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CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of China Public Procurement Limited (the “**Company**”) announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”) with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	11,322	12,376
Cost of sales		(3,570)	(2,649)
Gross profit		7,752	9,727
Other income and gains	5	1,962	2,914
Administrative expenses		(28,429)	(29,563)
Reversal of impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries		2,781	737
Reversal of impairment loss of loan receivables		5,097	—
Reversal of impairment loss of trade and other receivables		12	—
Loss from operations		(10,825)	(16,185)
Finance costs	6	(1,071)	(1,929)

		Six months ended 30 June	
		2019	2018
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss before tax		(11,896)	(18,114)
Income tax credit	7	<u>1,673</u>	<u>1,161</u>
Loss for the period	8	<u>(10,223)</u>	<u>(16,953)</u>
Attributable to:			
Owners of the Company		(9,853)	(15,611)
Non-controlling interests		<u>(370)</u>	<u>(1,342)</u>
		<u>(10,223)</u>	<u>(16,953)</u>
			(Restated)
Loss per share	9		
Basic (HK cents per share)		<u>(5.65)</u>	<u>(9.56)</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(10,223)</u>	<u>(16,953)</u>
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income ("FVTOCI")	—	(3,038)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(2,486)</u>	<u>(2,749)</u>
Other comprehensive income for the period, net of tax	<u>(2,486)</u>	<u>(5,787)</u>
Total comprehensive income for the period	<u><u>(12,709)</u></u>	<u><u>(22,740)</u></u>
Attributable to:		
Owners of the Company	(12,509)	(21,486)
Non-controlling interests	<u>(200)</u>	<u>(1,254)</u>
	<u><u>(12,709)</u></u>	<u><u>(22,740)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,565	2,421
Right-of-use assets	12	1,778	—
Prepaid land lease payments		4,158	4,227
Investment properties		265,469	266,776
Intangible assets		9,867	10,162
Total non-current assets		283,837	283,586
Current assets			
Prepaid land lease payments		97	97
Inventories — raw materials		464	312
Trade and other receivables	13	15,452	11,342
Loan receivables	14	2,047	2,286
Financial assets at fair value through profit or loss ("FVTPL")		2,957	2,515
Equity instruments at FVTOCI		—	3,191
Bank and cash balances		10,499	26,344
Total current assets		31,516	46,087
TOTAL ASSETS		315,353	329,673

		30 June 2019	31 December 2018
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
EQUITY AND LIABILITIES			
Share capital	15	17,449	174,490
Reserves		165,804	14,752
Equity attributable to owners of the Company		183,253	189,242
Non-controlling interests		(8,809)	(5,252)
Total equity		174,444	183,990
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	16	31,847	34,290
Lease liabilities		1,171	—
Deferred income		4,393	4,558
Deferred tax liabilities		37,385	39,234
Total non-current liabilities		74,796	78,082
Current liabilities			
Bank and other borrowings	16	4,550	4,572
Trade and other payables	17	23,186	25,073
Contract liabilities		1,758	1,817
Lease liabilities		613	—
Amounts due to an ex-substantial shareholder and its subsidiaries	18	2,669	2,682
Current tax liabilities		33,337	33,457
Total current liabilities		66,113	67,601
TOTAL EQUITY AND LIABILITIES		315,353	329,673
Net current liabilities		(34,597)	(21,514)
Total assets less current liabilities		249,240	262,072

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(11,896)	(18,114)
Adjustments for:		
Depreciation	508	739
Equity-settled share-based payments	463	454
Reversal of impairment loss of amounts due from an ex-substantial shareholder and its subsidiaries	(2,781)	—
Reversal of impairment loss of loan receivables	(5,097)	—
Reversal of impairment loss of trade and other receivables	(12)	—
Other (gains and income)/operating activities, net	(2,104)	4,723
NET CASH USED IN OPERATING ACTIVITIES	(20,919)	(12,198)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans advanced	—	(14,749)
Loans refunded	5,232	14,749
Other investing activities	110	82
Repayment from an ex-substantial shareholder and its subsidiaries	3,392	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	8,734	82
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(2,275)	(11,062)
Proceeds from issue of shares	—	13,338
Other financing activities	196	(1,929)

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(2,079)</u>	<u>347</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,264)	(11,769)
Effect of foreign exchange rate changes	(1,581)	374
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>26,344</u>	<u>43,270</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>10,499</u>	<u>31,875</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u><u>10,499</u></u>	<u><u>31,875</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except as stated below.

