



CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)



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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*
(*Resigned on 16 July 2021*)

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. Jiang Jun

Mr. Wang Shuai

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*

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

CORPORATE INFORMATION

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 ADVISORS

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

With the easing of the impact of the COVID-19 pandemic in the second quarter of last year, the principal businesses of China Public Procurement Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), including public procurement, trading business, provision of corporate IT solution and rental income, resumed and continued to grow.

Public procurement

During the six month ended 30 June 2021 (the “**Period**”), the Group continued to focus on the development of government procurement and trading system, the procurement management system, trading system for state-owned enterprises and e-procurement platforms for universities and colleges. Currently, the number of customers and suppliers and respective trading volume from Hubei Province, Inner Mongolia Autonomous Region, Ningxia Hui Autonomous Region, Qinghai Province, Tianjin City, Shenzhen City of Guangdong Province, Weihai City of Shandong Province as well as from clients such as the Inner Mongolia Power Group have further increased.

As the COVID-19 pandemic has brought substantial impact to Hubei Province, the government has stepped up their efforts in the economic recovery, particularly in improving the efficiency of public services and increasing procurement to boost the economy. Such efforts were particularly significant for in terms of the electronic procurement platform.

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 Period, no trading business has been concluded.

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, which is reflected in the steady maintenance of electronic procurement platforms for state-owned enterprises and the services responding to the technological upgrading requirements. This business segment has experienced more significant growth during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental income

During the Period, the Group has also generated income from the leasing of a commercial building it owned, located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, the People's Republic of China (the "PRC"). Although the COVID-19 pandemic caused a relatively severe impact to the Hubei Province, with the up-to-standard prevention and control measures and proper management adopted by the Group in the building, no COVID-19 infected cases were reported. The relevant operating income has not been affected and has brought stable cash inflow to the Group.

(II) FINANCIAL REVIEW

Operational Performance

1. Revenue

Revenue for the Period was HK\$20,200,000, representing an increase of HK\$6,336,000 or 45.7% as compared to HK\$13,864,000 for the same period of last year.

The revenue included revenue from public procurement of HK\$4,924,000, accounting for 24.4% of the total revenue; revenue from provision of corporate IT solution of HK\$5,940,000, accounting for 29.4% of the total revenue; and rental income of HK\$9,336,000, accounting for 46.2% of the total revenue.

The Group experienced an increase in revenue for each segment for the Period, including an increase in revenue from public procurement and provision of corporate IT solution due to the increase in market demand, and a remarkable increase in rental income resulting from the increase in rental price of our commercial building in Wuhan, Hubei Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Cost of sales and services rendered

Cost of sales and services rendered for the Period was HK\$10,319,000, representing an increase of HK\$5,109,000 or 98.1% as compared to HK\$5,210,000 for the same period of last year. Cost of sales and services rendered mainly comprised technical staff cost, cost of authentication key, water, electricity and utility cost incurred by leased properties, direct surtax and costs of appointment of a property management company.

The cost increased was mainly due to the increase in sales revenue, leading the cost of sales increased accordingly.

3. Gross profit

Gross profit for the Period was HK\$9,881,000, representing an increase of HK\$1,227,000 or 14.2% as compared to HK\$8,654,000 for the same period of last year. Gross profit margin for the Period was 48.9%, representing a decrease of 13.5 percentage points as compared to the gross profit margin of 62.4% for the same period of last year. The decrease in gross profit margin was mainly because we accepted a slightly lower gross profit margin in the public procurement and provision of corporate IT solution business segments to broaden our customer bases in order to increase sales. In addition, the rental price of the commercial building owned by the Group increased, leading a greater increase of gross profit amount of this segment. The overall increase of the total gross profit amount represents the effect of the increase of gross profit amount of the rental income segment offset by decrease in gross profit amounts of the public procurement and the provision of corporate IT solution segments.

