CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 1094)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of China Public Procurement Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**68,289**	64,837
Cost of sales		**(45,471)**	(47,608)
Gross profit		**22,818**	17,229
Other income and gains	*5*	**6,579**	26,482
Administrative expenses		**(55,553)**	(53,005)
Impairment loss for deposit paid for potential acquisition of a subsidiary		**—**	(15,000)
Impairment loss for trade and other receivables		**(665)**	(28,778)
Loss on early redemption of convertible bonds		**—**	(3,994)
Reversal of impairment loss/(impairment loss) for amounts due from an ex-substantial shareholder and its subsidiaries		**710**	(72,495)

	Note	2018 HK$'000	2017 HK$'000
Reversal of impairment loss/(impairment loss) for loan receivables		**4,876**	(40,207)
Write-off of an associate		**—**	(1,181)
Write-off of other prepayments		**(26)**	—
Loss from operations		**(21,261)**	(170,949)
Finance costs	*6*	**(3,009)**	(11,164)
Loss before tax		**(24,270)**	(182,113)
Income tax credit	*7*	**492**	2,569
Loss for the year	*8*	**(23,778)**	(179,544)
Attributable to:			
Owners of the Company		**(24,402)**	(176,395)
Non-controlling interests		**624**	(3,149)
		(23,778)	(179,544)
			(Restated)
Loss per share	*10*		
Basis (HK cents per share)		**(14.44)**	(128.05)
Diluted (HK cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(23,778)**	(179,544)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**(1,444)**	—
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(12,809)**	16,039
Fair value changes of available-for-sale financial assets	**—**	(1,093)
Other comprehensive income for the year, net of tax	**(14,253)**	14,946
Total comprehensive income for the year	**(38,031)**	(164,598)
Attributable to:		
Owners of the Company	**(38,853)**	(161,070)
Non-controlling interests	**822**	(3,528)
	(38,031)	(164,598)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	At 31/12/2018 HK$'000	At 31/12/2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,421**	3,442
Prepaid land lease payments		**4,227**	4,544
Investment properties		**266,776**	279,052
Intangible assets		**10,162**	10,813
Investment in an associate		**—**	—
Available-for-sale financial assets		**—**	4,871
Total non-current assets		**283,586**	302,722
Current assets			
Prepaid land lease payments		**97**	102
Inventories — raw materials		**312**	480
Trade and other receivables	*11*	**11,342**	21,312
Loan receivables		**2,286**	25,221
Financial assets at fair value through profit or loss ("**FVTPL**")		**2,515**	4,564
Equity instruments at FVTOCI		**3,191**	—
Current tax assets		**—**	617
Pledged bank deposits		**—**	96,080
Bank and cash balances		**26,344**	43,270
Total current assets		**46,087**	191,646
TOTAL ASSETS		**329,673**	494,368

	Note	At 31/12/2018 HK$'000	At 31/12/2017 HK$'000
EQUITY AND LIABILITIES			
Share capital	*12*	**174,490**	161,152
Reserves		**14,752**	74,583
Equity attributable to owners of the Company		**189,242**	235,735
Non-controlling interests		**(5,252)**	(6,073)
Total equity		**183,990**	229,662
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		**34,290**	40,834
Deferred income		**4,558**	5,090
Deferred tax liabilities		**39,234**	42,383
Total non-current liabilities		**78,082**	88,307
Current liabilities			
Bank and other borrowings		**4,572**	13,211
Trade and other payables	*13*	**25,073**	125,818
Contract liabilities		**1,817**	—
Amounts due to an ex-substantial shareholder and its subsidiaries		**2,682**	2,816
Current tax liabilities		**33,457**	34,554
Total current liabilities		**67,601**	176,399
TOTAL EQUITY AND LIABILITIES		**329,673**	494,368
Net current (liabilities)/assets		**(21,514)**	15,247
Total assets less current liabilities		**262,072**	317,969

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(24,270)**	(182,113)
Adjustments for:		
Amortisation of deferred income	**(296)**	(289)
Amortisation of intangible assets	**134**	131
Amortisation of prepaid land lease payments	**101**	99
Depreciation	**841**	2,001
Dividend income	**(653)**	—
Equity-settled share-based payments	**4,482**	304
Fair value gains on investment properties	**(1,243)**	(16,717)
Finance costs	**3,009**	11,164
Loss/(gain) on disposal of property, plant and equipment	**4**	(1,180)
Impairment loss for deposit paid for potential acquisition of a subsidiary	**—**	15,000
Impairment loss for trade and other receivables	**665**	28,778
(Reversal of impairment loss)/impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**(710)**	72,495
(Reversal of impairment loss)/impairment loss for loan receivables	**(4,876)**	40,207
Reversal of provision of other tax payables	**—**	(4,859)
Interest income	**(3,420)**	(1,422)
Loss on early redemption of convertible bonds	**—**	3,994
Write-off of an associate	**—**	1,181
Write-off of other prepayments	**26**	—
Write-off of property, plant and equipment	**—**	755