The Group incurred a net loss and net operating cash outflows of approximately HK\$10,223,000 and HK\$20,919,000, respectively, during the six months ended 30 June 2019, the Group had net current liabilities of approximately HK\$34,597,000 as at 30 June 2019. 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;
- (b) The Group has obtained the credit facilities of RMB80,000,000 (equivalent to approximately HK\$90,992,000) from a bank in the PRC by pledging the Group's non-current assets. As at 30 June 2019, facilities of RMB32,000,000 (equivalent to approximately HK\$36,397,000) has been utilised by the Group; and
- (c) The Company has adopted the equity financing approach to strengthen the financing position of the Group and raise additional funds for the Group to replenish its working capital. On 9 May 2019, the Company and a subscriber entered into a subscription agreement to allot and issue 34,897,000 shares, approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company immediately after completion of the subscription, at the subscription price of HK\$0.337 per subscription share, under the general mandate. The subscription of new shares was completed on 26 July 2019, raising the net proceeds of HK\$11.63 million.

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 are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining Whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use asset representing its rights to use the underlying assets and lease liability representing its obligation to make lease payments.

Lessor accounting under HKFRS 16 is substantially unchanged under 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 for leases where the Group is the lessor.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases properties.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use asset and lease liability for most leases.

However, the Group has elected not to recognise right-of-use asset and lease liability for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use assets relate to the following type of assets:

	Balance as at	
	30 June	1 January
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Office properties	<u>1,778</u>	<u>—</u>

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include office premises and staff quarters. The leases typically run for a period of a year.

At transition, the Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use asset and liability for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Group which leases out its investment properties has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17.

The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(d) **Impacts of financial statements**

Impact on transition

On transition to HKFRS 16, the Group did not recognise additional right-of-use assets and additional lease liabilities by application of exemption.

	1 January 2019 HK\$'000
Assets	
Right-of-use assets	—
Property, plant and equipment	—
	<u>—</u>
	<u><u>—</u></u>
Liabilities	
Lease liabilities	—
	<u><u>—</u></u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.71%.

	1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements (audited)	1,075
Discounted using the incremental borrowing rate at 1 January 2019	899
Less: Recognition exemption for leases with less than 12 months of leases term at transition	<u>(899)</u>
Lease liability recognised as at 1 January 2019 (unaudited)	<u><u>—</u></u>

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised approximately HK\$1,778,000 of right-of-use assets and approximately HK\$1,784,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised approximately HK\$135,000 of depreciation charges and approximately HK\$14,000 of finance costs from these leases. No depreciation is recognised for the right-of-use asset that meets the definition of investment property.

4. REVENUE AND 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.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 June 2019

	Public procurement <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Provision of corporate IT solution <i>HK\$'000</i> (Unaudited)	Rental income <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>3,738</u>	<u>—</u>	<u>2,648</u>	<u>4,936</u>	<u>11,322</u>
Segment profit	<u>3,565</u>	<u>—</u>	<u>964</u>	<u>3,235</u>	7,764
Administrative expenses					(28,429)
Finance costs					(1,071)
Other income and gains					1,962
Reversal of impairment loss of amounts due from an ex- substantial shareholder and its subsidiaries					2,781
Reversal of impairment loss of loan receivables					<u>5,097</u>
Consolidated loss before tax					<u>(11,896)</u>

As at 30 June 2019

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	<u>9,437</u>	<u>2,275</u>	<u>2,105</u>	<u>265,605</u>	<u>279,422</u>
Segment liabilities	<u>4,507</u>	<u>—</u>	<u>1,758</u>	<u>2,936</u>	<u>9,201</u>