4. Other income and gains

Other income and gains for the Period was HK\$2,746,000, representing an increase of HK\$1,644,000 or 149.2% as compared to HK\$1,102,000 for the same period of last year. Other income and gains mainly comprised of government grants and interest income. The increase was primarily due to the reversal of over-provision for expenses in previous years during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

5. *Administrative expenses*

The administrative expenses for the Period was HK\$17,201,000, representing a decrease of HK\$858,000 or 4.8% as compared to HK\$18,059,000 for the same period of last year. The administrative expenses mainly comprised of staff cost and benefits, office expenses, rental expenses and professional fees. The decrease in administrative expenses was mainly due to reallocation of some technical staff costs from administrative expenses to direct cost due to more accurate direct cost control. Hence, the staff costs in the administrative expenses decreased and the corresponding cost of sales increased.

6. *Reversal of impairment loss for trade and other receivables*

We made a reversal for the provision of the expected credit loss amounting to HK\$1,003,000 due to trade and other receivables received during the Period.

7. *Finance costs*

Finance costs for the Period was HK\$925,000, representing a decrease of HK\$112,000 or 10.8% as compared to HK\$1,037,000 for the same period of last year. The finance costs decreased mainly due to the repayment of bank borrowing in accordance with the repayment schedule during the Period.

8. *Income tax credit*

Income tax credit for the Period amounted to HK\$889,000, representing an increase of HK\$82,000 or 10.2% as compared to HK\$807,000 for the same period of last year. The tax credit mainly arose from the entitlement of additional tax allowance of land appreciation tax on our commercial building located in Wuhan City, Hubei Province, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

9. *Loss for the period*

The loss for the Period was HK\$3,607,000, representing a decrease of HK\$4,855,000 or 57.4% as compared to HK\$8,462,000 for the same period of last year. The loss decreased primarily due to the increase in revenue leading an increase in gross profit amount, increase in other income, decrease in administrative expenses and reversal of provision for impairment loss of trade and other receivables.

Financial Position

1. *Liquidity and capital resources*

As at 30 June 2021, the Group maintained bank and cash balances of HK\$7,478,000 representing a decrease of HK\$8,815,000 or 54.1% as compared to HK\$16,293,000 as at 31 December 2020. During the Period, the net cash used in operating activities amounted to HK\$4,665,000; the cash flows generated from investing activities amounted to HK\$557,000; the net cash used in financing activities amounted to HK\$4,389,000.

2. *Capital structure*

As at 30 June 2021, the total assets of the Group amounted to HK\$360,254,000, the total equity amounted to HK\$203,954,000, the total liabilities amounted to HK\$156,300,000. The assets-liabilities ratio (total assets over total liabilities) was 2.30:1 (31 December 2020: 2.31:1), the current ratio (current assets over current liabilities) was 0.41:1 (31 December 2020: 0.47:1) and the gearing ratio (total bank borrowing over total equity) was 0.14:1 (31 December 2020: 0.15:1).

MANAGEMENT DISCUSSION AND ANALYSIS

(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 Period.

2. Pledge of assets

As at 30 June 2021, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$96,240,000) from a bank in the PRC by pledging the Group's properties. Bank borrowing as at 30 June 2021 and 31 December 2020 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income. As at 30 June 2021, facilities of RMB24,000,000 (equivalent to approximately HK\$28,872,000) have been utilised by the Group.

3. Litigation and contingent liabilities

In November 2019, Beijing Dongcheng District People's Court (北京市東城區人民法院) ("**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 during 2012. Guocai South China Metal Exchange Service Limited (國採華南金屬市場服務有限公司) (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 (equivalent to approximately of HK\$16,241,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (equivalent to approximately of HK\$9,030,000) (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.

MANAGEMENT DISCUSSION AND ANALYSIS

On 12 January 2021, the Plaintiff filed an appeal (the “**Appeal**”) to No. 2 Intermediate People’s Court of Beijing Municipality (“**No. 2 Intermediate Court**”) on the Claimed Amounts. Based on the judgement made by No. 2 Intermediate Court on 30 June 2021, the claims from the Plaintiff was rejected again, and the judgement was finalised.

