,758)
Exchange differences on translating foreign operations	—	—	—	—	—	—	(6,472)	—	—	—	(6,472)	178	(6,294)
Total comprehensive (expense)/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 37(c))	—	—	—	—	—	—	—	—	—	2,433	2,433	(2,774)	(341)
Share-based payments (note 29)	—	—	—	—	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 26(d))	3,490	8,270	—	—	—	—	—	—	—	—	11,760	—	11,760
Capital reorganisation (note 26(e))	(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 Changes in Equity

For the year ended 31 December 2020

	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	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
At 1 January 2020	20,939	12,752	(114,233)	8,390	1,574	15,778	132,596	8,278	106,188	192,262	(7,369)	184,893
Profit/(loss) for the year	—	—	—	—	—	—	—	—	1,643	1,643	(1,422)	221
Exchange differences on translating foreign operations	—	—	—	—	—	—	15,520	—	—	15,520	(1,113)	14,407
Total comprehensive income/(expense) for the year	—	—	—	—	—	—	15,520	—	1,643	17,163	(2,535)	14,628
Lapse of share options (note 29)	—	—	—	—	(787)	—	—	—	787	—	—	—
Issue of shares by subscription (note 26(f))	3,490	1,465	—	—	—	—	—	—	—	4,955	—	4,955
Changes in equity for the year	3,490	1,465	—	—	(787)	—	15,520	—	2,430	22,118	(2,535)	19,583
At 31 December 2020	24,429	14,217	(114,233)	8,390	787	15,778	148,116	8,278	108,618	214,380	(9,904)	204,476

The notes on pages 51 to 138 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**172**	(11,109)
Adjustments for:		
Amortisation of deferred income	**(281)**	(284)
Amortisation of intangible assets	**120**	125
Depreciation of property, plant and equipment	**669**	931
Depreciation of right-of-use assets	**2,346**	943
Dividend income	**—**	(4)
Equity-settled share-based payments	**—**	1,574
Net fair value gains on investment properties	**(6,469)**	(9,030)
Finance costs	**2,023**	2,121
(Reversal of impairment loss)/impairment loss for intangible assets	**(4,340)**	835
Written-off of intangible assets	**587**	—
Interest income	**(268)**	(1,650)
Loss on disposal of property, plant and equipment	**—**	89
Impairment loss/(reversal of impairment loss) for trade and other receivables, net	**1,512**	(185)
Reversal of impairment loss for prepayment	**(6,156)**	—
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**—**	(2,726)
Reversal of impairment loss for loan receivables, net	**(427)**	(2,174)
Operating loss before working capital changes	**(10,512)**	(20,544)
Decrease in inventories	**157**	72
Decrease in trade and other receivables	**3,790**	2,215
Decrease/(increase) in financial assets at FVTPL	**1,350**	(170)
Decrease in restricted bank balance	**458**	4,749
Increase/(decrease) in trade and other payables	**5,298**	(600)
Increase in contract liabilities	**1,341**	466
Cash generated from/(used in) operations	**1,882**	(13,812)
Income taxes paid	**(8)**	(66)
Interest received	**—**	874
Interest on lease liabilities	**(263)**	(105)
Net cash generated from/(used in) operating activities	**1,611**	(13,109)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**—**	4
Interest received	**37**	58
Loans advanced	**(5,736)**	(10,222)
Proceeds from disposal of property, plant and equipment	**—**	10
Proceeds from disposal of equity instrument at FVTOCI	**—**	6,304
Purchases of property, plant and equipment	**(391)**	(1,652)
Payments for right-of-use assets	**—**	(593)
Repayment from an ex-substantial shareholder and its subsidiaries	**—**	2,726
Settlement of loans advanced	**—**	14,538
Net cash (used in)/generated from investing activities	**(6,090)**	11,173
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	**—**	(341)
Interest paid	**(1,760)**	(2,016)
Proceeds from issue of shares	**4,955**	11,760
Repayment of bank and other borrowings	**(4,500)**	(4,543)
Principal elements of lease payments	**(1,685)**	(291)
Net cash (used in)/generated from financing activities	**(2,990)**	4,569
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(7,469)**	2,633
Effect of foreign exchange rate changes	**2,034**	(2,097)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**20,837**	20,301
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**15,402**	20,837
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**16,293**	22,131
Less: Restricted bank balances	**(891)**	(1,294)
	15,402	20,837

The notes on pages 51 to 138 form parts of these consolidated financial statements.

1. GENERAL INFORMATION

China Public Procurement Limited (the "**Company**") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business 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 42 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) 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 accounting period reflected in these consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. The directors of the Company consider HK$ is the appropriate presentation currency for the users of the Group's consolidated financial statements. The functional currency of the Company's major subsidiaries in the People's Republic of China ("**PRC**") is Renminbi ("**RMB**").

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment properties (see note 2(f)); and

— investments in debt and equity securities (see note 2(e))

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

As at 31 December 2020, the Group had net current liabilities of approximately HK$40,748,000. This condition indicates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Preparation of the consolidated financial statements (Continued)

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2020 after taking into consideration of the following:

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

(b) The Group has obtained credit facilities of RMB80,000,000 (equivalent to approximately HK$94,928,000) from a bank in PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, rental income and certain bank and cash balances. As at 31 December 2020, facilities of RMB26,000,000 (equivalent to approximately HK$30,851,000) have been utilised by the Group. The Group will also negotiate with its banks for additional banking facilities when necessary; and

(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.

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 to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(c) Changes in accounting policies

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16 *Covid-19-Related Rent Concessions*.

The application of *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investments in debt and equity financial instruments

The Group's policies for investments in debt and equity financial instruments, other than investments in subsidiaries, are set out below.

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 7. These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity 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 (see note 2(t)).

— FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in debt and equity financial instruments (Continued)

(ii) 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 irrevocable 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 in accordance with the policy set out in note 2(t).

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Computer software and software copyrights acquired	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets, including online platform promotion right, online platform development and technical support right and software technology knowhow acquired, are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Leased assets

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(i) The Group as a lessee (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.

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased assets (Continued)

(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.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

During the term of sublease, the Group recognises lease income from the sub-leases and interest expense on the lease liability relating to the head lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables and loan receivables) and contract assets as defined in HKFRS 15 (see note 2(l)).

