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

AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of China Public Procurement Limited (the "**Company**") dated 31 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the "**Unaudited Results Announcement**"). Terms used herein shall have the same meanings as those defined in the Unaudited Results Announcement unless the context requires otherwise.

AUDITED ANNUAL RESULTS

The Board of the Company is pleased to announce that the Company's auditor, RSM Hong Kong, has completed its audit of the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**2019 Annual Results**") in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The audited annual results for the year ended 31 December 2019 are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	3	**73,324**	68,289
Cost of sales		**(51,536)**	(45,471)
Gross profit		**21,788**	22,818
Other income and gains	4	**12,992**	6,579
Administrative expenses		**(48,018)**	(55,553)
Impairment loss for intangible assets		**(835)**	—
Reversal of impairment loss/(impairment loss) for trade and other receivables		**185**	(665)
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries		**2,726**	710
Reversal of impairment loss for loan receivables		**2,174**	4,876
Write-off of other prepayments		**—**	(26)
Loss from operations		**(8,988)**	(21,261)
Finance costs	5	**(2,121)**	(3,009)
Loss before tax		**(11,109)**	(24,270)
Income tax (expense)/credit	6	**(2,586)**	492
Loss for the year	7	**(13,695)**	(23,778)
Attributable to:			
Owners of the Company		**(14,174)**	(24,402)
Non-controlling interests		**479**	624
		(13,695)	(23,778)
Loss per share	9		
Basis (HK cents per share)		**(7.47)**	(14.44)
Diluted (HK cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,882**	2,421
Prepaid land lease payments		**—**	4,227
Investment properties		**270,219**	266,776
Right-of-use assets		**14,433**	—
Intangible assets		**8,976**	10,162
Total non-current assets		**297,510**	283,586
Current assets			
Prepaid land lease payments		**—**	97
Inventories — raw materials		**235**	312
Equity instruments at FVTOCI		**—**	3,191
Trade and other receivables	*10*	**9,797**	11,342
Loan receivables		**—**	2,286
Financial assets at fair value through profit or loss ("**FVTPL**")		**2,626**	2,515
Bank and cash balances		**22,131**	26,344
Total current assets		**34,789**	46,087
TOTAL ASSETS		**332,299**	329,673

	Note	**2019**	2018
		HK$'000	*HK$'000*
EQUITY AND LIABILITIES			
Share capital	*11*	**20,939**	174,490
Reserves		**171,323**	14,752
Equity attributable to owners of the Company		**192,262**	189,242
Non-controlling interests		**(7,369)**	(5,252)
Total equity		**184,893**	183,990
LIABILITIES			
Non-current liabilities			
Bank borrowing	*12*	**—**	34,290
Deferred income		**4,176**	4,558
Lease liabilities — non-current		**3,709**	—
Deferred tax liabilities		**42,615**	39,234
Total non-current liabilities		**50,500**	78,082
Current liabilities			
Bank borrowing	*12*	**33,519**	4,572
Lease liabilities — current		**1,677**	—
Trade and other payables	*13*	**23,919**	25,073
Contract liabilities		**2,234**	1,817
Amounts due to an ex-substantial shareholder and its subsidiaries		**2,622**	2,682
Current tax liabilities		**32,935**	33,457
Total current liabilities		**96,906**	67,601
TOTAL EQUITY AND LIABILITIES		**332,299**	329,673
Net current liabilities		**(62,117)**	(21,514)
Total assets less current liabilities		**235,393**	262,072

NOTES:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by 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 2 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.

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

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

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

(b) The Group has obtained the credit facilities of RMB80,000,000 (equivalents to approximately HK$89,384,000) from a bank in the People's Republic of China ("**PRC**") by pledging the Group's non-current assets. As at 31 December 2019, facilities of RMB30,000,000 (equivalent to approximately HK$33,519,000) have been utilised by the Group. The Group also will negotiate with its banker for the increase of the banking facilities when necessary; and

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

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

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

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

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

HKFRS 16 Leases

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

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

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

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

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

(i) New definition of a lease

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

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

(ii) Lessee accounting and transitional impact

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue

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

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

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

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

Segment information

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

The Group has four operating segments as follows:

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

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

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

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

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

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

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

	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

Reconciliations of reportable segment revenue and profit or loss:

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

Reconciliations of segment assets and liabilities:

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

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

Geographical information:

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

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

Revenue from major customers:

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

4. OTHER INCOME AND GAINS

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

Note:

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE/(CREDIT)

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

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

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

7. LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets (included in administrative expenses)	**125**	134
Amortisation of prepaid land lease payments	**—**	101
Auditor's remuneration	**900**	1,030
Cost of inventories sold	**37,660**	31,191
Depreciation of property, plant and equipment	**931**	841
Depreciation of right-of-use assets	**943**	—
Direct operating expenses of investment properties that generate rental income	**4,671**	1,963
Equity-settled share-based payments	**1,574**	4,482
Net foreign exchange (gain)/loss	**(25)**	24
Loss on disposal of property, plant and equipment	**89**	4
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	**—**	3,688
Employee benefits expense (including directors):		
Salaries, bonuses and allowances	**28,780**	30,491
Retirement benefits scheme contributions	**2,082**	2,309
Equity-settled share-based payments	**1,574**	4,482

8. DIVIDENDS

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

9. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

10. TRADE AND OTHER RECEIVABLES

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

For trading business, the Group generally grants a credit period of 30 days to customers. Rental income is paid in accordance with the terms of respective agreements. For provision of public procurement services and corporate IT solution services, the Group mainly requires customers to pay certain of the contract sum in advance and settle the remaining balances within 30 days (2018: 30 days) from the date of acceptance. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

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

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

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

11. SHARE CAPITAL

	Notes	Number of shares *'000*	Amount *HK$'000*
Authorised share capital			
Ordinary shares			
At 1 January 2018 and 31 December 2018 and 1 January 2019 (HK$0.1 each)		2,000,000	200,000
Share consolidation	(b)	(1,800,000)	—
		200,000	200,000
Capital reduction	(c)	—	(180,000)
		200,000	20,000
Increase in authorised number of shares (HK$0.1 each)	(d)	200,000	20,000
Authorised ordinary shares at 31 December 2019 (HK$0.1 each)		400,000	40,000
Preference shares			
At 1 January 2018 and 31 December 2018 and 1 January 2019 (HK$0.1 each)		1,000,000	100,000
Share consolidation	(b)	(900,000)	—
		100,000	100,000
Capital reduction	(c)	—	(90,000)
Authorised preference shares at 31 December 2019 (HK$0.1 each)		100,000	10,000
Total authorised share capital at 31 December 2019 (HK$0.1 each)		500,000	50,000

	Notes	Number of shares '000	Amount HK$'000
Issued and fully paid:			
Ordinary shares			
At 1 January 2018 (HK$0.1 each)		1,611,517	161,152
Share issued under share option scheme	(a)	133,380	13,338
At 31 December 2018 and 1 January 2019 (HK$0.1 each)		1,744,897	174,490
Share consolidation	(b)	(1,570,407)	—
		174,490	174,490
Capital reduction	(c)	—	(157,041)
Issue of shares	(e)	34,897	3,490
At 31 December 2019 (HK$0.1 each)		209,387	20,939
Preference shares			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 (HK$0.1 each)		—	—
Total issued and fully paid at 31 December 2019 (HK$0.1 each)		209,387	20,939

Notes:

(a) On 1 June 2018, 133,380,000 ordinary shares of the Company of HK$0.1 each were issued upon exercise of share options on 31 May 2018 at an exercise price of HK$0.1 per share.

(b) On 20 February 2019, an ordinary resolution was passed at a special general meeting to consolidate every 10 shares in the authorised and issued ordinary and preference shares of the Company of HK$0.1 each into one consolidated share of HK$1 each.

(c) On 20 February 2019, a special resolution was passed at a special general meeting to cancel any fractional consolidated ordinary share in the issued share capital of the Company arising from the Share Consolidation; to reduce the par value of all the issued ordinary shares from HK$1 each to HK$0.1 each; and to reduce the authorised share capital of the Company from HK$300,000,000 to HK$30,000,000 divided into 200,000,000 ordinary shares of HK$0.1 each and 100,000,000 preference shares of HK$0.1 each. The capital reduction had become effective on 21 February 2019 and the authorised and issued ordinary share capital of the Company was amounted to HK$20,000,000 and approximately HK$17,449,000, respectively. The aforesaid capital reduction of approximately HK$157,041,000 was then transferred to contributed surplus.