Therefore, the Group did not have any contingent liabilities at the end of the Period.

4. **Foreign exchange exposure**

For the Period, the Group mainly earned revenue in Renminbi (“**RMB**”) and incurred costs in Hong Kong Dollars (“**HK\$**”) and RMB. Although the Group currently does not have any foreign currency hedging policies, it does not foresee any significant currency exposure in the near future. However, any permanent or significant changes in RMB against HK\$ may have impact on the Group’s results and financial positions.

5. **Staff and remuneration policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals’ merit and their development potential for the positions offered. As at 30 June 2021, the Group employed approximately 120 employees, and the total remuneration of employees (including the directors of the Company (the “**Directors**”)), was approximately HK\$13,703,000. 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. **Purchase, sale or redemption of the Company’s listed securities**

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

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) BUSINESS PROSPECTS

The outbreak of the COVID-19 pandemic has brought about varying degrees of impact on many businesses. However, it has presented opportunities for the procurement business, as market demand for electronic and online services has been on the rise due to restrictions on travel and face-to-face contact as a result of the pandemic. To date, the demand for public procurement services has continued to grow and expand, particularly in Hubei Province, which was more severely affected by the pandemic.

Under such backdrop, government procurement aside, demand for electronic application from corporate procurement has also increased, resulting in more mature technology development of our electronic procurement platform for state-owned enterprises.

In the face of the changing market environment, we have been under the drive to further update our technology to meet the new market demand for advanced technology. The Group is stepping up its efforts in its products research and development and service offerings, in order to capitalise on the excellent prospects of the market.

In addition, in September 2020, President Xi Jinping publicly stated that China was committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. Hence, the central government has been prepared to implement various incentive initiatives and policies to promote the use of new energy in enterprises.

Local governments have increased their support for new energy including photovoltaic and wind power and encouraged the development of innovative projects. The engineering, procurement and construction ("**EPC**") model has become more popular within the construction industries, and enterprises in those industries generally have long-term relationships with the local governments. Therefore, the Company believes that we can make a contribution to local governments in terms of offering our solutions with our network bidding and procurement processes. The management is also of the view that the procurement services should be integrated with the new energy industry. The EPC model will bring new income sources for the Group, and the Company will further explore more resources from new businesses arising from carbon emission peak and carbon neutrality initiatives.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	6	20,200	13,864
Cost of sales and services rendered		(10,319)	(5,210)
Gross profit		9,881	8,654
Other income and gains	7	2,746	1,102
Administrative expenses		(17,201)	(18,059)
Reversal of provision for impairment loss of trade and other receivables		1,003	71
Loss from operations		(3,571)	(8,232)
Finance costs	8	(925)	(1,037)
Loss before tax		(4,496)	(9,269)
Income tax credit	9	889	807
Loss for the period	10	(3,607)	(8,462)
Attributable to:			
Owners of the Company		(4,072)	(7,581)
Non-controlling interests		465	(881)
		(3,607)	(8,462)
Loss per share	11		
Basic and diluted (HK cents per share)		(1.67)	(3.62)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(3,607)	(8,462)
Other comprehensive income/(expense):		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,085	(2,537)
Other comprehensive income/(expense) for the period, net of tax	3,085	(2,537)
Total comprehensive expense for the period	(522)	(10,999)
Attributable to:		
Owners of the Company	(820)	(9,848)
Non-controlling interests	298	(1,151)
	(522)	(10,999)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,723	4,098
Investment properties		297,863	293,802
Right-of-use assets	14	11,731	12,798
Intangible assets		13,486	13,365
Total non-current assets		326,803	324,063
Current assets			
Inventories — raw materials		91	84
Trade and other receivables	15	18,278	11,692
Contract assets		824	—
Loan receivables	16	6,058	6,505
Financial assets at fair value through profit or loss ("FVTPL")		722	1,365
Bank and cash balances		7,478	16,293
Total current assets		33,451	35,939
TOTAL ASSETS		360,254	360,002