Financial assets measured at fair value, including financial assets at FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECLs assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and loan receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs 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 and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instruments' credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

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

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

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

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Contract assets and contract liabilities

A 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 ECLs in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

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.

(m) Trade and other receivables and loan 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 (see note 2(l)).

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

(n) 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 ECLs in accordance with the policy set out in note 2(j)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other payables

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

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income Tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a 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 of economic benefits 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.

(t) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer or the lessee has the right to use the asset, 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.

(i) Trading business:

Revenue is recognised at a point when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) 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.

(iii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue and other income (Continued)

(iii) 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.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. 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.

(v) Dividend income

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

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Rental income from operating lease

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. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. 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.

(vii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(b) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Issuance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

The Group is in the process of making an assessment of what the impact of these developments 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. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the accounting policies, the management has made the following accounting judgements:

(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 banks at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2(b) to the consolidated financial statements.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(a) Critical accounting judgements in applying the Group's 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.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(a) Critical accounting judgements in applying the Group's 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 2(j), ECLs are measured as an allowance equal to 12-month ECLs for stage 1 assets, or lifetime ECLs 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.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty

Notes 7, 19 and 29 contain information about the assumptions and their risk factors relating to valuation of investment properties, fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(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 2020 were approximately HK$4,098,000 (2019: HK$3,882,000) and HK$12,798,000 (2019: HK$14,433,000) 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 credit of approximately HK$49,000 (2019: income tax expense approximately HK$2,586,000) was credited (2019: charged) to profit or loss.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(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$13,365,000 (2019: HK$8,976,000) after a reversal of impairment loss of approximately HK$4,340,000 (2019: impairment loss of approximately HK$835,000) recognised during the year. Details of the impairment loss calculation are provided in note 21 to the consolidated financial statements.

(iv) Fair values of investment properties

The Group appointed an independent qualified professional valuer to assess the fair value of the investment properties. In determining the fair value, the valuer has utilised a method of valuation based on certain estimates, which are subject to uncertainty and might materially differ from the actual results. 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 2020 is approximately HK$293,802,000 (2019: HK$270,219,000).

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

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

The management of the Group estimates the amount of impairment loss for ECLs 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 ECLs 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 2020, the carrying amount of trade and other receivables and loan receivables is approximately HK$18,197,000 (net of allowance for doubtful debts approximately HK$279,659,000) (2019: HK$9,797,000 (net of allowance for doubtful debts of approximately HK$285,203,000)).

5. CAPITAL RISK MANAGEMENT

The Group's primary 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 2020 amounted to approximately HK$231,722,000 (2019: HK$206,272,000), in which the Group considers as optimal having considered the projected capital expenditures and the projected investment opportunities.

5. CAPITAL RISK MANAGEMENT (Continued)

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 2020, over 25% (2019: over 25%) of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowing. There had been breached in the financial covenants of bank borrowing for the year ended 31 December 2019 as set out in note 30 to the consolidated financial statements for details. During the year ended 31 December 2020, the Group and the relevant bank entered into supplemental agreements for revising the financial covenants. The breach of financial covenants are revoked.

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 2020, if the Hong Kong dollar had weakened 10 per cent against RMB with all other variables held constant, consolidated profit after tax (2019: loss after tax) for the year would have been HK$62,000 lower (2019: HK$59,000 higher), arising mainly as a result of the foreign exchange loss (2019: loss) on bank and cash balances denominated in currencies other than the functional currencies of the respective group entities of the Group. If the Hong Kong dollar had strengthened 10 per cent against RMB with all other variables held constant, there would be an equal and opposite impact.

(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 attributable to trade receivables). 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 is exposed to concentration of credit risk at 31 December 2020 on trade receivables from the Group's largest debtor amounting approximately to 32% (2019: approximately to 75%), and the Group's top five debtors amounting approximately to 78% (2019: approximately to 97%).

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 2020 and 2019:

	2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**HK$'000**	**HK$'000**
Current (not past due)	**0.8%**	**914**	**7**
Within 3 months past due	**0.9%**	**1,053**	**9**
7 to 12 months past due	**94.8%**	**1,019**	**966**
Over 12 months past due	**94.5%**	**220**	**208**
		3,206	**1,190**

	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

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:

	2020	2019
	HK$'000	HK$'000
At 1 January	228	172
Impairment losses recognised for the year	1,030	182
Reversal for the year	(68)	(126)
At 31 December	1,190	228

The increase in the loss allowance during 2020 was caused by origination of new trade receivables net of those settlements, resulting in an increase in loss allowance of approximately HK$962,000 (2019: 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 ECLs. 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, 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 and prepayments during the year is as follows:

	Financial assets at amortised cost					Prepayments		
	Other receivables	Compensation income receivables	Deposits	Loan receivable	Sub-total	Prepayments for goods	Other prepayments	Sub-total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019	711	8,473	3	120,857	130,044	69,944	6,765	76,709
Impairment losses recognised for the year	11	–	16	7,821	7,848	–	54	54
Reversal for the year	(321)	–	(1)	(9,995)	(10,317)	–	–	–
Exchange difference	–	–	–	(306)	(306)	(1,392)	(39)	(1,431)
At 31 December 2019 and 1 January 2020	401	8,473	18	118,377	127,269	68,552	6,780	75,332
Impairment losses recognised for the year	420	–	166	76	662	–	–	–
Reversal for the year	(22)	–	(14)	(503)	(539)	(6,085)	(71)	(6,156)
Written off for the year	–	–	–	–	–	(8,000)	–	(8,000)
Exchange difference	–	–	–	1,112	1,112	3,421	105	3,526
At 31 December 2020	799	8,473	170	119,062	128,504	57,888	6,814	64,702

During the year, loan receivables of HK$Nil (2019: HK$14,538,000) have been settled.

During the year, reversal of prepayments for goods of approximately HK$6,085,000 (2019: HK$Nil) was recorded due to settlement was made by the counterparty during the year.

Apart from the above table, as at 31 December 2020, there were amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$85,263,000 (2019: HK$82,374,000) with full impairment recognised in 2017, of which HK$15,000,000 (2019: HK$15,000,000) related to a deposit paid for potential acquisition of a subsidiary. An amount of approximately HK$2,726,000 was recovered during 2019 as a result of successful legal action taken.