(d) On 20 February 2019, an ordinary resolution was passed at a special general meeting to approve the authorised share capital of the Company be increased from HK$30,000,000 divided into 200,000,000 ordinary shares of HK$0.1 each and 100,000,000 preference shares of HK$0.1 each to HK$50,000,000 divided into 400,000,000 ordinary shares of HK$0.1 each and 100,000,000 preference shares of HK$0.1 each by the creation of an additional 200,000,000 ordinary shares of HK$0.1 each.

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

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

12. BANK BORROWING

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

The bank loan is repayable as follows:

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

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

The effective interest rates of borrowings were as follows:

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND THE AUDITED ANNUAL RESULTS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditor as at the date of its publication and subsequent adjustments have been made to such information, the shareholders ("**Shareholders**") and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Unaudited Results Announcement and the annual results disclosed in this announcement, the principal details and reasons for which pursuant to Rule 13.49(3)(ii)(b) of the Listing Rules are set out below:

Consolidated Statement of Profit or Loss (Extract)

For the year ended 31 December 2019

	Unaudited *(HK\$'000)*	**Audited** ***(HK\$'000)***	Difference *(HK\$'000)*	*Notes*
Administrative expenses	(46,907)	**(48,018)**	(1,111)	*1*
Impairment loss for intangible assets	—	**(835)**	(835)	*2*
Loss from operations	(7,042)	**(8,988)**	(1,946)	
Loss before tax	(9,163)	**(11,109)**	(1,946)	
Loss for the year	(12,040)	**(13,695)**	(1,655)	
Attributable to:				
Owners of the Company	(12,519)	**(14,174)**	(1,655)	*3*
Non-controlling interests	479	**479**	—	
Loss per share				
Basic (HK cents per share)	(6.60)	**(7.47)**	(0.87)	*3*
Diluted (HK cents per share)	N/A	**N/A**	N/A	

Notes:

1. The change was resulted from the revision of fair value adjustment on the equity-settled share-based payments.

2. The change was resulted from an occurrence of impairment loss for intangible assets following the assessment of valuation.

3. The change was resulted from the revision of loss for the year attributable to owners of the Company, following the revision of certain profit or loss items.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract)

For the year ended 31 December 2019

	Unaudited *(HK$'000)*	**Audited** ***(HK$'000)***	Difference *(HK$'000)*	*Notes*
Loss for the year	(12,040)	**(13,695)**	(1,655)	
Items that will not be reclassified to profit or loss:				
Income tax relating to revaluation of land and buildings	—	**(1,758)**	(1,758)	*1*
Other comprehensive income for the year, net of tax	3,022	**1,605**	(1,417)	
Total comprehensive income for the year	(9,018)	**(12,090)**	(3,072)	
Attributable to:				
Owners of the Company	(9,675)	**(12,747)**	(3,072)	2
Non-controlling interests	657	**657**	—	

Notes:

1. The change was resulted from the income tax relating to revaluation of land and buildings.

2. The change was resulted from the revision of total comprehensive income for the year attributable to owners of the Company following the revision of certain profit or loss items and other comprehensive income items.

Consolidated Statement of Financial Position (Extract)

As at 31 December 2019

	Unaudited (HK$'000)	**Audited (HK$'000)**	Difference (HK$'000)	Notes
NON-CURRENT ASSETS				
Intangible assets	9,811	**8,976**	(835)	*1*
Total non-current assets	298,345	**297,510**	(835)	*1*
Total assets	333,134	**332,299**	(835)	*1*
CURRENT LIABILITIES				
Bank borrowing	4,469	**33,519**	29,050	*2*
Total current liabilities	67,857	**96,906**	29,049	
NON-CURRENT LIABILITIES				
Bank borrowing	29,050	**—**	(29,050)	*2*
Deferred tax liabilities	41,148	**42,615**	1,467	*3*
Total non-current liabilities	78,083	**50,500**	(27,583)	
Net current liabilities	(33,068)	**(62,117)**	(29,049)	
Total assets less current liabilities	265,277	**235,393**	(29,884)	
Net assets	187,194	**184,893**	(2,301)	
EQUITY				
Equity attributable to owners of the Company				
Reserves	174,207	**171,323**	(2,884)	*4, 5*
Non-controlling interests	(7,952)	**(7,369)**	583	*5*
Total equity	187,194	**184,893**	(2,301)	

Notes:

1. The change was resulted from an occurance of impairment loss for intangible assets following the assessment of valuation.