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
EQUITY AND LIABILITIES			
Share capital	17	24,429	24,429
Reserves		189,131	189,951
Equity attributable to owners of the Company		213,560	214,380
Non-controlling interests		(9,606)	(9,904)
Total equity		203,954	204,476
LIABILITIES			
Non-current liabilities			
Bank borrowing	18	24,060	26,105
Deferred income		3,865	4,139
Lease liabilities		465	1,554
Deferred tax liabilities		46,778	47,041
Total non-current liabilities		75,168	78,839
Current liabilities			
Bank borrowing	18	4,812	4,746
Lease liabilities		2,309	2,331
Trade and other payables	19	38,353	33,296
Contract liabilities		2,840	3,787
Current tax liabilities		32,818	32,527
Total current liabilities		81,132	76,687
TOTAL EQUITY AND LIABILITIES		360,254	360,002
Net current liabilities		(47,681)	(40,748)
Total assets less current liabilities		279,122	283,315

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Merger reserve HK\$'000	Share-based		Foreign currency			Non-controlling		Total equity HK\$'000
					payments reserve HK\$'000	Statutory reserve HK\$'000	translation reserve HK\$'000	Revaluation reserve HK\$'000	Retained profits HK\$'000	Total interests HK\$'000		
At 1 January 2021 (audited)	24,429	14,217	(114,233)	8,390	787	15,778	148,116	8,278	108,618	214,380	(9,904)	204,476
(Loss)/profit for the period	—	—	—	—	—	—	—	—	(4,072)	(4,072)	465	(3,607)
Exchange differences on translating foreign operations	—	—	—	—	—	—	3,252	—	—	3,252	(167)	3,085
Total comprehensive income/(expense) for the period	—	—	—	—	—	—	3,252	—	(4,072)	(820)	298	(522)
Transfer of reserve upon lapse of share options	—	—	—	—	(787)	—	—	—	787	—	—	—
Changes in equity for the period	—	—	—	—	(787)	—	3,252	—	(3,285)	(820)	298	(522)
At 30 June 2021 (unaudited)	24,429	14,217	(114,233)	8,390	—	15,778	151,368	8,278	105,333	213,560	(9,606)	203,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Merger reserve HK\$'000	Share-based payments		Foreign currency			Retained profits HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
					reserve HK\$'000	Statutory reserve HK\$'000	translation reserve HK\$'000	Revaluation reserve HK\$'000	Total HK\$'000			
At 1 January 2020 (audited)	20,939	12,752	(114,233)	8,390	1,574	15,778	132,596	8,278	106,188	192,262	(7,369)	184,893
Loss for the period	–	–	–	–	–	–	–	–	(7,581)	(7,581)	(881)	(8,462)
Exchange differences on translating foreign operations	–	–	–	–	–	–	(2,267)	–	–	(2,267)	(270)	(2,537)
Total comprehensive expense for the period	–	–	–	–	–	–	(2,267)	–	(7,581)	(9,848)	(1,151)	(10,999)
Transfer of reserve upon lapse of share options	–	–	–	–	(314)	–	–	–	314	–	–	–
Changes in equity for the period	–	–	–	–	(314)	–	(2,267)	–	(7,267)	(9,848)	(1,151)	(10,999)
At 30 June 2020 (unaudited)	20,939	12,752	(114,233)	8,390	1,260	15,778	130,329	8,278	98,921	182,414	(8,520)	173,894

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(4,496)	(9,269)
Adjustments for:		
Depreciation of property, plant and equipment	429	293
Depreciation of right-of-use assets	1,231	1,154
Reversal of provision for impairment loss of trade and other receivables	(1,003)	(71)
Other operating activities	(826)	3,416
NET CASH USED IN OPERATING ACTIVITIES	(4,665)	(4,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced	—	(3,741)
Loans repaid	537	—
Other investing activities	20	(63)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	557	(3,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowing	(2,402)	(2,201)
Principal elements of lease payments	(1,152)	(609)
Interest paid	(835)	(893)
NET CASH USED IN FINANCING ACTIVITIES	(4,389)	(3,703)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,497)	(11,984)
Effect of foreign exchange rate changes	61	1,070
CASH AND CASH EQUIVALENTS AT 1 JANUARY	15,402	22,131
CASH AND CASH EQUIVALENTS AT 30 JUNE	6,966	11,217
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	7,478	11,217
Less: Restricted bank balances	(512)	—
	6,966	11,217

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are provision of public procurement services, trading of different products, development of software, provision of maintenance services and leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC.