(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 following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group is required to pay.

The maturity analysis for bank borrowings is prepared based on the scheduled repayment dates.

	Contractual undiscounted cash flow					
	On demand or within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**	**Carrying amount**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2020						
Trade and other payables	**27,821**	**—**	**—**	**—**	**27,821**	**27,821**
Amounts due to an ex-substantial shareholder and its subsidiaries	**2,784**	**—**	**—**	**—**	**2,784**	**2,784**
Bank borrowing	**6,313**	**6,058**	**16,638**	**7,455**	**36,464**	**30,851**
Lease liabilities	**2,477**	**1,577**	**—**	**—**	**4,054**	**3,885**

	Contractual undiscounted cash flow					
	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2019						
Trade and other payables	22,260	—	—	—	22,260	22,260
Amounts due to an ex-substantial shareholder and its subsidiaries	2,622	—	—	—	2,622	2,622
Bank borrowing	40,617	—	—	—	40,617	33,519
Lease liabilities	1,939	2,372	1,497	—	5,808	5,386

6. FINANCIAL RISK MANAGEMENT (Continued)

(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.

(e) Categories of financial instruments

	2020	2019
	HK$'000	HK$'000
Financial assets:		
Financial assets at FVTPL	**1,365**	2,626
Financial assets at amortised cost	**26,050**	30,200
Financial liabilities:		
Financial liabilities at amortised cost	**65,341**	63,787

(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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total **2020**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL — structured deposits	—	1,365	—	**1,365**
Investment properties				
Commercial units situated in the PRC	—	—	293,802	**293,802**
Total	—	1,365	293,802	**295,167**

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

During the years ended 31 December 2020 and 2019, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy levels as at the end of the reporting period in which they occur.

7. FAIR VALUE MEASUREMENTS (Continued)

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

Description	Investment properties
	HK$'000
At 1 January 2020	270,219
Total gains recognised in profit or loss	6,469
Exchange differences	17,114
At 31 December 2020	293,802
Total gains recognised in profit or loss for assets held at end of the reporting period	6,469

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

7. FAIR VALUE MEASUREMENTS (Continued)

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

The total gains recognised in profit or loss including those for assets held at end of the reporting period of approximately HK$6,469,000 (2019: HK$9,030,000) 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:

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 independent professional qualified valuers with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value **2020**	Fair value 2019
			HK$'000	HK$'000
Assets				
Structured deposits	Market comparison approach	Price per unit of investment	**1,365**	2,626

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value **2020**	Fair value 2019
					HK$'000	HK$'000
Commercial units located in the PRC	Income capitalisation	Terminal yield	7% (2019: 7%)	Decrease	**293,802**	270,219
		Reversionary yield	7.5% (2019: 7.5%)	Decrease		
		Monthly rental (RMB/square metre)	42-130 (2019: 35-130)	Increase		

8. REVENUE

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

	2020	2019
	HK$'000	HK$'000
Provision of public procurement services	10,649	9,651
Trading of goods	55,446	37,703
Provision of corporate IT solution services	12,032	12,906
Rental income	15,428	13,064
	93,555	73,324

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

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time		
— Trading of goods	55,446	37,703
— Provision of public procurement services	10,649	9,651
— Sales of online procurement software	7,106	8,287
Recognised over time		
— Licensing online procurement platform income	991	1,434
— Provision of maintenance services	3,935	3,185
	78,127	60,260
Revenue from other sources		
— Rental income	15,428	13,064
	93,555	73,324

9. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	HK$'000
Bank interest income	**37**	58
Dividend income	**—**	4
Net foreign exchange gain	**—**	25
Net fair value gains on investment properties	**6,469**	9,030
Gains on disposals of financial assets at FVTPL	**130**	33
Government grants — amortisation of deferred income *(note 31)*	**281**	284
Government grants *(Note i)*	**563**	1,475
Interest income from an ex-substantial shareholder and its subsidiaries	**—**	599
Interest income from loan receivables	**231**	993
Sundry income *(Note ii)*	**2,627**	491
	10,338	12,992

Notes:

(i) 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.

(ii) The sundry income included a consultancy fee of approximately RMB1,427,000 (equivalent to approximately HK$1,606,000) paid in 2015 for a potential acquisition of the Group, which was received during the year ended 31 December 2020 after a successful legal action initiated by the Group against an independent third party (2019: Nil).

10. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The 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 make 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 administrative expenses, 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 trade and other receivables, reversal of impairment loss for certain prepayments and reversal of impairment loss for loan receivables.

For the purpose of assessment by the CODM, the net fair value gains on investment properties and depreciation of property, plant and equipment were not included in segment results while the investment properties and certain property, plant and equipment have been included in the segment assets.

Segment assets do not include, 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 results, assets and liabilities:

	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 2020					
Revenue from external customers	10,649	55,446	12,032	15,428	93,555
Segment profit	11,534	6,155	1,970	8,412	28,071
Amounts included in the measure of segment profit or loss:					
Reversal of impairment loss for intangible assets	(4,340)	–	–	–	(4,340)
Impairment loss for trade and other receivables	6	–	947	16	969
Reversal of impairment loss for prepayment	–	(6,085)	–	–	(6,085)
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	20	–	32	–	52
As at 31 December 2020					
Segment assets	13,159	5,933	1,778	294,499	315,369
Segment liabilities	2,806	–	4,084	7,733	14,623
Amounts included in the measure of segment assets:					
Additions of segment non-current assets	57	–	120	–	177

10. SEGMENT INFORMATION (Continued)

Information about reportable segment results, assets and liabilities: (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 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 of segment non-current assets	10	—	5	—	15

10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment results:

	2020	2019
	HK$'000	HK$'000
Total profit of reportable segments	**28,071**	20,896
Administrative expenses	**(36,169)**	(48,018)
Other income and gains	**10,338**	12,992
Finance costs	**(2,023)**	(2,121)
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**—**	2,726
Unallocated (impairment loss)/reversal of impairment loss for trade and other receivables	**(543)**	242
Unallocated reversal of impairment loss for prepayments	**71**	—
Reversal of impairment loss for loan receivables, net	**427**	2,174
Consolidated profit/(loss) before tax	**172**	(11,109)

