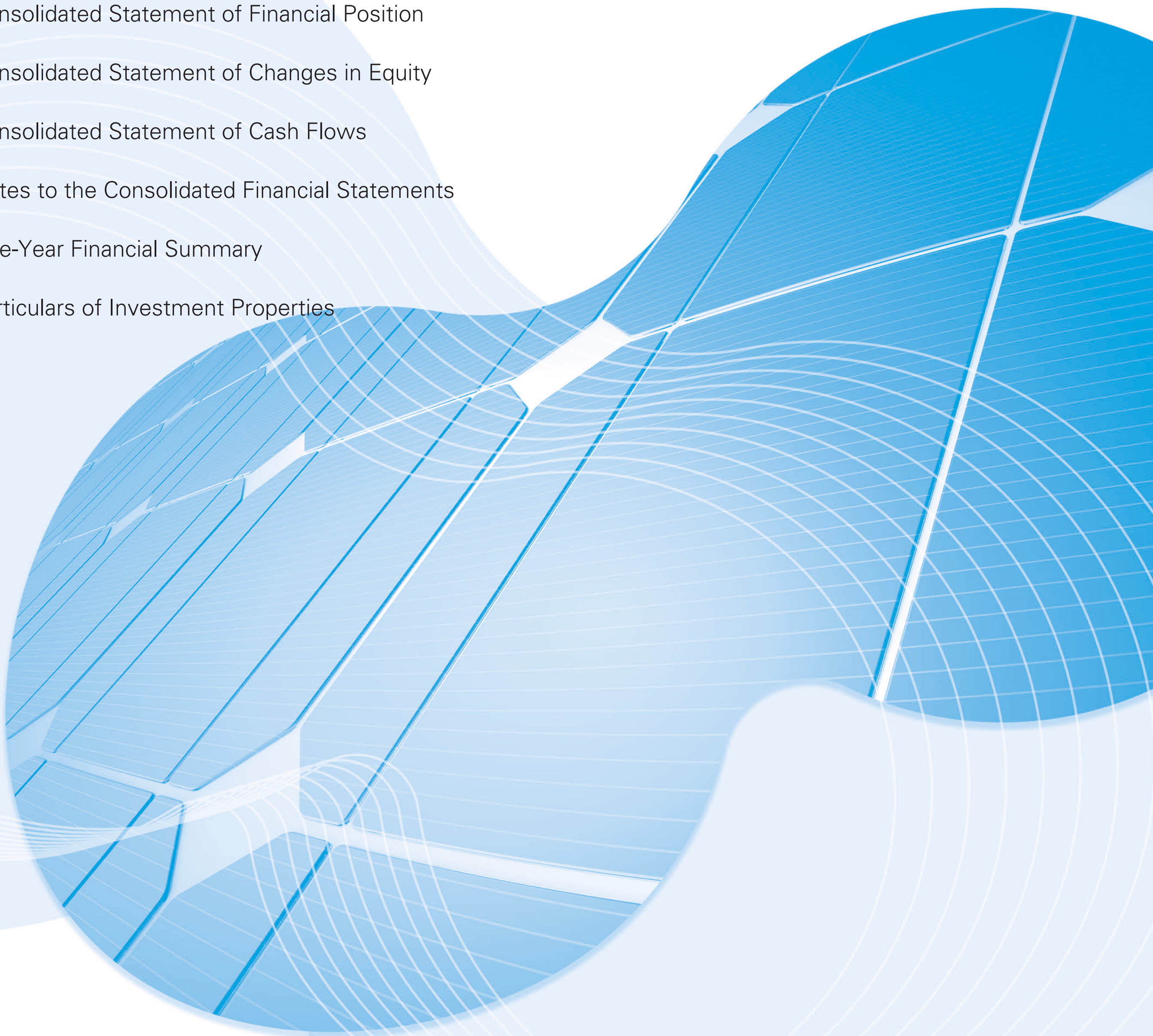
CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