2. The change was resulted from the reclassification adjustment of bank borrowing.

3. The change was resulted from the revision of income tax relating to land and building.

4. The change was resulted from the revision of total comprehensive income for the year attributable to owners of the Company following the revision of certain profit or loss items and other comprehensive income items.

5. The change was resulted from the adjustment of partial acquisition on non-wholly owned subsidiaries during the year.

Save for the material differences disclosed above and the corresponding changes thereto, there are no material changes to the financial information disclosed in the Unaudited Results Announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2019:

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

Basis for Qualified Opinion on Limitation of Scope

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

Material Uncertainty Related To Going Concern

The Group incurred a net loss and net operating cash outflows of approximately HK$13,695,000 and HK$13,109,000 respectively for the year ended 31 December 2019, and the Group had net current liabilities of approximately HK$62,117,000 as at 31 December 2019. 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.

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

Management's view

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

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

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

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

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

Audit Committee's view

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

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

Public procurement

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

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

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

Trading business

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

Provision of corporate IT solution

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

Rental income

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

II. Financial Review

Operational Performance

1. *Revenue*

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

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

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

2. Cost of sales

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

3. Gross profit

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

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

4. *Other income and gains*

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

5. *Administrative expenses*

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

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

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

7. *Finance costs*

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

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

8. *Income tax expenses*

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

9. *Loss for the year*

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

Financial Position

1. *Liquidity and capital structure*

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

III. Other issues

1. Material investment, material acquisition and disposal of subsidiaries and future material investment or capital and assets acquisition plan

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

2. Pledge of assets

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

3. *Litigation and contingent liabilities*

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

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

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

4. *Foreign exchange exposure*

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

5. *Staff and remuneration*

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

6. *Capital reorganisation*

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

(a) Share consolidation

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

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

(b) Capital reduction

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

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

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

(c) Authorised Share Capital Increase

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

(d) Share premium reduction

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

(e) Offsetting the accumulated losses

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

7. Issue of shares

On 9 May 2019 and 11 June 2019, the Company and a subscriber entered into a subscription agreement and a supplemental agreement under the general mandate, pursuant to which the subscriber has agreed to subscribe for, and the Company agreed to allot and issue 34,897,000 shares (being approximately 20% of the existing issued share capital of the Company as at the date of the agreement, being approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares) at the subscription price of HK$0.337. The net proceeds from the subscription are approximately HK$11.63 million. The proceeds has been used to replenish the general working capital of the Group to support its day-to-day operation. The subscription of new shares was completed on 26 July 2019.

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

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

9. Event after the reporting period

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

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

As at the date of this announcement, the impact of the coronavirus disease persists. There has been a material adverse impact in the first quarter of the financial year of 2020 as compared to the corresponding period in 2019. In the second quarter, the operations of the Group has been gradually recovering.

IV. Business prospects

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

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

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

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

Firstly, the Company's main customer groups include provincial and municipal public resource trading centers, government procurement centers, large local state-owned enterprises and schools. Due to the epidemic, it is expected that the operations of the above mentioned entities will be continuously adversely affected until May, which will inevitably lead to a decrease in the volume of e-procurement platform in the first and second quarters of 2020, and the Company's earnings will drop significantly as compared to the corresponding period in 2019.

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

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

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 2019.

DIVIDEND

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

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 2019.

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 annual results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF RSM HONG KONG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Auditors, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Auditors on this announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cpphk1094.com) by 8 July 2020.

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

Hong Kong, 30 June 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Zheng Jinwei (Chairman and Chief Executive) 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.