	2018	2017
	HK$'000	*HK$'000*
Operating loss before working capital changes	**(26,206)**	(30,471)
Decrease/(increase) in inventories	**168**	(480)
Decrease in trade and other receivables	**10,282**	1,351
Decrease/(increase) in financial assets at FVTPL	**2,049**	(2,331)
(Decrease)/increase in trade and other payables	**(6,049)**	4,901
Increase in contract liabilities	**1,817**	—
Cash used in operations	**(17,939)**	(27,030)
Income taxes paid	**(15)**	(877)
Interest received	**2,088**	644
Net cash used in operating activities	**(15,866)**	(27,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**653**	—
Decrease/(increase) in pledged bank deposits	**94,696**	(84,938)
Interest received	**89**	355
Loans advanced	**(16,916)**	(24,295)
Proceeds from disposal of property, plant and equipment	**11**	1,180
Purchase of available-for-sale financial assets	**—**	(5,784)
Purchases of property, plant and equipment	**(196)**	(197)
Repayment from an ex-substantial shareholder and its subsidiaries	**710**	—
Settlement of loans advanced	**20,715**	—
Net cash generated from/(used in) investing activities	**99,762**	(113,679)

	2018	2017
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**—**	131,887
Interest paid	**(3,009)**	(10,019)
Proceeds from issue of shares	**13,338**	63,307
Redemption of convertible bonds	**—**	(30,000)
Repayment of bank and other borrowings	**(13,021)**	(106,776)
(Repayment of)/proceeds from discounting of bills payables	**(94,696)**	96,080
Net cash (used in)/generated from financing activities	**(97,388)**	144,479
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,492)**	3,537
Effect of foreign exchange rate changes	**(3,434)**	1,873
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**43,270**	37,860
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**26,344**	43,270
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**26,344**	43,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Public Procurement Limited 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 1802, 18/F, No. 88 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

2. BASIS OF PREPARATION

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

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

The Group incurred a net loss and net operating cash outflows of approximately HK$23,778,000 and HK$15,866,000 respectively during the year ended 31 December 2018, and as at 31 December 2018, the Group had net current liabilities of approximately HK$21,514,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

In order to improve the Group's financial position, liquidity and cash flows, the Directors have adopted or in the process of adopting the following measures:

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

(b) The Group has obtained the credit facilities of RMB80,000,000 (equivalents to approximately HK$91,440,000) from a bank in the PRC by pledging the Group's non-current assets. As at 31 December 2018, facilities of RMB34,000,000 (equivalents to approximately HK$38,862,000) has been utilised by the Group.

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

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers.

HKFRS 9 Financial instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

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

(a) Classification

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

- those to be measured subsequently at FVTOCI or FVTPL, and

- those to be measured at amortised cost.

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

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

(b) Measurement

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

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

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income and gains. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and gains and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income and gains in the period in which it arises.

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

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

(c) Impairment

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

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

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

The following table summaries the impact on the Group's opening accumulated losses as at 1 January 2018:

	Note	*HK$'000*
Increase in impairment losses for:		
— Trade and other receivables	(c)	240
— Loan receivables	(d)	25,221
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 January 2018		25,461
Attributable to:		
Owners of the Company		25,461
Non-controlling interest		—
		25,461

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

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Trade and other receivables	(i)	Loans and receivables	Amortised cost	21,312	21,072
Loans receivables	(ii)	Loans and receivables	Amortised cost	25,221	—
Equity investments	(iii)	Available-for-sale	FVTOCI	4,871	4,871
Structured deposits	(iv)	FVTPL	FVTPL	4,564	4,564

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

	Note	**Effect on Investment revaluation reserve** *HK$'000*	**Effect on FVTOCI reserve** *HK$'000*	**Effect on accumulated losses** *HK$'000*
Opening balance — HKAS 39		(1,093)	—	(7,266,725)
Reclassify non-trading equity securities from available-for-sale financial assets to equity instruments at FVTOCI	(iii)	1,093	(1,093)	—
Opening balance — HKFRS 9		—	(1,093)	(7,266,725)

The effect on accumulated losses is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

Note:

(i) Trade and other receivables that were classified as receivables under HKAS 39 are now classified at amortised cost. An increase of approximately HK$240,000 in the allowance for impairment of the trade receivables was recognised in opening accumulated losses at 1 January 2018 on transition to HKFRS 9.