2. BASIS OF PREPARATION

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

The Group incurred a net loss and net operating cash outflows of approximately HK\$3,607,000 and HK\$4,665,000, respectively, during the six months ended 30 June 2021, and as at that date, the Group had net current liabilities of approximately HK\$47,681,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

The Directors 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 30 June 2021 after taking into consideration of the following:

- (a) The Group has been taking stringent cost controls;
- (b) The Group has obtained the credit facilities of RMB80,000,000 (equivalent to approximately HK\$96,240,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income. As at 30 June 2021, facilities of RMB24,000,000 (equivalent to approximately HK\$28,872,000) has been utilised by the Group. The Group will also negotiate with its banks for additional banking facilities when necessary; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. BASIS OF PREPARATION (Continued)

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

Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at FVTPL, which are measured at fair values.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements due to the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which came into effect during the Period. Details of any changes in accounting policies and the amendments to the HKFRSs which came into effect during the Period are set out below.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed consolidated financial statements contain unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

During the six months ended 30 June 2021, there are no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2020: Nil). The Group's policy is to recognise transfers into and transfers out of any of the three levels as to the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENTS (Continued)

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value, as the carrying amount is a reasonable approximation of fair value.

(a) Disclosures of level in fair value hierarchy:

Description	(Unaudited)			
	Fair value measurements as at 30 June 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
— structured deposits	—	722	—	722
Investment properties				
Commercial units situated in the PRC	—	—	297,863	297,863
Total	—	722	297,863	298,585

Description	(Audited)			
	Fair value measurements as at 31 December 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENTS (Continued)

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

	Investment properties	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
At the beginning of the period	293,802	270,219
Exchange differences	4,061	(5,079)
At the end of the period	297,863	265,140
Total gains recognised in profit or loss for assets held at end of the reporting period	—	—

(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 chief financial officer reports directly to the board of Directors of the Company (the "Board") for these fair value measurements. Discussion of valuation processes and results are held between the chief financial officer and the Board at least 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 as at	
			30 June	31 December
			2021	2020
			HK\$'000	HK\$'000
			(Unaudited)	(Audited)
Assets				
Structured deposits	Market comparison approach	Price per unit of investment	722	1,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. FAIR VALUE MEASUREMENTS (Continued)

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at	
					30 June 2021	31 December 2020
					HK\$'000	HK\$'000
Assets					(Unaudited)	(Audited)
Commercial units located in the PRC	Income capitalisation	Terminal yield	7.0% (31 December 2020: 7.0%)	Decrease	297,863	293,802
		Reversionary yield	7.5% (31 December 2020: 7.5%)	Decrease		
		Monthly rental (RMB/square metre)	42-130 (31 December 2020: 42-130)	Increase		

There were no changes in the valuation techniques used during the six months ended 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION

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

The Group has four operating segments as follows:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. SEGMENT INFORMATION (Continued)

	Public procurement HK\$'000	Trading business HK\$'000	Provision of corporate IT solution HK\$'000	Rental income HK\$'000	Total HK\$'000
Six months ended 30 June 2021 (unaudited):					
Revenue from external customers	4,924	—	5,940	9,336	20,200
Segment profit	2,576	—	2,466	5,826	10,868
<i>Amounts included in the measure of segment profit or loss</i>					
Reversal of provision for impairment loss for trade and other receivables	(1)	—	(981)	(5)	(987)
As at 30 June 2021 (unaudited):					
Segment assets	13,491	9,590	4,646	298,814	326,541
Segment liabilities	3,378	3,590	3,506	7,284	17,758
Six months ended 30 June 2020 (unaudited):					
Revenue from external customers	3,923	—	2,993	6,948	13,864
Segment profit	3,351	—	1,746	3,619	8,716
<i>Amounts included in the measure of segment profit or loss</i>					
Reversal of provision for impairment loss for trade and other receivables	(1)	—	(56)	(5)	(62)
As at 31 December 2020 (audited):					
Segment assets	13,159	5,933	1,778	294,499	315,369
Segment liabilities	2,806	—	4,084	7,733	14,623