10. SEGMENT INFORMATION (Continued)

Reconciliations of segment assets and liabilities:

	2020	2019
	HK$'000	HK$'000
Assets		
Total assets of reportable segments	**315,369**	284,330
Unallocated corporate assets		
— Bank and cash balances	**16,293**	22,131
— Loan receivables	**6,505**	—
— Financial assets at FVTPL	**1,365**	2,626
— Others	**20,470**	23,212
	44,633	47,969
Consolidated total assets	**360,002**	332,299
Liabilities		
Total liabilities of reportable segments	**14,623**	10,848
Unallocated corporate liabilities		
— Bank borrowing	**30,851**	33,519
— Lease liabilities	**3,885**	5,386
— Deferred tax liabilities	**47,041**	42,615
— Current tax liabilities	**32,527**	32,935
— Others	**26,599**	22,103
	140,903	136,558
Consolidated total liabilities	**155,526**	147,406
Other material items — impairment loss/(reversal of impairment loss) for trade and other receivables, net		
Total impairment loss for of trade and other receivables of reportable segments, net	**969**	57
Unallocated amounts	**543**	(242)
Consolidated impairment loss/(reversal of impairment loss) for trade and other receivables, net	**1,512**	(185)
Other material items — depreciation		
Total depreciation of reportable segments	**52**	69
Unallocated amounts	**2,963**	1,805
Consolidated depreciation	**3,015**	1,874
Other items — reversal of impairment loss for prepayment		
Total reversal of impairment loss for prepayment	**(6,085)**	—
Unallocated amounts	**(71)**	—
Consolidated reversal of impairment loss for prepayment	**(6,156)**	—

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	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**1,184**	549
PRC except Hong Kong	**93,555**	73,324	**322,879**	296,961
Consolidated total	**93,555**	73,324	**324,063**	297,510

Revenue from major customers:

	2020	2019
	HK$'000	HK$'000
Trading business segment		
Customer A	**—**	37,703
Customer B	**31,508**	—
Customer C	**23,938**	—

11. FINANCE COSTS

	2020	2019
	HK$'000	HK$'000
Interest on bank borrowing	**1,760**	2,016
Interest on lease liabilities	**263**	105
	2,023	2,121

12. INCOME TAX (CREDIT)/EXPENSE

	2020	2019
	HK$'000	HK$'000
Current tax — Hong Kong		
Over-provision in prior years	**(1,771)**	—
Current tax — the PRC		
Provision for the year	**32**	35
	(1,739)	35
Deferred tax *(note 33)*	**1,690**	2,551
	(49)	2,586

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2019: HK$Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2019: 25%).

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in Bermuda and BVI.

12. INCOME TAX (CREDIT)/EXPENSE (Continued)

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

	2020	2019
	HK$'000	HK$'000
Profit/(loss) before tax	**172**	(11,109)
Tax at the PRC Enterprise Income Tax rate of 25% (2019: 25%)	**43**	(2,777)
Tax effect of income that is not taxable	**(3,589)**	(2,257)
Tax effect of expenses that are not deductible	**3,114**	2,848
Tax effect of utilisation of tax losses not previously recognised	**(1,165)**	(433)
Tax effect of tax losses not recognised	**2,878**	3,594
Tax effect of temporary differences not recognised	**(1,194)**	(782)
Effect of different tax rates of subsidiaries	**963**	1,185
PRC land appreciation tax	**1,690**	2,551
Tax effect of PRC land appreciation tax	**(423)**	(638)
Tax concession	**(595)**	(705)
Over-provision in prior years	**(1,771)**	—
Income tax (credit)/expense	**(49)**	2,586

13. PROFIT/(LOSS) FOR THE YEAR

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

	2020	2019
	HK$'000	HK$'000
Amortisation of intangible assets(included in administrative expenses)	**120**	125
Auditor's remuneration		
— current year	**890**	900
— under-provision in prior year	**180**	—
Cost of inventories sold	**55,376**	37,660
Depreciation of property, plant and equipment	**669**	931
Depreciation of right-of-use assets	**2,346**	943
Direct operating expenses of investment properties that generate rental income	**4,747**	4,671
Written-off intangible assets	**587**	—
Net foreign exchange loss/(gain)	**194**	(25)
Loss on disposal of property, plant and equipment	**—**	89

14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS)

	2020	2019
	HK$'000	HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**25,871**	28,780
Retirement benefits scheme contributions*	**197**	2,082
Equity-settled share-based payments	**—**	1,574
	26,068	32,436

* There were no forfeited contributions (2019: HK$Nil) utilised during the year and no forfeited contributions were available at the year end to reduce future contributions (2019: HK$Nil).

Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2019: one director) whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2019: four) individuals are set out below:

	2020	2019
	HK$'000	HK$'000
Basic salaries and allowances	**4,012**	4,052
Discretionary bonus	**441**	330
Retirement benefits scheme contributions	**27**	177
	4,480	4,559

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
	HK$'000	HK$'000
Nil to HK$1,000,000	**3**	3
HK$2,500,001 to HK$3,000,000	**1**	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					
	Fees	**Salaries**	**Discretionary bonus**	**Employer's contribution to a retirement benefit scheme**	**Staff benefit**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Name of director						
Mr. Zheng Jinwei (Chairman and Chief executive)	**600**	**–**	**–**	**7**	**478**	**1,085**
Ms. He Qian	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Chen Limin *(note (ii))*	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Zhang Jianguo	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Xu Peng	**240**	**–**	**–**	**–**	**–**	**240**
Mr. Deng Xiang	**360**	**–**	**–**	**–**	**–**	**360**
Mr. Jiang Jun	**360**	**–**	**–**	**–**	**–**	**360**
Mr. Wang Shuai	**240**	**–**	**–**	**–**	**–**	**240**
Total for 2020	**2,580**	**–**	**–**	**7**	**478**	**3,065**

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
	Fees	Salaries	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Staff benefit	Total
	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	240	—	—	—	—	240
Mr. Xu Peng	240	—	—	—	—	240
Mr. Deng Xiang	360	—	—	—	—	360
Mr. Jiang Jun	360	—	—	—	—	360
Mr. Wang Shuai	240	—	—	—	—	240
Total for 2019	2,828	—	—	57	82	2,967

Notes: (i) Resigned on 31 May 2019

(ii) Resigned on 1 February 2021

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Neither the chief executive nor any of the directors waived any emoluments during the year (2019: Nil).