For the six months ended 30 June 2018

	Public procurement <i>HK\$'000</i> (Unaudited)	Trading business <i>HK\$'000</i> (Unaudited)	Provision of corporate IT solution <i>HK\$'000</i> (Unaudited)	Rental income <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>3,006</u>	<u>—</u>	<u>4,649</u>	<u>4,721</u>	<u>12,376</u>
Segment profit	<u>2,084</u>	<u>—</u>	<u>3,229</u>	<u>4,414</u>	<u>9,727</u>
Administrative expenses					(29,563)
Finance costs					(1,929)
Other income and gains					2,914
Reversal of impairment loss of amounts due from a subsidiary of an ex-substantial shareholder					<u>737</u>
Consolidated loss before tax					<u>(18,114)</u>

As at 31 December 2018

	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	<u>9,283</u>	<u>—</u>	<u>4,560</u>	<u>267,736</u>	<u>281,579</u>
Segment liabilities	<u>5,629</u>	<u>—</u>	<u>1,817</u>	<u>2,408</u>	<u>9,854</u>

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	24	1,425
Dividend income	4	—
Exchange gain	3	—
Gains on disposals of financial assets at FVTPL	15	155
Government grants — amortisation of deferred income	145	154
Government grants (<i>Note</i>)	362	71
Interest income on loan receivables	1,227	846
Sundry income	182	263
	<u>1,962</u>	<u>2,914</u>

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowing	1,057	1,255
Interest on lease liabilities	14	—
Interest on other borrowings	—	674
	<u>1,071</u>	<u>1,929</u>

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the year	9	—
Underprovision in prior years	6	629
Deferred tax — the PRC	<u>(1,688)</u>	<u>(1,790)</u>
	<u>(1,673)</u>	<u>(1,161)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Pursuant to relevant laws and regulations in the PRC, the PRC Enterprise Income Tax rate of subsidiaries registered in the PRC is 25% (six months ended 30 June 2018: 25%).

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
— Directors' emoluments (excluding equity-settled share-based payments)	1,821	2,743
— Salaries, bonuses and allowances	13,343	11,833
— Retirement benefits scheme contributions	846	1,034
— Equity-settled share-based payments (<i>Note</i>)	463	—
Total staff costs	<u>16,473</u>	<u>15,610</u>
Amortisation of intangible assets (included in administrative expenses)	65	69
Depreciation	508	739
Equity-settled share-based payments	—	454
Loss on disposals of property, plant and equipment	—	4
Operating leases charges — land and buildings	<u>1,211</u>	<u>1,947</u>

Note: Equity-settled share-based payments includes HK\$463,000 (unaudited) which is included in the staff costs for the six months ended 30 June 2019. For the six months ended 30 June 2018, they include HK\$454,000 (unaudited) in administrative expenses.

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 period attributable to owners of the Company of approximately HK\$9,853,000 (unaudited) (six months ended 30 June 2018: approximately HK\$15,611,000 (unaudited)) and the weighted average number of ordinary shares of approximately 174,490,000 (unaudited) (six months ended 30 June 2018: approximately 163,362,000 (restated and unaudited)) for both period, which has been adjusted for the effect of share consolidation on 21 February 2019.

Diluted loss per share

There was no dilutive potential ordinary shares for the Company's share options for the six months ended 30 June 2019 and 2018.

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, additions to the Group's property, plant and equipment were approximately HK\$550,000 (unaudited) (six months ended 30 June 2018: approximately HK\$61,000 (unaudited)).

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into a new lease agreement for use of property for 3 years. The Group makes fixed payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised approximately HK\$1,913,000 and HK\$1,826,000 of right-of-use asset and lease liability respectively.

13. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	2,190	5,462
Provision for impairment loss	(172)	(172)
	2,018	5,290
Other receivables	8,223	3,469
Provision for impairment loss	(711)	(711)
	7,512	2,758
Compensation income receivable	8,473	8,473
Provision for impairment loss	(8,473)	(8,473)
	—	—
Prepayments for goods	71,952	69,944
Provision for impairment loss	(69,677)	(69,944)
	2,275	—
Other prepayments	9,144	8,847
Provision for impairment loss	(6,757)	(6,765)
	2,387	2,082
Deposits	1,263	1,215
Provision for impairment loss	(3)	(3)
	1,260	1,212
	15,452	11,342

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
At the beginning of the period/year	86,068	84,192
Additional impairment recognised at 1 January 2018 under HKFRS 9	<u>—</u>	<u>240</u>
Restated at 1 January 2018	86,068	84,432
Provision for impairment loss for the period/year	—	665
Exchange differences	<u>(275)</u>	<u>971</u>
At the end of the period/year	<u>85,793</u>	<u>86,068</u>

At 30 June 2019, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK\$136,000 (unaudited) (31 December 2018: HK\$989,000 (audited)).

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

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 to 90 days	762	5,152
91 to 180 days	1,206	87
181 to 365 days	—	25
Over 365 days	<u>50</u>	<u>26</u>
	<u>2,018</u>	<u>5,290</u>

14. LOAN RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loan receivables (<i>Note</i>)	117,797	123,143
Provision for impairment loss	(115,750)	(120,857)
	<u>2,047</u>	<u>2,286</u>

Reconciliation of provision for impairment loss for loan receivables:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
At the beginning of the period/year	120,857	100,537
Additional impairment recognised at 1 January 2018 under HKFRS 9	—	25,221
Restated at 1 January 2018	120,857	125,758
Reversal of impairment loss for the period/year	(5,097)	(4,876)
Exchange differences	(10)	(25)
At the end of the period/year	<u>115,750</u>	<u>120,857</u>

Note:

As at 30 June 2019, loan receivables included a loan of HK\$100,000,000 (unaudited)(31 December 2018: HK\$100,000,000 (audited)) of which accumulated impairment of HK\$100,000,000 (unaudited) (31 December 2018: HK\$100,000,000 (audited)) was made. The loan was unsecured, interest-free, repayable in June 2015 and correlated to a cooperation arrangement with an independent third party. Pursuant to the cooperation arrangement, the independent third party had undertaken to engage the Group for procurement services for a transaction volume of not less than RMB950 million during the year ended 31 December 2014 at an agreed service charge of 1.5%. Further details of such were set out in the Company's announcements dated 5 June 2014.

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Authorized share capital			
Ordinary shares			
At 1 January 2018 and 31 December 2018 (HK\$0.1 each)		2,000,000	200,000
Share consolidation	(b)	<u>(1,800,000)</u>	<u>—</u>
		200,000	200,000
Capital reduction	(c)	<u>—</u>	<u>(180,000)</u>
		200,000	20,000
Increase in authorized number of shares (HK\$0.1 each)		<u>200,000</u>	<u>20,000</u>
Authorized ordinary shares at 30 June 2019 (HK\$0.1 each)		<u>400,000</u>	<u>40,000</u>
Preference shares			
At 1 January 2018 and 31 December 2018 (HK\$0.1 each)		1,000,000	100,000
Share consolidation	(b)	<u>(900,000)</u>	<u>—</u>
		100,000	100,000
Capital reduction	(c)	<u>—</u>	<u>(90,000)</u>
Authorized preference shares at 30 June 2019 (HK\$0.1 each)		<u>100,000</u>	<u>10,000</u>
Total authorized share capital at 30 June 2019 (HK\$0.1 each)		<u><u>500,000</u></u>	<u><u>50,000</u></u>

	<i>Notes</i>	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)	<u>133,380</u>	<u>13,338</u>
At 31 December 2018 and 1 January 2019 (HK\$0.1 each)		1,744,897	174,490
Share consolidation	(b)	<u>(1,570,407)</u>	<u>—</u>
		174,490	174,490
Capital reduction	(c)	<u>—</u>	<u>(157,041)</u>
At 30 June 2019 (HK\$0.1 each)		<u>174,490</u>	<u>17,449</u>
Preference shares			
At 1 January 2018, 31 December 2018 and 30 June 2019 (HK\$0.1 each)		<u>—</u>	<u>—</u>
Total issued and fully paid at 30 June 2019 (HK\$0.1 each)		<u><u>174,490</u></u>	<u><u>17,449</u></u>

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 authorized 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 shall be cancelled; to reduce the par value of all the issued ordinary shares from HK\$1.00 each to HK\$0.10 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\$0.10 each and 100,000,000 preference shares of HK\$0.10 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.