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reconciliations of reportable segment profit or loss:		
Total profit of reportable segments	10,868	8,716
Administrative expenses	(17,201)	(18,059)
Finance costs	(925)	(1,037)
Other income and gains	2,746	1,102
Unallocated reversal of provision for impairment loss of trade and other receivables	16	9
Consolidated loss before tax	(4,496)	(9,269)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of public procurement services	4,924	3,923
Provision of corporate IT solution services	5,940	2,993
Rental income	9,336	6,948
	20,200	13,864

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time		
— Provision of public procurement services	4,924	3,923
— Sales of online procurement software	3,630	1,297
Recognised over time		
— Licensing online procurement platform income	687	426
— Provision of maintenance services	1,623	1,270
	10,864	6,916
Revenue from other source		
— Rental income	9,336	6,948
	20,200	13,864

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	13	18
Exchange gain	—	25
Gains on disposals of financial assets at FVTPL	6	12
Gains on disposals of property, plant and equipment	15	—
Government grants — amortisation of deferred income	330	138
Government grants (<i>Note</i>)	385	358
Interest income on loan receivables	116	376
Over-provision for expenses in previous years	1,706	—
Sundry income	175	175
	2,746	1,102

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

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing	835	893
Interest on lease liabilities	90	144
	925	1,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	23	30
Deferred tax — the PRC	(912)	(837)
	(889)	(807)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (six months ended 30 June 2020: 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 for both periods.

10. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
— Directors' emoluments	1,190	1,290
— Salaries, bonuses and allowances	11,489	11,089
— Retirement benefits scheme contributions	1,024	167
Total staff costs	13,703	12,546
Amortisation of intangible assets (included in administrative expenses)	63	58
Depreciation of property, plant and equipment (included in administrative expenses)	429	293
Depreciation of right-of-use assets (included in administrative expenses)	1,231	1,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$4,072,000 (unaudited) (six months ended 30 June 2020: approximately HK\$7,581,000 (unaudited)) and the weighted average number of ordinary shares of approximately 244,284,000 (unaudited) (six months ended 30 June 2020: approximately 209,387,000 (unaudited)) for the six months ended 30 June 2021.

Diluted loss per share

For the six months ended 30 June 2021 and 2020, the computation of diluted loss per share did not assume the exercise of share options because their exercise price is higher than the average share price.

12. DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, there were no additions to the Group's property, plant and equipment (six months ended 30 June 2020: approximately HK\$75,000 (unaudited)). An equipment with a carrying amount of Nil (unaudited) was disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil (unaudited)), resulting a gain on disposal of HK\$15,000 (unaudited) (six months ended 30 June 2020: Nil (unaudited)).

14. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021 and 2020, there were no new leases entered by the Group. As at 30 June 2021, the right-of-use assets' carrying amount was approximately HK\$11,731,000 (unaudited) (31 December 2020: approximately HK\$12,798,000 (audited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	4,625	3,206
Provision for impairment loss	(137)	(1,190)
	4,488	2,016
Other receivables	2,269	1,319
Provision for impairment loss	(783)	(799)
	1,486	520
Compensation income receivable	8,473	8,473
Provision for impairment loss	(8,473)	(8,473)
	—	—
Prepayments for goods	68,399	63,821
Provision for impairment loss	(58,809)	(57,888)
	9,590	5,933
Other prepayments	8,836	9,321
Provision for impairment loss	(6,838)	(6,814)
	1,998	2,507
Deposits	873	886
Provision for impairment loss	(157)	(170)
	716	716
	18,278	11,692

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At the beginning of the period/year	75,334	84,452
Net reversal for the period/year	(1,003)	(4,644)
Written off for the period/year	(79)	(8,000)
Exchange differences	945	3,526
At the end of the period/year	75,197	75,334

At 30 June 2021, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK\$951,000 (unaudited) (31 December 2020: approximately HK\$697,000 (audited)).