(ii) Loan receivables that were classified as receivables under HKAS 39 are now classified at amortised cost. An increase of approximately HK$25,221,000 in the allowance for impairment of loan receivables was recognised in opening accumulated losses at 1 January 2018 on transition to HKFRS 9.

(iii) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. The Group elected to present in other comprehensive income ("**OCI**") changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of approximately HK$4,871,000 were reclassified from available-for-sale financial assets to equity investments at FVTOCI and fair value losses of approximately HK$1,093,000 were reclassified from the investment revaluation reserve to the FVTOCI reserve on 1 January 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(iv) Structured deposits that were previously classified as FVTPL were continued to be classified as FVTPL since the contractual cash flows do not consist solely of payments of principal and interest on the principal amount outstanding.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	*HK$'000*
Impairment allowance at 31 December 2017 under HKAS 39		184,729
Additional impairment recognised at 1 January 2018 on:		
— Trade and other receivables	(i)	240
— Loan receivables	(ii)	25,221
Impairment allowance at 1 January 2018 under HKFRS 9		210,190

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss for the year ended 31 December 2017.

HKFRS 15 Revenue from contracts with customers

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply this standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

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

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. HKFRS 15 identifies three situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

(i) Revenue from the public procurement business

Sales of cost of authentication keys ("CA Keys")

In prior reporting periods, revenue from sales of CA keys was generally recognised when the goods were transferred to customers.

As there is no identified contract meeting the criteria in HKFRS 15, revenue is recognised when the consideration is received and is non-refundable, and the CA Key has been transferred to the customer and hence the Group has no remaining obligations to perform. Revenue recognition is at a point in time.

As the customers pay in full in advance, revenue will be recognised on delivery of the key consistent with the Group's current practice.

Tendering services income

In prior reporting periods, revenue from tendering services was recognised when the services are rendered to customers and the result of tendering was announced.

As there is no identified contract meeting the criteria in HKFRS 15, revenue is recognised when the consideration is been received and is non-refundable, and the tendering services (the recommendation) have been completed and accepted by the customer and hence the Group has no remaining obligations to perform. Revenue recognition is at a point in time.

Revenue will therefore be recognised on the later of (i) completion of the services and (ii) receipt of the full consideration.

(ii) Revenue from the corporate IT solution business

Sales of online procurement software

In prior periods, revenue from sales of online procurement software is generally recognised when the software was transferred to and accepted by customers.

As none of the criteria in HKFRS 15 to recognise revenue over time are met, the revenue from sale of online procurement software is recognised at a point in time when the software is transferred and accepted by the customers which is consistent with the Group's current practice.

Licensing online procurement platform income

In prior periods, revenue from licensing online procurement platform was recognised over the license period.

For revenue from licensing online procurement platform, the license is not considered distinct from the hosting service and revenue is recognised over time, as the customer would simultaneously receive and consume the benefits of the Group's performance as the Group performs.

Provision of maintenance services

In prior periods, revenue from provision of maintenance services was recognised when the services are rendered.

The Group assessed that the performance obligation of provision of maintenance services is satisfied over time (over supporting and warranty services period) as customer would simultaneously receive and consume the benefits of the Group's performance as the Group performs. Therefore, revenue from provision of maintenance services should be recognised over time, which is consistent with the Group's current practice.

(iii) Trading of goods

In prior periods, revenue from trading of goods was generally recognised when the goods are transferred to customers.

The Group assessed that the performance obligation is satisfied at a point in time upon delivery of the goods. The control of goods is transferred when customer accepts delivery of goods. Revenue recognition is at a point in time, which is consistent with the Group's current practice.

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. This table only show those line items impacted by the adoption of HKFRS 15:

	Note	**Amounts reported in accordance with HKFRS 15**	**Estimated impact of adoption of HKFRS 15**	**Hypothetical amounts under HKASs 18 and 11**
		HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2018				
Consolidated statement of financial position (extract)				
Trade and other payables	*(i)*	(25,073)	(1,817)	(26,890)
Contract liabilities	*(i)*	(1,817)	1,817	—

(i) Reclassifications were made as at 1 January 2018 to be consistent with the terminology under HKFRS 15:

Previously, receipt in advances relating to the corporate IT solution business were presented in the statement of consolidated financial statement under "Trade and other payables". To reflect these changes in presentation, the Group has made the reclassification adjustments on the aforesaid receipt in advance to contract liabilities.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. Certain of the Group's office premises and staff quarters leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$1,075,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2018	2017
	HK$'000	*HK$'000*
Provision of public procurement services	**7,616**	6,623
Trading of goods	**31,221**	39,766
Provision of corporate IT solution services	**17,789**	8,547
Rental income	**11,663**	9,901
	68,289	64,837

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

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time		
— Trading of goods	**31,221**	39,766
— Provision of public procurement services	**7,616**	6,623
— Sales of online procurement software	**12,384**	6,266
Recognised over time		
— Licensing online procurement platform income	**2,320**	604
— Provision of maintenance services	**3,085**	1,677
	56,626	54,936
Revenue from other sources		
— Rental income	**11,663**	9,901
	68,289	64,837

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

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 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.