(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

No dividend was paid or proposed for both years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

17. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share (2019: loss per share) attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,643,000 (2019: loss of approximately HK$14,174,000), and the weighted average number of ordinary shares of 221,782,000 (2019: 189,691,000) for the year ended 31 December 2020.

Diluted earnings/(loss) per share

For the year ended 31 December 2020, the computation of diluted earnings per share did not assume the exercise of share options because their exercise price is higher than the average share price.

There was no dilutive potential ordinary share outstanding for the year ended 31 December 2019.

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 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 19)*	2,385	—	—	—	2,385
Transfer to investment property *(note 19)*	(1,773)	—	—	—	(1,773)
Exchange differences	(50)	(543)	(51)	(50)	(694)
At 31 December 2019 and 1 January 2020	2,346	21,237	2,504	4,401	30,488
Additions	—	192	—	199	391
Write-off/disposal	—	(2,246)	—	(125)	(2,371)
Exchange differences	146	1,335	136	156	1,773
At 31 December 2020	2,492	20,518	2,640	4,631	30,281
Accumulated depreciation and impairment					
At 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 19)*	(404)	—	—	—	(404)
Exchange differences	(5)	(427)	(48)	(37)	(517)
At 31 December 2019 and 1 January 2020	84	21,036	2,322	3,164	26,606
Charge for the year	158	311	61	139	669
Write-off/disposal	—	(2,246)	—	(125)	(2,371)
Exchange differences	14	1,031	128	106	1,279
At 31 December 2020	256	20,132	2,511	3,284	26,183
Carrying amount					
At 31 December 2020	2,236	386	129	1,347	4,098
At 31 December 2019	2,262	201	182	1,237	3,882

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2020, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowing amounted to approximately HK$2,236,000 (2019: HK$2,262,000).

19. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	HK$'000
At 1 January	**270,219**	266,776
Transfer to property, plant and equipment and right-of-use assets *(notes 18 and 20)*	**–**	(11,585)
Transfer from property, plant and equipment and right-of-use assets* *(notes 18 and 20)*	**–**	12,153
Net fair value gains	**6,469**	9,030
Exchange differences	**17,114**	(6,155)
At 31 December	**293,802**	270,219

*: 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 2020 and 2019 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 2020, the carrying amount of investment properties pledged as security for the Group's bank borrowing amounted to approximately HK$293,802,000 (2019: HK$270,219,000).

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.

19. INVESTMENT PROPERTIES (Continued)

The Group is exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB, which is the functional currency of the relevant 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.

20. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2019	4,324	—	4,324
Additions	—	6,335	6,335
Depreciation	(181)	(762)	(943)
Transfer to investment property *(note 19)*	(4,240)	—	(4,240)
Transfer from investment property *(note 19)*	9,200	—	9,200
Exchange differences	(175)	(68)	(243)
At 31 December 2019 and 1 January 2020	8,928	5,505	14,433
Depreciation	(228)	(2,118)	(2,346)
Exchange differences	541	170	711
At 31 December 2020	9,241	3,557	12,798

20. RIGHT-OF-USE ASSETS (Continued)

Lease liabilities of approximately HK$3,885,000 (2019:HK$5,386,000) are recognised with related right-of-use assets of approximately HK$3,557,000 as at 31 December 2020 (2019: HK$5,505,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leasehold properties may not be used as security for borrowing purposes.

	2020	2019
	HK$'000	HK$'000
Depreciation expenses on right-of-use assets	**2,346**	943
Interest expense on lease liabilities (included in finance costs)	**263**	105
Expenses relating to short-term lease (included in administrative expenses)	**895**	1,409

Details of total cash outflow for lease is set out in note 37(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.

21. 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 2019	1,887	9,144	8,002	74,336	93,369
Exchange differences	(42)	(206)	(180)	(1,671)	(2,099)
At 31 December 2019 and 1 January 2020	1,845	8,938	7,822	72,665	91,270
Write-off	(587)	—	—	—	(587)
Exchange differences	82	554	485	4,507	5,628
At 31 December 2020	1,340	9,492	8,307	77,172	96,311
Accumulated amortisation and impairment					
At 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 and 1 January 2020	687	8,938	7,822	64,847	82,294
Amortisation for the year	120	—	—	—	120
Reversal of impairment loss recognised in prior years	—	—	—	(4,340)	(4,340)
Exchange differences	48	554	485	3,785	4,872
At 31 December 2020	855	9,492	8,307	64,292	82,946
Carrying amount					
At 31 December 2020	485	—	—	12,880	13,365
At 31 December 2019	1,158	—	—	7,818	8,976

The average remaining amortisation period of the computer software is 3.49 years (2019: 6.28 years).

At 31 December 2020, the carrying amount of intangible assets that assessed as indefinite useful life amounted to approximately HK$12,880,000 (2019: HK$7,818,000). These assets are attributable to the public procurement segment.

On 31 December 2020, the management of the Group conducted impairment review on cash-generating unit of public procurement segment. The recoverable amount of the cash-generating unit have been determined based on value in use calculation, which is based on the financial budgets approved by the management covering a five year period and a pre-tax discount rate of 27.9% (2019: 43.8%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash-generating unit. The key assumptions of the value in use calculations are discount rate and growth rate. Based on the assessments, the management of the Group recognised a reversal of impairment loss on intangible assets of approximately HK$4,340,000 (2019: impairment loss of approximately HK$835,000) for the year ended 31 December 2020 due to a favourable turn from COVID-19 pandemic in the PRC.

22. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	3,206	6,069
Allowance for trade receivables	(1,190)	(228)
	2,016	5,841
Other receivables	1,319	1,318
Allowance for other receivables	(799)	(401)
	520	917
Compensation income receivable	8,473	8,473
Allowance for compensation income receivable	(8,473)	(8,473)
	—	—
Prepayments for goods	63,821	68,552
Allowance for prepayments for goods	(57,888)	(68,552)
	5,933	—
Other prepayments	9,321	8,508
Allowance for other prepayments	(6,814)	(6,780)
	2,507	1,728
Deposits	886	1,329
Allowance for deposits	(170)	(18)
	716	1,311
	11,692	9,797

22. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2020, aggregate allowances of approximately HK$75,334,000 (2019: HK$84,452,000) 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 is as follows:

	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
At 1 January 2019	172	711	8,473	69,944	6,765	3	86,068
Net allowance/(reversal) for the year	56	(310)	—	—	54	15	(185)
Exchange differences	—	—	—	(1,392)	(39)	—	(1,431)
At 31 December 2019 and 1 January 2020	228	401	8,473	68,552	6,780	18	84,452
Net allowance/(reversal) for the year	962	398	—	(6,085)	(71)	152	(4,644)
Written off for the year	—	—	—	(8,000)	—	—	(8,000)
Exchange differences	—	—	—	3,421	105	—	3,526
At 31 December 2020	1,190	799	8,473	57,888	6,814	170	75,334

For trading business, the Group generally grants a credit period of 30 days (2019: 30 days) to its 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 (2019: 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. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade receivables, net of allowance for impairment, of HK$2,016,000 (2019: HK$5,841,000) and an aged analysis based on the invoice date at the end of the reporting period, is as follows:

	2020	2019
	HK$'000	HK$'000
0 to 90 days	**1,951**	5,735
91 to 180 days	**17**	23
181 to 365 days	**36**	32
Over 365 days	**12**	51
	2,016	5,841

22. 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$831,000 (2019: HK$4,469,000) with impairment of approximately HK$831,000 (2019: HK$98,000).

As at 31 December 2020, there were amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$85,263,000 (2019: HK$82,374,000) with full impairment recognised in 2017, of which HK$15,000,000 (2019: HK$15,000,000) related to a deposit paid for potential acquisition of a subsidiary. An amount of approximately HK$2,726,000 was recovered during 2019 as a result of successful legal action taken.

At 31 December 2020, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK$697,000 (2019: HK$413,000).

23. LOAN RECEIVABLES

Loan receivables represented advances to independent third parties.

At 31 December 2020, included in loan receivables was a loan of HK$100,000,000 (2019: HK$100,000,000) of which impairment of HK$100,000,000 (2019: 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 2020, loan receivables also included loans in an aggregate amount of approximately HK$25,567,000 (2019: HK$18,377,000) with impairment of approximately HK$19,062,000 (2019: HK$18,377,000) in aggregate. These loans were unsecured, interest bearing at a range of 0.3% to 0.6% (2019: 0.3% to 0.6%) per month and repayable on respective due dates from 19 May 2021 to 31 December 2021 (2019: from 26 September 2020 to 31 December 2020).

24. FINANCIAL ASSETS AT FVTPL

	2020	2019
	HK$'000	HK$'000
Held for trading		
Structured deposits, at fair value	**1,365**	2,626

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.

25. BANK AND CASH BALANCES

As at 31 December 2020, the bank and cash balances of the Group denominated in RMB and kept in the PRC aggregately amounted to approximately HK$15,161,000 (2019: HK$21,203,000). 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 2020, the bank and cash balances of the Group included restricted deposits (2019: a restricted deposit) charged as security for the Group's bank borrowing amounted to approximately HK$891,000 (2019: HK$1,294,000).

26. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised share capital			
Ordinary shares			
At 1 January 2019 (HK$0.1 each)		2,000,000	200,000
Share consolidation	(a)	(1,800,000)	—
		200,000	200,000
Capital reduction	(b)	—	(180,000)
		200,000	20,000
Increase in authorised number of shares (HK$0.1 each)	(c)	200,000	20,000
Authorised ordinary shares at 31 December 2019, 1 January 2020 and 31 December 2020 (HK$0.1 each)		400,000	40,000
Preference shares			
At 1 January 2019 (HK$0.1 each)		1,000,000	100,000
Share consolidation	(a)	(900,000)	—
		100,000	100,000
Capital reduction	(b)	—	(90,000)
Authorised preference shares at 31 December 2019, 1 January 2020 and 31 December 2020 (HK$0.1 each)		100,000	10,000

26. SHARE CAPITAL (Continued)

	Notes	Number of shares '000	Amount HK$'000
Total authorised share capital at 31 December 2019, 1 January 2020 and 31 December 2020 (HK$0.1 each)		500,000	50,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2019 (HK$0.1 each)		1,744,897	174,490
Share consolidation	(a)	(1,570,407)	—
		174,490	174,490
Capital reduction	(b)	—	(157,041)
Issue of shares	(d)	34,897	3,490
At 31 December 2019 and 1 January 2020 (HK$0.1 each)		209,387	20,939
Issue of shares	(f)	34,897	3,490
At 31 December 2020 (HK$0.1 each)		244,284	24,429
Preference shares			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 (HK$0.1 each)		—	—
Total issued and fully paid at 31 December 2020 (HK$0.1 each)		244,284	24,429

Notes:

(a) 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.

(b) 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(b)(vii)).

(c) 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.

26. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) 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.

(e) 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.

(f) On 24 August 2020, 34,897,000 ordinary shares of the Company of HK$0.1 were issued at HK$0.142 per share. The premium on the issue of shares, amounting to approximately HK$1,465,000 was credited to the Company's share premium account.

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

(a) Statement of financial position of the Company

		As at 31 December	
		2020	2019
	Notes	**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		**46**	32
Amounts due from subsidiaries		**1,395**	6,259
Bank and cash balances		**142**	11
Total current assets		**1,583**	6,302
TOTAL ASSETS		**1,585**	6,304
EQUITY			
Share capital	26	**24,429**	20,939
Reserves	27(b)	**(39,519)**	(28,959)
Total equity		**(15,090)**	(8,020)
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**9,960**	9,637
Other payables and accruals		**6,715**	4,687
Total current liabilities		**16,675**	14,324
TOTAL EQUITY AND LIABILITIES		**1,585**	6,304

Approved by the Board of Directors on 30 March 2021 and is signed on its behalf by:

Zheng Jinwei **He Qian**

27. 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
At 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 and 1 January 2020	12,752	1,574	218,077	(261,362)	(28,959)
Loss for the year	—	—	—	(12,025)	(12,025)
Issue of shares by subscription	1,465	—	—	—	1,465
Transfer of reserve upon lapse of share options	—	(787)	—	787	—
At 31 December 2020	14,217	787	218,077	(272,600)	(39,519)

28. 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.