16. BANK AND OTHER BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank borrowing	<u>36,397</u>	<u>38,862</u>

The borrowings are repayable as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	4,550	4,572
More than one year, but not exceeding two years	4,550	4,572
More than two years, but not exceeding five years	13,649	13,716
More than five years	<u>13,648</u>	<u>16,002</u>
	36,397	38,862
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(4,550)</u>	<u>(4,572)</u>
Amount due for settlement after 12 months	<u>31,847</u>	<u>34,290</u>

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

The effective interest rates of borrowings were as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank borrowing	5.39%	5.39%
Other borrowings	N/A	N/A

Bank borrowing at 30 June 2019 and 31 December 2018 was secured by a charge over the Group's prepaid land lease payments, part of property, plant and equipment, investment properties and trade receivables.

17. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables (<i>Note</i>)	162	163
Accruals	7,434	7,086
Security deposits	2,411	3,546
Receipt in advance	797	369
Other payables	10,448	11,966
Payables for acquisition of intangible assets	1,934	1,943
	<u>23,186</u>	<u>25,073</u>

Note:

The average credit period on purchase 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:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Over 365 days	<u>162</u>	<u>163</u>

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

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

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

19. PLEDGE OF ASSETS

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Property, plant and equipment — building	1,378	1,429
Prepaid land lease payments	4,255	4,324
Investment properties	265,469	266,776
Trade receivables — rental receivables	136	989
	<u>271,238</u>	<u>273,518</u>

20. CAPITAL COMMITMENTS

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Acquisition of intangible assets	7,732	7,770
Further capital injection to an associate	19,563	19,659
	<u>27,295</u>	<u>27,429</u>

21. RELATED PARTY TRANSACTIONS

The key management personnel represented solely the directors of the Company and the compensation paid to them is disclosed in Note 8.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

During the six months ended 30 June 2019, the Group continued to develop and operate electronic trading platforms for government procurement, electronic procurement platforms for state-owned enterprises, as well as universities and colleges, and its business development was stable.

Firstly, the technical level and customer base of electronic procurement platforms for government procurement have gradually increased. In addition to continuing to operate the government procurement platforms of more than 10 provinces and cities such as Hubei Province, Qinghai Province, Hainan Province, Inner Mongolia Autonomous Region, Tianjin City, and Shenzhen City, the Group has been attracting and has acquired new government procurement customers such as Ningxia Hui Autonomous Region, Panjin City, Liaoning Province, Wulanchabu City, Inner Mongolia, Jingmen City, Hubei Province, and Heze City, Shandong Province, which will generate cash income in the second half of the year. In light of an improved procurement platform, the Group was able to deliver better customer experience and satisfaction, which in turn, will enhance industry influence.

Secondly, we officially launched our procurement platform for state-owned enterprises and it was put into service in Inner Mongolia Power Group. At the same time, we participated in compiling the industry standards of the “Standards of Procurement for State-owned Enterprises” with which the Group actively explored other state-owned enterprise customers and has signed cooperation intention agreements with a number of state-owned enterprises in Shandong, Inner Mongolia, Beijing, Shanxi and Yunnan.

Thirdly, the Group has applied and integrated its technical strengths in building its products. It has initially completed the research and development of “Electronic Platform for the Whole Purchase Process of Universities and Colleges” and the value-added service APP “Gongcai Tong” which we believe will further improve the Group's product system and profit model.