Segment profits or losses do not include directors' emoluments and remaining administrative expenses, fair value gains on investment properties and remaining other income and gains, finance costs, impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries, impairment loss for deposit paid for potential acquisition of a subsidiary, impairment loss/ reversal of impairment loss for certain receivables, loss on early redemption of convertible bonds, write-off of other prepayments and write-off of an associate.

Segment assets do not include equity instrument at FVTOCI, available-for-sale financial assets, bank and cash balances, certain intangible assets, certain property, plant and equipment, certain other receivables, financial assets at FVTPL, loan receivables, pledged bank deposits and prepaid land lease payments.

Segment liabilities do not include amounts due to an ex-substantial shareholder and its subsidiaries, bank and other borrowings, 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.

Information about reportable segment profit or loss:

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

	Public procurement *HK$'000*	Trading business *HK$'000*	Provision of corporate IT solution *HK$'000*	Rental income *HK$'000*	Total *HK$'000*
Year ended 31 December 2017					
Revenue from external customers	6,623	39,766	8,547	9,901	64,837
Intersegment revenue	—	—	—	1,251	1,251
Segment profit/(loss)	5,272	(14,233)	2,910	8,903	2,852
Amounts included in the measure of segment profit or loss:					
Impairment loss/(reversal of impairment loss) for trade and other receivables	—	14,377	—	—	14,377
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:					
Depreciation	57	—	—	—	57
As at 31 December 2017					
Segment assets	9,884	10,197	2,057	279,419	301,557
Segment liabilities	4,720	427	4,735	1,504	11,386
Amounts included in the measure of segment assets:					
Additions to segment non-current assets	70	—	—	—	70

Reconciliations of reportable segment revenue and profit or loss:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**69,580**	66,088
Elimination of intersegment revenue	**(1,291)**	(1,251)
Consolidated revenue	**68,289**	64,837
Profit or loss		
Total profit or loss of reportable segments	**22,807**	2,852
Administrative expenses	**(55,553)**	(53,005)
Finance costs	**(3,009)**	(11,164)
Impairment loss for deposit paid for potential acquisition of a subsidiary	**—**	(15,000)
Loss on early redemption of convertible bonds	**—**	(3,994)
Other income and gains	**6,579**	26,482
Reversal of impairment loss/(impairment loss) for amounts due from an ex-substantial shareholder and its subsidiaries	**710**	(72,495)
Reversal of impairment loss/(impairment loss) for loan receivables	**4,876**	(40,207)
Unallocated impairment loss for trade and other receivables	**(654)**	(14,401)
Write-off of an associate	**—**	(1,181)
Write-off of other prepayments	**(26)**	—
Consolidated loss before tax	**(24,270)**	(182,113)

Reconciliations of segment assets, liabilities and other material items:

	2018 HK$'000	2017 HK$'000
Assets		
Total assets of reportable segments	**281,579**	301,557
Unallocated corporate assets	**48,094**	192,811
Consolidated total assets	**329,673**	494,368
Liabilities		
Total liabilities of reportable segments	**9,854**	11,386
Unallocated corporate liabilities	**135,829**	253,320
Consolidated total liabilities	**145,683**	264,706
Other material items — impairment loss for/write-off of trade and other receivables		
Total impairment loss for/write-off of trade and other receivables of reportable segments	**11**	14,377
Unallocated amounts	**654**	14,401
Consolidated impairment loss for/write-off of trade and other receivables	**665**	28,778
Other material items — depreciation		
Total depreciation of reportable segments	**71**	57
Unallocated amounts	**770**	1,944
Consolidated depreciation	**841**	2,001

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

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**—**	—	**180**	200
PRC except Hong Kong	**68,289**	64,837	**283,406**	302,522
Consolidated total	**68,289**	64,837	**283,586**	302,722

Revenue from major customers:

	2018	2017
	HK$'000	*HK$'000*
Trading business segment		
Customer A	**31,221**	39,766

5. OTHER INCOME AND GAINS

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**89**	355
Dividend income	**653**	—
Fair value gains on investment properties	**1,243**	16,717
Gains on disposals of financial assets at FVTPL — held for trading	**252**	14
Gain on disposal of property, plant and equipment	**—**	1,180
Government grants — amortisation of deferred income	**296**	289
Government grants *(note)*	**282**	479
Interest income from a debtor	**86**	1,067
Interest income from loan receivables	**1,588**	—
Interest income from pledged bank deposit	**1,657**	—
Reversal of provision of other tax payables	**—**	4,859
Sundry income	**433**	1,522
	6,579	26,482