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

Included in trade and other receivables are trade receivables, net of provision for impairment loss, of HK\$4,488,000 (unaudited) (31 December 2020: approximately HK\$2,016,000 (audited)) and an ageing analysis based on the invoice date at the end of the reporting period, is as follows:

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 90 days	3,455	1,951
91 to 180 days	843	17
181 to 365 days	172	36
Over 365 days	18	12
	4,488	2,016

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

16. LOAN RECEIVABLES

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Loan receivables (<i>Note</i>)	125,262	125,567
Provision for impairment loss	(119,204)	(119,062)
	6,058	6,505

Reconciliation of provision for impairment loss of loan receivables:

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
At the beginning of the period/year	119,062	118,377
Net reversal for the period/year	—	(427)
Exchange differences	142	1,112
At the end of the period/year	119,204	119,062

Note:

As at 30 June 2021, loan receivables included a loan of HK\$100,000,000 (unaudited) (31 December 2020: HK\$100,000,000 (audited)) of which accumulated provision for impairment loss of HK\$100,000,000 (unaudited) (31 December 2020: HK\$100,000,000 (audited)) was made. The loan was unsecured, interest-free and 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 announcement dated 5 June 2014.

At 30 June 2021, loan receivables also included loans of approximately HK\$25,262,000 (unaudited) (31 December 2020: approximately HK\$25,567,000 (audited)) in aggregate, with provision for impairment loss of approximately HK\$19,204,000 (unaudited) (31 December 2020: approximately HK\$19,062,000 (audited)) in aggregate. These loans were unsecured, interest bearing at a range of 0.3% to 0.6% (unaudited) (31 December 2020: 0.3% to 0.6% (audited)) per month and repayable on respective due dates. Loans with carrying amount of approximately HK\$3,684,000 (unaudited) (31 December 2020: Nil (audited)), which were due and the Group is in the process of negotiating with the relevant borrowers for the settlement arrangement and/or loan renewal.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. SHARE CAPITAL

	Number of shares	Amount
	<i>'000</i>	<i>HK\$'000</i>
Authorised share capital		
Ordinary shares		
At 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	400,000	40,000
Preference shares		
At 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	100,000	10,000
Total authorised share capital at 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	500,000	50,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2020 (audited) (HK\$0.1 each)	209,387	20,939
Issue of shares	34,897	3,490
At 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	244,284	24,429
Preference shares		
At 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	—	—
Total issued and fully paid at 31 December 2020 (audited), 1 January 2021 and 30 June 2021 (unaudited) (HK\$0.1 each)	244,284	24,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. BANK BORROWING

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank borrowing	28,872	30,851

The bank borrowing is repayable as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	4,812	4,746
More than one year, but not exceeding two years	4,812	4,746
More than two year, but not exceeding five years	14,436	14,239
More than five years	4,812	7,120
	28,872	30,851
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,812)	(4,746)
Amount due for settlement after 12 months	24,060	26,105

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

The effective interest rate of bank borrowing was as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank borrowing	5.39%	5.39%

Bank borrowing at 30 June 2021 and 31 December 2020 was secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	1,543	264
Accruals	9,759	9,139
Security deposits	3,376	2,609
Receipt in advance	5,339	2,691
Other payables	13,480	13,792
Payables for acquisition of intangible assets	2,045	2,017
Amounts due to an ex-substantial shareholder and its subsidiaries (<i>Note</i>)	2,811	2,784
	38,353	33,296

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

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 to 90 days	1,543	95
Over 365 days	—	169
	1,543	264