28. 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 2(q)(ii) 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 2(u) 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.

28. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(vii) 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 2020 and 2019, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses is in debit balance.

29. 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.

29. 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. There is no minimum period of which the share option must be held before it can be exercised.

29. 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 ended 31 December 2019, 17,400,000 share options were granted to the employees of the Company. Details of share options granted are as follows:

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

According to Black-Scholes Model, the details of the options granted during the year ended 31 December 2019 under the option scheme were as follows:

Date of grant	Number of shares issuable under options granted	Option value	Closing share price immediately before the date of grant	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	HK$0.405	HK$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.

29. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

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

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at 1 January	**17,400**	**0.416**	—	—
Granted during the year	**—**	**—**	17,400	0.416
Lapsed during the year *(note)*	**(8,700)**	**0.416**	—	—
Outstanding at 31 December	**8,700**	**0.416**	17,400	0.416
Exercisable at 31 December	**8,700**	**0.416**	17,400	0.416

Note: The lapse of the share options is due to the resignation of certain employees.

The share options outstanding at the end of the year have a weighted average remaining contractual life of 0.35 years (2019: 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 during the year ended 31 December 2019 in respect of the Scheme.

30. BANK BORROWING

	2020	2019
	HK$'000	HK$'000
Bank borrowing	**30,851**	33,519

30. BANK BORROWING (Continued)

The bank borrowing is repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**4,746**	33,519
More than one year, but not exceeding two years	**4,746**	—
More than two years, but not exceeding five years	**14,239**	—
More than five years	**7,120**	—
	30,851	33,519
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(4,746)**	(33,519)
Amount due for settlement after 12 months	**26,105**	—

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

All of the bank borrowing is carried at amortised cost. None of the non-current interest-bearing borrowing is expected to be settled within one year.

The effective interest rate of bank borrowing was as follows:

	2020	2019
Bank borrowing	**5.39%**	5.39%

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

Bank borrowing at 31 December 2020 and 2019 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, rental income and certain bank and cash balances.

During the year ended 31 December 2019, Gongcai Network Technology Limited ("**Gongcai Network**"), an indirect wholly-owned subsidiary of the Company, 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 borrowing of approximately HK$33,519,000 is subject to an early repayment option and/or a withholding of granting the unused portion of borrowing by the bank. Such bank borrowing is classified as a current liability as at 31 December 2019.

30. BANK BORROWING (Continued)

During the year ended 31 December 2020, Gongcai Network, Guocai (Hubei) Technology Limited ("**Guocai (Hubei)**"), an indirect wholly-owned subsidiary of the Company, and the bank entered into supplemental agreements for revising the financial covenants. The breach of financial covenants are revoked. As at 31 December 2020, bank borrowing of approximately HK$26,105,000 was classified as non-current liabilities.

31. 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.

	2020	2019
	HK$'000	HK$'000
At 1 January	**4,176**	4,558
Credit to profit or loss for the year *(note 9)*	**(281)**	(284)
Exchange differences	**244**	(98)
At 31 December	**4,139**	4,176

32. LEASE LIABILITIES

	2020	2019
	HK$'000	HK$'000
Within one year	**2,331**	1,677
In the second to fifth years, inclusive	**1,554**	3,709
	3,885	5,386
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,331)**	(1,677)
Amount due for settlement after 12 months	**1,554**	3,709

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

33. DEFERRED TAX LIABILITIES

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

	Revaluation of investment properties
	HK$'000
At 1 January 2019	(39,234)
Credit 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 and 1 January 2020	(42,615)
Charge to profit or loss for the year *(note 12)*	(1,690)
Exchange differences	(2,736)
At 31 December 2020	(47,041)

At the end of the reporting period, the Group has unused tax losses of approximately HK$183,977,000 (2019: HK$176,785,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. As at 31 December 2020, the Group had unused tax losses of approximately HK$118,837,000 (2019: HK$110,061,000) that will expire by 2025 (2019: 2024). 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$544,000 (2019: HK$632,000). 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.

34. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Trade payables	**264**	167
Accruals	**9,139**	8,177
Security deposits	**2,609**	1,438
Receipt in advance	**2,691**	1,659
Other payables *(note)*	**13,792**	10,579
Payables for acquisition of intangible assets	**2,017**	1,899
	30,512	23,919

Note: Included unsecured interest-free advances of approximately HK$1,127,000 (2019: HK$1,061,000) from an independent third party.

Included in trade and other payables are trade payables of HK$264,000 (2019: HK$167,000) and an aged analysis based on the invoice date at the end of the reporting period, is as follows:

	2020	2019
	HK$'000	HK$'000
0 to 90 days	**95**	8
Over 365 days	**169**	159
	264	167

The carrying amounts of the Group's trade payables are denominated in RMB. All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

35. CONTRACT LIABILITIES

	2020	2019
	HK$'000	HK$'000
Billings in advance of performance obligation — Provision of corporate IT solution services	**3,787**	2,234

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:

	2020	2019
	HK$'000	HK$'000
Balance at 1 January	**2,234**	1,817
Increase in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**3,250**	2,029
Decrease in contract liabilities as a result of recognising revenue during the year	**(1,697)**	(1,612)
Balance at 31 December	**3,787**	2,234

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

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

37. 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 2019	Impact on initial application of HKFRS 16	Cash outflows from operating activities	Cash outflow from financing activities	Interest expense	Exchange differences	31 December 2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowing *(note 30)*	38,862	—	—	(6,559)	2,016	(800)	33,519
Lease liabilities *(note 32)*	—	5,742	(105)	(291)	105	(65)	5,386
	38,862	5,742	(105)	(6,850)	2,121	(865)	38,905

	1 January 2020	**Cash outflows from operating activities**	**Cash outflow from financing activities**	**Interest expense**	**Exchange differences**	**31 December 2020**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Bank borrowing *(note 30)*	**33,519**	**—**	**(6,260)**	**1,760**	**1,832**	**30,851**
Lease liabilities *(note 32)*	**5,386**	**(263)**	**(1,685)**	**263**	**184**	**3,885**
	38,905	**(263)**	**(7,945)**	**2,023**	**2,016**	**34,736**