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.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowing	**2,360**	1,455
Interest on convertible bonds	**—**	2,134
Interest for discounting bills *(Note)*	**—**	5,147
Interest on other borrowings	**649**	2,428
	3,009	11,164

Note:

During the year ended 31 December 2017, the Group issued bills of RMB80,000,000 (equivalents to approximately HK$96,080,000). The Group later cleared the aforesaid bills before maturity date with a bank in the PRC (the "**PRC Bank**") and bank charges of approximately RMB4,449,000 (equivalents to approximately HK$5,147,000) was paid to the PRC Bank.

7. INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax — the PRC		
Provision for the year	**28**	15
Under/(over)-provision in prior years	**622**	(9,571)
	650	(9,556)
Deferred tax	**(1,142)**	6,987
	(492)	(2,569)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year.

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

8. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**134**	131
Auditor's remuneration	**1,030**	700
Cost of inventories sold	**31,191**	39,622
Depreciation	**841**	2,001
Direct operating expenses of investment properties that generate rental income	**1,963**	998
Equity-settled share-based payments	**4,482**	304
Exchange loss, net	**24**	55
Loss on disposal of property, plant and equipment	**4**	—
Operating lease charges — land and buildings	**3,688**	3,285
Write-off of property, plant and equipment	**—**	755
Employee benefits expenses (including directors' emoluments):		
Salaries, bonuses and allowances	**30,491**	27,152
Retirement benefits scheme contributions	**2,309**	1,898
Equity-settled share-based payments	**4,482**	304

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$24,402,000 (2017: HK$176,395,000), and the weighted average number of ordinary shares of 168,972,000 (2017: 137,752,000) for both years have been adjusted for the effect of share consolidation on 20 February 2019.

Diluted loss per share

There was no potential ordinary share outstanding for the year ended 31 December 2018.

There was no dilutive potential ordinary share for the Company's share options for the year ended 31 December 2017.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**5,462**	8,873
Allowance for trade receivables	**(172)**	—
	5,290	8,873
Other receivables	**3,469**	2,548
Allowance for other receivables	**(711)**	—
	2,758	2,548
Compensation income receivable	**8,473**	8,473
Allowance for compensation income receivable	**(8,473)**	(8,473)
	—	—
Prepayments for goods	**69,944**	72,598
Allowance for prepayments for goods	**(69,944)**	(68,884)
	—	3,714
Other prepayments	**8,847**	12,107
Allowance for other prepayments	**(6,765)**	(6,835)
	2,082	5,272
Deposits	**1,215**	905
Allowance for deposits	**(3)**	—
	1,212	905
	11,342	21,312

For trading business, the Group generally grants a credit period of 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 (2017: 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.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**5,152**	2,332
91 to 180 days	**87**	57
181 to 365 days	**25**	—
Over 365 days	**26**	6,484
	5,290	8,873

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

12. SHARE CAPITAL

	Note	Number of shares *'000*	Amount *HK$'000*
Ordinary shares, authorised:			
At 1 January 2017 (HK$0.01 each)		20,000,000	200,000
Share consolidation	(a)	(18,000,000)	—
At 31 December 2017, 1 January 2018 and 31 December 2018 (HK$0.1 each)		2,000,000	200,000
Ordinary shares, issued and fully paid:			
At 1 January 2017 (HK$0.01 each)		13,429,312	134,293
Share consolidation	(a)	(12,086,381)	—
Issue of shares by subscription (HK$0.1 each)	(b)	268,586	26,859
At 31 December 2017 and 1 January 2018 (HK$0.1 each)		1,611,517	161,152
Shares issued under share option scheme	(c)	133,380	13,338
At 31 December 2018 (HK$0.1 each)		1,744,897	174,490

Notes:

(a) On 10 August 2017, a special resolution was passed at a special general meeting to consolidate every 10 shares in the authorised and issued share capital of the Company of HK$0.01 each into one consolidated share of HK$0.1 each. The share consolidation had become effective on 11 August 2017 and the authorised and issued share capital of the Company was consolidated into 2,000,000,000 shares and 1,342,931,000 shares of HK$0.1 each respectively.

(b) On 14 November 2017, 268,586,000 ordinary shares of the Company of HK$0.1 each were issued at HK$0.237 per share. The premium on the issue of shares, amounting to approximately HK$36,448,000, net of direct issue costs of approximately HK$348,000, was credited to the Company's share premium account.