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

20. PLEDGE OF ASSETS

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

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Property, plant and equipment — building	2,182	2,236
Right-of-use assets	9,247	9,241
Investment properties	297,863	293,802
Trade receivables — rental receivables	951	697
Bank and cash balances — restricted bank balances	512	891
	310,755	306,867

21. CAPITAL COMMITMENTS

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

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Acquisition of intangible assets	8,125	8,014

In addition, as at 30 June 2021, there is a capital commitment in further capital injection to an associate, namely Guocai South China Metal Exchange Service Limited, of approximately HK\$20,692,000 (unaudited) (31 December 2020: approximately HK\$20,410,000 (audited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

22. LITIGATIONS AND CONTINGENT LIABILITIES

In November 2019, Beijing Dongcheng District People's Court (北京市東城區人民法院) ("**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 during 2012. Guocai South China Metal Exchange Service Limited (國採華南金屬交易服務有限公司) (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 (equivalent to approximately HK\$16,241,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (equivalent to approximately HK\$9,030,000) (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 ("**No. 2 Intermediate Court**") on the Claimed Amounts. Based on the judgement made by No. 2 Intermediate Court on 30 June 2021, the claims from the Plaintiff was rejected, and the judgement was finalised.

Therefore, the Group did not have any contingent liabilities at the end of the Period.

23. RELATED PARTY TRANSACTIONS

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

24. COMPARATIVE FIGURES

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

25. APPROVAL OF FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 30 August 2021.

GENERAL INFORMATION

SHARE OPTION SCHEME

The Company adopted the share option scheme pursuant to the ordinary resolution passed by the shareholders of the Company on 13 June 2013 (the “**Scheme**”).

At the annual general meeting (“**AGM**”) held on 28 June 2019, a resolution was duly passed that 17,448,972 share options, being 10% scheme limit on the number of shares issued as at the date of AGM, 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 six months ended 30 June 2021 under the Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Balance as at 30 June 2021	Vesting period	Exercise period	Exercise price (HK\$)
		Balance as at 1 January 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Employees	9 May 2019	8,700,000	—	—	(8,700,000)	—	—	9 May 2019 to 8 May 2021	0.416	

GENERAL INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Class of shares	Number of shares in the Company	Total interests as to percentage of the issued share capital of the Company as at 30 June 2021 <i>(approximately)</i>
Zheng Jinwei	Corporate interest	Ordinary	600,000 <i>(Note 1)</i>	0.25%

Notes:

- 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.
- As at 30 June 2021, the issued share capital of the Company was 244,283,725 shares.

Save as disclosed above, as at 30 June 2021, none of the Directors, the chief executives of the Company nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION

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

As at 30 June 2021, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

Name of Shareholders	Capacity	Number of shares interested	Percentage of the issued share capital as at 30 June 2021 <i>(approximately)</i>
Huang Gegeng <i>(Note 1)</i>	Corporate interest	34,897,000	14.29%
Zhang Ye <i>(Note 2)</i>	Corporate interest	34,897,000	14.29%
Zhao Liuqing	Beneficial interest	26,858,600	10.99%

Notes:

- 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.
- 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.
- As at 30 June 2021, the issued share capital of the Company was 244,283,725 shares.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2021.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Period (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

1. UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors are set out as follows:

- (1) On 1 February 2021 and 16 July 2021, Mr. Chen Limin and Mr. Zhang Jianguo resigned as non-executive Directors due to their other business development respectively.
- (2) Ms. He Qian, an executive Director, has been appointed as an independent director of Zhejiang Chunhui Intelligent Control Co., Ltd. (浙江春暉智能控制股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300943), since April 2016, and as an independent director of Jiangsu Akcome Science and Technology Co., Ltd. (江蘇愛康科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002610), since May 2016.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Period, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) except for the following deviation.

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

CORPORATE GOVERNANCE

3. AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely, Mr. Deng Xiang (Chairman), Mr. Jiang Jun and Mr. Wang Shuai. All of them are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2021, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

4. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 30 August 2021