The investment properties of the Group, a commercial building, are located in Donghu New Technological Development Area, Wuhan City, Hubei Province, the PRC. The recurring rental income generated from the investment properties provided stable cash inflows to the Group and funded part of the operation and development expenses of the Group.

(II) FINANCIAL REVIEW

Operational Performance

1. *Revenue*

Revenue for the Period was HK\$11,322,000, representing a decrease of HK\$1,054,000 or 8.5% as compared to HK\$12,376,000 for the same period of last year.

The revenue included revenue from public procurement of HK\$3,738,000, accounting for 33.0% of the total revenue; revenue from provision of corporate IT solution of HK\$2,648,000, accounting for 23.4% of the total revenue; and rental income of HK\$4,936,000, accounting for 43.6% of the total revenue.

The decrease in revenue for the Period was mainly due to keen competition on provision of corporate IT solution, leading to the decrease in revenue in this segment. However, there were some increment on the public procurement segment and rental income segment.

2. *Cost of Sales*

Cost of sales for the Period was HK\$3,570,000, representing an increase of HK\$921,000 or 34.8% as compared to HK\$2,649,000 for the same period of last year. Cost of sales mainly comprised technical staff cost, relevant fixed assets depreciation, cost of authentication key and utility incurred by leased properties. The increase in cost of sales for the Period was mainly due to keen market competition, leading to the need to devote more resources to generate revenue.

3. *Gross Profit*

Gross profit for the Period was HK\$7,752,000, representing a decrease of HK\$1,975,000 or 20.3% as compared to HK\$9,727,000 for the same period of last year. Gross profit margin for the period was 68.5%, representing a decrease of 10.1 percentage point as compared to the gross profit margin of 78.6% for the same period of last year. The decrease in gross profit margin was mainly due to the increase in cost of sales.

4. *Other Income and Gains*

Other income and gains for the Period was HK\$1,962,000, representing a decrease of HK\$952,000 or 32.7% as compared to HK\$2,914,000 for the same period of last year. Other income and gains mainly comprised of interest income and government grants. The decrease in other income and gains was primarily due to the decrease in bank interest income resulted from the decrease in bank balance during the Period.

5. *Administrative Expenses*

The administrative expenses for the Period was HK\$28,429,000, representing a decrease of HK\$1,134,000 or 3.8% as compared to HK\$29,563,000 for the same period of last year. The administrative expenses mainly comprised of staff cost and benefits, office expenses, rental and professional fees. The decrease in administrative expenses was mainly due to the decrease in staff cost, rental expenses and utility expenses.

6. *Finance Costs*

Finance costs for the Period was HK\$1,071,000, representing a decrease of HK\$858,000 or 44.5% as compared to HK\$1,929,000 for the same period of last year. The finance costs mainly comprised of interests on bank and other borrowings. The decrease in finance costs was mainly due to the decrease in bank and other borrowings during the Period.

7. *Income Tax Credit*

Income tax credit for the Period amounted to HK\$1,673,000, representing an increase of HK\$512,000, or 44.1% as compared to HK\$1,161,000 for the same period of last year. The tax credit was mainly arising from the entitlement of additional tax allowance of land appreciation tax on our commercial building located in Wuhan City, Hubei Province, PRC. The increase in the income tax credit was mainly due to the lessened amount of underprovision in prior years.

8. *Loss for the Period*

The loss for the Period was HK\$10,223,000, representing a decrease of HK\$6,730,000 or 39.7% as compared to HK\$16,953,000. The loss decreased substantially was primarily due to the reversal of impairment loss recorded during the Period.

Financial Position

1. *Liquidity and capital resources*

As at 30 June 2019, the Group maintained cash and bank balances of HK\$10,499,000, representing a decrease of HK\$15,845,000 or 60.1% as compared to HK\$26,344,000 as at 31 December 2018. During the Period, the net cash used in operating activities amounted to HK\$20,919,000; the cash flows generated from investing activities amounted to HK\$8,734,000; the net cash used in financing activities amounted to HK\$2,079,000.