(b) Total cash outflow for leases

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

	2020	2019
	HK$'000	HK$'000
Within operating cash flows	**1,158**	1,514
Within investing cash flows	**—**	593
Within financing cash flows	**1,685**	291
	2,843	2,398

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

(b) Total cash outflow for leases (Continued)

These amounts relate to the following:

	2020	2019
	HK$'000	HK$'000
Lease rental paid	2,843	1,805
Payments for right-of-use assets	–	593
	2,843	2,398

(c) Acquisition of additional interest in a subsidiary

	2020	2019
	HK$'000	HK$'000
Carrying amount of non-controlling interest acquired	–	2,774
Consideration paid to a non-controlling shareholder	–	(341)
	–	2,433

38. LITIGATIONS AND CONTINGENT LIABILITIES

In November 2019, the Beijing Dongcheng District People's Court ("**Beijing Dongcheng District Court**") published an announcement regarding a summons issued to Gongcai Network in respect of a civil case relating to a license fee income recognised as other income by the Group in 2012. Guocai South China Metal Exchange Service Limited (the "**Plaintiff**") claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK$16,019,000) 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$8,907,000) (collectively the "**Claimed Amounts**"). Due to the outbreak of COVID-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

On 12 January 2021, the Plaintiff filed an appeal (the "**Appeal**") to No. 2 Intermediate People's. Court of Beijing Municipality on the Claimed Amounts. As at 30 March 2021, the directors of the Company consider that the ground for the Appeal is invalid as advised by the Group's PRC legal advisers and no provision for the Claimed Amounts was made.

39. CAPITAL COMMITMENTS

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

	2020	2019
	HK$'000	HK$'000
Acquisition of intangible assets	**8,014**	7,595
Acquisition of property, plant and equipment	**—**	11
	8,014	7,606

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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 2020, 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 20.

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 2020, the Group entered into several short-term leases for staff quarters and office premises. As at 31 December 2020, the outstanding lease commitments relating to these staff quarters and office premises are HK$196,000 (2019: HK$234,000).

The Group as lessor

Property rental income earned during the year was approximately HK$15,428,000 (2019: HK$13,064,000). All of the Group's investment properties are held for rental purposes. They are expected to generate rental yields of 5.25% (2019: 4.83%) 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:

	2020	2019
	HK$'000	HK$'000
Within one year	**10,956**	11,868
In the second year	**5,193**	8,450
In the third year	**3,585**	3,536
In the fourth year	**3,602**	—
In the fifth year	**3,686**	—
Total	**27,022**	23,854

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

	2020	2019
	HK$'000	HK$'000
Lease income on operating leases	**15,428**	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.

41. 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 2020, the Group had a prepaid education benefit of approximately HK$1,232,000 (2019: HK$1,558,000) for a director.

42. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE

(a) Principal subsidiaries

Particulars of the principal subsidiaries as at 31 December 2020 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*,# 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/contributed capital RMB50,000,000/RMB Nil	90%	Inactive
Guocai (Beijing) Technology Limited*,# ("**Guocai (Beijing)**") 國採(北京)技術有限公司	The PRC	Registered and contributed capital RMB60,000,000	90%	Provision of public procurement and corporate IT solution services and investment holding

42. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2020 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 (Hubei)*,# 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
Weihai Guocai Information Technology Limited*,^ 威海國採信息技術有限公司	The PRC	Registered/contributed capital RMB5,000,000/RMB400,000	100%	Provision of corporate IT solution services

* For identification purposes only.

Foreign investment enterprise.

^ Domestic invested enterprise.

42. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

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.

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)	
	2020	2019
Principal place of business/country of registration	PRC/PRC	PRC/PRC
% of ownership interests/voting rights held by NCI	10%	10%
	HK$'000	HK$'000
At 31 December:		
Non-current assets	**20,835**	24,153
Current assets	**13,318**	14,070
Non-current liabilities	**(321)**	(676)
Current liabilities	**(162,994)**	(146,686)
Net liabilities	**(129,162)**	(109,139)
Accumulated NCI	**(12,916)**	(10,914)
Year ended 31 December		
Revenue	**4,820**	6,376
Loss	**(3,789)**	(589)
Other comprehensive (expense)/income	**(16,235)**	2,507
Total comprehensive (expense)/income	**(20,024)**	1,918
Loss allocated to NCI	**(379)**	(59)
Total comprehensive (expense)/income allocated to NCI	**(2,002)**	192
Net cash generated from operating activities	**2,509**	3,473
Net cash used in investing activities	**(1,681)**	(4,825)
Net cash used in financing activities	**(300)**	—
Effect of foreign exchange rate changes	**51**	56
Net increase/(decrease) in cash and cash equivalents	**579**	(1,296)

42. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(b) An associate

Particulars of the associate as at 31 December 2020 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.

As at 31 December 2020, there is a capital commitment in further capital injection to Guocai South China of approximately HK$20,410,000 (2019: HK$19,218,000).

43. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current period presentation.

Five-Year Financial Summary

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Results					
Revenue	**93,555**	73,324	68,289	64,837	51,216
Profit/(loss) before tax	**172**	(11,109)	(24,270)	(182,113)	(201,675)
Income tax credit/(expense)	**49**	(2,586)	492	2,569	(9,126)
Profit/(loss) for the year	**221**	(13,695)	(23,778)	(179,544)	(210,801)
Attributable to:					
Owners of the Company	**1,643**	(14,174)	(24,402)	(176,395)	(208,224)
Non-controlling interests	**(1,422)**	479	624	(3,149)	(2,577)
	221	(13,695)	(23,778)	(179,544)	(210,801)

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Assets and liabilities					
Total assets	**360,002**	332,299	329,673	494,368	493,451
Total liabilities	**(155,526)**	(147,406)	(145,683)	(264,706)	(162,802)
Total equity	**204,476**	184,893	183,990	229,662	330,649
Attributable to:					
Owners of the Company	**214,380**	192,262	189,242	235,735	332,242
Non-controlling interests	**(9,904)**	(7,369)	(5,252)	(6,073)	(1,593)
	204,476	184,893	183,990	229,662	330,649

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, Hubei Province, the PRC	Commercial	Medium term