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

(d) On 20 February 2019, the following ordinary and special resolutions were passed at a special general meeting:

(i) To consolidate every 10 shares in the authorised and issued share capital of the Company of HK$0.10 each into one consolidated share of HK$1.00 each. The authorised and issued share capital of the Company was consolidated into 300,000,000 shares (including 200,000,000 ordinary shares and 100,000,000 preference shares) and 174,489,725 ordinary shares of HK$1.00 each respectively.

(ii) To cancel any fractional consolidated ordinary share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; To reduce the issued share capital of the Company from HK$174,489,725 to HK$17,448,973 divided into 174,489,725 new ordinary shares by cancelling the paid up capital of the Company of HK$0.90 each from HK$1.00 to HK$0.10; and to reduce the authorised share capital of the Company from HK$300,000,000 to HK$30,000,000 divided into 200,000,000 ordinary shares of HK$0.10 each and 100,000,000 preference shares of HK$0.01.

(iii) To approve the authorised share capital of the Company be increased to HK$50,000,000 divided into 500,000,000 shares (including 400,000,000 ordinary shares and 100,000,000 preferences shares) by the creation of an addition 200,000,000 new shares.

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(Note)*	**163**	171
Bills payables	**—**	96,080
Accruals	**7,086**	9,760
Security deposits	**3,546**	2,077
Receipt in advance	**369**	5,450
Other payables	**11,966**	10,184
Payables for acquisition of intangible assets	**1,943**	2,096
	25,073	125,818

Note:

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

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

	2018	2017
	HK$'000	*HK$'000*
Over 365 days	**163**	171

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

14. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Acquisition of intangible assets	**7,770**	8,164
Further capital injection to an associate *(Note)*	**19,659**	20,657
	27,429	28,821

Note: The due date of the capital injection to an associate was 30 June 2020.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinion

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Financial Statements**"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was modified because of the possible effect of the limitation on scope of our audit including (i) impairment losses for trade and other receivables of approximately HK$6,589,000 and loan receivables of approximately HK$40,000,000; and (ii) impairment losses for a deposit paid for potential acquisition of a subsidiary of approximately HK$15,000,000, trade and other receivables of approximately HK$25,357,000, loan receivables of approximately HK$200,000 and amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$70,686,000, details of which are set out in our auditor's report dated 29 March 2018. Any adjustments to the figures might have a consequential effect on the results for the year ended 31 December 2017. Our opinion on current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

Material Uncertainty Related to Going Concern

The Group incurred a net loss and net operating cash outflows of approximately HK$23,778,000 and HK$15,866,000 respectively during the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$21,514,000. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

In 2018, the Group continued to operate electronic trading platforms and management systems for government procurement and electronic procurement platforms for universities and colleges in the domestic public procurement area, and developed electronic procurement platforms for state-owned enterprises. The functions of the platforms became more advanced, both the number of users who used the platform to carry out procurement and the number of suppliers increased significantly, technical and service standards were further enhanced, and service income continued to increase.

The volume of transactions on the electronic procurement platforms developed and constructed by the Company for provincial and municipal governments such as Hubei Province, Hainan Province, Qinghai Province, Inner Mongolia Autonomous Region, Tianjin and Shenzhen, continued to grow. In particular, the procurement platform for governments in Hubei Province started to extend to their subordinate cities and counties. During the year, government procurement platform of Qinghai Government achieved upgrade and the procurement platform for enterprises of IM Power Group was put into operation and recorded income. Subsidiaries were established in Weihai and Shanxi to develop local market. Procurement platforms of more than 10 colleges and universities including Wuhan Technology and Business University were also put into operation. The income from technical service fees from three types of platforms exceeded HK$17.8 million; the number of registered suppliers surpassed 20,000, and revenue was also received from value-added services such as digital certification authentication, electronic signature, and financing facilitating services.

II. Financial Review

Operational Performance

1. Revenue

Revenue of the Group for the year was HK$68,289,000 (2017: HK$64,837,000), representing an increase of HK$3,452,000, or 5.3% as compared to last year.

The revenue included revenue from public procurement of HK$7,616,000, accounting for 11.2% of the total revenue; revenue from trading business of HK$31,221,000, accounting for 45.7% of the total revenue; revenue from provision of corporate IT solution of HK$17,789,000, accounting for 26.0% of the total revenue; and rental income of HK$11,663,000, accounting for 17.1% of the total revenue.

The increase in revenue in the year was mainly due to the increase in revenue in corporate IT solution services as we had put more resources to meet its market demand. Furthermore, the shorter vacancy time and increase in rental prices of our investment properties located in Wuhan City, Hubei Province, the PRC, led to our increase in revenue.