2. *Capital structure*

At the end of the Period, the total assets of the Group amounted to HK\$315,353,000, the total equity amounted to HK\$174,444,000, the total liabilities amounted to HK\$140,909,000. The assets-liabilities ratio (total assets over total liabilities) was 2.24:1 (31 December 2018: 2.26:1). The current debt ratio (current assets over current liabilities) was 0.48:1 (31 December 2018: 0.68:1).

(III) OTHER ISSUES

1. **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 became 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.

(d) *Share premium reduction*

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

(e) *Offsetting the accumulated losses*

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

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

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

3. Pledge of Assets

As at 30 June 2019, the Group has obtained a credit facility of RMB80,000,000 (equivalent to approximately HK\$90,992,000) from a bank in the PRC by pledging the Group’s properties. Bank borrowing as at 31 December 2018 and 30 June 2019 was secured by a charge over the Group’s property, plant and equipment, prepaid land lease payments, part of investment properties and trade receivables. As at 30 June 2019, facilities of RMB32,000,000 (equivalent to approximately HK\$36,397,000) have been utilised by the Group.

4. Capital Commitments and Contingent Liabilities

As at 30 June 2019, the capital commitment of the Group was HK\$27,295,000. Such commitment was mainly related to the acquisition of intangible assets and further capital injection to an associate.

The Group did not have any contingent liabilities as at 30 June 2019.

5. Foreign Exchange Exposure

For the six months ended 30 June 2019, the Group mainly earned revenue in RMB and incurred costs 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 impact on the Group's results and financial positions.

6. Staff and Remuneration Policy

The Group determines staff remuneration in accordance with market terms, individual qualifications and performances. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2019, the Group employed approximately 130 employees, and the total remuneration of employees (including the Directors) was approximately HK\$16,473,000. The Company maintains a share option scheme (the "**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.

7. Purchase, Sale or Redemption of the Company's Listed Securities

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

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 the 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

On 9 May 2019, the Company and a subscriber entered into a subscription agreements under the general mandate (the “**Subscription**”), 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 would be issued to replenish the general working capital of the Group to support its day-to-day operation. The Subscription was completed on 26 July 2019.

(IV) BUSINESS PROSPECTS

In light of the Chinese Government’s intention and commitment to enter into the Government Procurement Agreement (GPA), and the rapid development of e-commerce technology, the government procurement, universities and colleges, state-owned enterprises and social organisations in China are actively promoting the development of openness and transparency of procurement practiced through electronic methods or application of e-commerce, big data, artificial intelligence, mobile internet and other technologies in the procurement segment.

In response to the market trend, the Group continued to carry on its three key products, i.e. “government procurement trading platform”, “electronic procurement platform for state-owned enterprises” and “electronic procurement platform for colleges and universities”, in order to rapidly expand the market share of the Group. Meanwhile, the Company has provided valuable services for purchasers and suppliers, including supply chain financing, procurement information customization, price monitoring, bidding cooperation and market analysis and consultancy by screening, processing and analyzing various transaction information collected through the trading system, and developed more value-added service programs based on the advantage of big data, in order to further consolidate the leading position of the Group in the public procurement segment.

At present, the Chinese government has also increased its efforts in anti-corruption detection, monitoring state-owned enterprises, which therefore have led to strong demands for solid electronic procurement platform that can satisfy the “compliant” and “efficient” roles. In addition, the Group is a key drafter of the Regulations on the Procurement Technology of State-owned Enterprises, and it will seize the opportunity to strengthen its efforts in the promotion of electronic procurement platform for state-owned enterprises, and make it a new profit driver of the Group.

CORPORATE GOVERNANCE

1. Change of Directors

On 31 May 2019, Mr. Ho Wai Kong resigned as an executive Director and honorary chairman of the Company.

2. Compliance with the Corporate Governance Code

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

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

3. Audit Committee

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 Mr. Deng Xiang and Mr. Jiang Jun are independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2019, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

4. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2019.

DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

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

Hong Kong, 30 August 2019

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.