2. *Cost of sales*

Cost of sales for the year was HK$45,471,000 (2017: HK$47,608,000), representing a decrease of HK$2,137,000, or 4.5% as compared to last year. Cost of sales mainly comprised cost of goods purchased for trading business, technical staff cost, relevant fixed assets depreciation, the cost of authentication key and the water and electricity of properties rented. The decrease was mainly due to more efficient cost control.

3. *Gross profit*

Gross profit for the year was HK$22,818,000 (2017: HK$17,229,000), representing a increase of HK$5,589,000, or 32.4% as compared to last year. Gross profit margin for the year was 33.4%, representing an increase of 6.8 percentage point as compared to the gross profit margin of 26.6% last year.

The increase in gross profit was mainly due to the increase in revenue in amount and increase in gross profit margin due to the effective control on the cost of sales.

4. *Other income and gains*

Other income and gains for the year was HK$6,579,000 (2017: 26,482,000), representing a decrease of HK$19,903,000, or 75.2% as compared to last year. The other income and gains mainly comprised fair value gain on investment properties, interest income, dividend income and government grants. The decrease in other income and gains for the year was primarily because the fair value gain on investment properties was less than last year.

5. *Administrative expenses*

Administrative expenses for the year was HK$55,553,000 (2017: HK$53,005,000), representing a increase of HK$2,548,000, or 4.8% as compared to last year. The administrative expenses mainly comprised staff cost and benefits, legal and professional fee, rental expenses, office expenses and share option expenses. The increase in administrative expenses was mainly due to the increase in share option expenses arising from the grant of share options during the year.

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

During the year, the Group made further provision for impairment loss on receivables of HK$931,000 based on the ECL of receivables. The reversal of impairment loss for loan receivables was HK$5,826,000 as the results of legal actions taken placed against some debtors having full provision made in previous years. The net amount of provision thus was HK$4,895,000.

The details of the provision for the year are as below:

	2018	2017
	HK$'000	*HK$'000*
Impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**—**	(72,495)
Impairment loss for deposit paid for potential acquisition of a subsidiary	**—**	(15,000)
Impairment loss for loan receivables	**—**	(40,207)
Impairment loss for trade and other receivables	**(905)**	(38,961)
Write-off of other prepayments	**(26)**	—
Provision for impairment loss	**(931)**	(166,663)
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	**710**	—
Reversal of impairment loss for trade and other receivables	**240**	10,183
Reversal of impairment loss for loan receivables	**4,876**	—
Reversal of impairment loss	**5,826**	10,183
Provision for impairment loss, net	**4,895**	(156,480)

7. *Financial costs*

Financial costs for the year was HK$3,009,000 (2017: HK$11,164,000), representing an decrease of HK$8,155,000, or 73.0% as compared to last year.

The decrease in finance costs was mainly due to the decrease in interest for discounting bills and interest on convertible bonds which was redeemed in 2017. Furthermore, the repayment of bank and other borrowing in 2017 and 2018, which was financed by the net proceeds from the issue of ordinary shares in 2017 and 2018), reduced the corresponding interest expenses.

8. *Income tax credit*

Income tax credit of the Group for the year amounted to HK$492,000 (2017: income tax credit HK$2,569,000). The income tax credit was mainly due to the deferred tax credit arising from the tax on land appreciation tax of our properties located in Wuhan City Hubei Province, the PRC. Its applicable tax rate was lower than last year because of long holding time.

9. *Loss for the year*

Loss of the Group for the year amounted to HK$23,778,000 (2017: HK$179,544,000), representing a decrease of HK$155,766,000, or 86.8% as compared to last year. The decrease in loss for the year compared to 2017, was mainly due to the provision for impairment loss less than last year.

Financial Position

1. *Liquidity and capital resources*

As at the year ended date, the Group maintained bank and cash balances of HK$26,344,000, representing a decrease of HK$16,926,000, or 39.1% as compared to HK$43,270,000 as at the year ended date of last year. During the year, the net cash used in operating activities amounted to HK$15,866,000; the net cash generated from investing activities amounted to HK$99,762,000; and the net cash used in financing activities amounted to HK$97,388,000, of which HK$13,338,000 were the proceeds from issue of new shares.

2. *Capital structure*

As at the year ended date, the total assets of the Group amounted to HK$329,673,000, the total equity amounted to HK$183,990,000, the total liabilities amounted to HK$145,683,000. The gearing ratio (total assets over total liabilities) was 2.26 (2017: 1.87:1). The current debt ratio (current assets over current liabilities) was 0.68 (2017: 1.09:1).

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 the year ended date, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK$91,440,000) from a bank in the PRC by pledging the Group's properties. Band borrowing at 31 December 2107 and 2018 was secured by a charge over the Group's property, plant and equipment, prepaid land lease payments, part of investment properties, trade receivables and bank and cash balances. As at 31 December 2018, facilities of RMB34,000,000 (equivalent to approximately HK$38,862,000) have been utilised by the Group.

3. Capital commitment and contingent liabilities

As at the year ended date, save as disclosed in this announcement, the Group did not have any capital commitment. Furthermore, 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 2018, the Group employed approximately 130 employees, and the total remuneration of employees (including the Directors) was approximately HK$37,282,000. 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. *Event after the reporting period*

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

(a) Share consolidation

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

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

(b) Capital reduction

(i) reduction of any fractional Consolidated Ordinary Share in the issued share capital of the Company arising from the share consolidation by way of cancellation;

(ii) reduction of the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK$0.90 on each of the then issued Consolidated Ordinary Shares such that the par value of each issued Consolidated Ordinary Share will be reduced from HK$1.00 to HK$0.10; and

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

(c) *Authorised Share Capital Increase*

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

(d) *Share premium reduction*

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

(e) *Offsetting the accumulated losses*

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

Save as disclosed above, no subsequent events occured after 31 December 2018, which may have a significant effect, on the assets and liabilities or future operations of the Group.

IV. Business prospects

Electronic procurement and e-commerce procurement by the Chinese government and public institutions are the future directions for development, and also an inevitable requirement for the Chinese government to continue to vigorously prevent corruption and increase the transparency of power. Currently, the Chinese government has substantially adopted electronic procurement. The Chinese government, universities and colleges, public hospitals, state-owned enterprises and social organisations are also trying to use the electronic platforms in procurement of materials and services. Such market environment is favorable to the development of the Group's business.

After years of brand accumulation, products research and market development, the Company is well positioned in the market and has solid foundation for the rapid development of business in the future. In 2019, the Group will promptly expand its market share in the area of electronic procurement for state-owned enterprises by utilising the right of speech arising from the participation in the preparation of industrial standards, including the State-owned Enterprise Procurement Operation Specifications. Through such effort, the Group has acquired experience and customer resources to facilitate the Group's state-owned enterprise procurement business. Meanwhile, the trading system gathered various data for cleaning, processing and analysis to provide valuable service for both parties to the trading. In particular, the Group will focus on supply chain finance service, aiming to create new revenue sources.

The Group will take foot in procurement for governments, universities and colleges and enterprises and other procurement market and develop more valuable services based on the big data strengths arising from constantly expanding electronic procurement platform and accumulating trading data. The Group will further enhance its leading position in the public procurement market in PRC.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, neither 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 2018.

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: nil).

CORPORATE GOVERNANCE PRACTICES

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

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

According to code provision A.5.1 of the CG Code, the company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. On 29 July 2018, following the resignation of Ms. Wong Yan Ki, Angel, the number of independent non-executive directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules and falling below one-third of the Board, as required under Rule 3.10A of the Listing Rules. Furthermore, the Company had two members in the audit committee, of which one is an independent non-executive Director, thus failing to meet the requirement that the majority of the audit committee members must be independent non-executive directors under code provision A.5.1 of the CG Code as contained in Appendix 14 to the Listing Rules. In addition, the audit committee members decreased from three to two, falling below the minimum number required under Rule 3.21 of the Listing Rules and the vacancy for chairman of audit committee is to be chaired by an independent non-executive director under Rule 3.21 of the Listing Rules.

On 30 November 2018, following the appointment of Mr. Deng Xiang, an independent non-executive Director, as the chairman of the audit committee of the Company (the "**Audit Committee**") and appointment of Mr. Jiang Jun, an independent non-executive director of the Company, as a member of the Audit Committee, the Company has re-complied with the requirements under Rule 3.21 of the Listing Rules.

On 21 December 2018, following the appointment of Mr. Wang Shuai as an independent non-executive Director, the Company has re-complied with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS OF 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 2018.

AUDIT COMMITTEE

The Audit Committee of the Company was established with written terms of reference based on terms no less exacting than the required standard in the CG Code as set out in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Deng Xiang (chairman), Mr. Chen Limin and Mr. Jiang Jun. Mr. Chen Limin is a non-executive Director whereas the other two are independent non-executive Directors.

The Audit Committee has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2018.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be despatched to the shareholders of the Company and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.cpphk1094.com) on or before 30 April 2019.

By order of the Board
China Public Procurement Limited
Zheng Jinwei
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive), Mr. Ho Wai Kong (Honorary Chairman) and Ms. He Qian; three non-executive Directors, namely Mr. Chen Limin, Mr. Zhang Jianguo and Mr. Xu Peng; and three independent non-executive Directors, namely Mr. Deng Xiang, Mr. Jiang Jun and Mr. Wang Shuai.