Annual Report 2021/2022

Contents



Corporate Information

DIRECTORS

Executive Directors

Ms. Wu Siyuan *(Chairman and Chief Executive)* *Msc, Bsc*
(appointed as executive Director and Chief Executive on 19 November 2021 and Chairman on 29 April 2022)
Ms. He Qian, *CPA (PRC), EMBA, BAcc*
Mr. Zheng Jinwei, *EMBA, BEng*
(Chairman and Chief Executive)
(ceased as Chief Executive on 19 November 2021 and Chairman and executive Director on 29 April 2022)

Non-executive Directors

Ms. Liu Qian, *EMBA, MA, BEng*
(appointed on 8 October 2021)
Mr. Li Shun, *CGMA, MSc, BA*
(appointed on 8 October 2021)
Mr. Li Guanghua, *EMBA, BEng*
(appointed on 16 February 2022)
Mr. Xu Peng, *EMBA*
(ceased on 19 November 2021)
Mr. Zhang Jianguo, *EMBA, BEng*
(ceased on 16 July 2021)
Mr. Chen Limin, *Solicitor (PRC), LLB*
(ceased on 1 February 2021)

Independent Non-executive Directors

Mr. Jiang Jun, *BAcc*
Mr. Wang Shuai, *BEcon*
Mr. Zhong Dengyu, *CPA (PRC)*
(appointed on 17 December 2021)
Mr. Deng Xiang, *CPA (PRC), BSc, BEcon*
(ceased on 19 January 2022)

BOARD COMMITTEES

Audit Committee

Mr. Jiang Jun
Mr. Wang Shuai
(appointed on 1 February 2021)
Mr. Zhong Dengyu *(Chairman)*
(appointed on 19 January 2022)
Mr. Deng Xiang *(Chairman)*
(ceased on 19 January 2022)
Mr. Chen Limin
(ceased on 1 February 2021)

Remuneration Committee

Mr. Jiang Jun *(Chairman)*
Mr. Zhong Dengyu
(appointed on 19 January 2022)
Ms. Wu Siyuan *Msc, Bsc*
(appointed on 29 April 2022)
Mr. Zheng Jinwei
(ceased on 29 April 2022)
Mr. Deng Xiang
(ceased on 19 January 2022)

Nomination Committee

Ms. Wu Siyuan *(Chairman)* *Msc, Bsc*
(appointed on 29 April 2022)
Mr. Jiang Jun
Mr. Zhong Dengyu
(appointed on 19 January 2022)
Mr. Deng Xiang
(ceased on 19 January 2022)
Mr. Zheng Jinwei *(Chairman)*
(ceased on 29 April 2022)

AUTHORISED REPRESENTATIVES

Ms. Wu Siyuan (as to Listing Rules)
(appointed on 29 April 2022)
Mr. Lau Man Kit (as to Companies Ordinance)
(appointed on 1 December 2021)
Ms. Wong Kwun Yuet Shavonne (as to Listing Rules)
(appointed on 1 December 2021)
Mr. Zheng Jinwei *EMBA, BEng*
(ceased on 29 April 2022)
Ms. Ng Weng Sin, *FCPA (HK), EMBA, MCF, MPA*
(ceased on 1 December 2021)

COMPANY SECRETARY

Ms. Wong Kwun Yuet Shavonne
(appointed on 1 December 2021)
Ms. Ng Weng Sin
(ceased on 1 December 2021)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 705, 7/F
Nam Wo Hong Building
148 Wing Lok Street
Sheung Wan
Hong Kong

AUDITOR

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

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners

As to Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

STOCK CODE

1094

WEBSITE

www.cpphk1094.com

Chairman's Statement

BUSINESS OPERATION

For the fifteen months ended 31 March 2022 (the "**Period**"), the main business of China Public Procurement Limited (the "**Company**", together with its subsidiaries the "**Group**") maintained a steady growth, on annual basis. The sales revenue achieved an overall double-digit percentage increase whilst the total operational and administrative expenses were kept under control and in line with the revenue growth, which demonstrated a positive momentum for future development. Several factors contributed to this achievement. Firstly, the Company's customer groups generally included governments, universities or other related public-sector institutions, whose annual procurement demand were relatively stable meaning that the Company's IT service orders were less affected by external factors. Secondly, the Company has been constantly improving and innovating its technological capabilities for its public procurement information technology services, which has won more and more new customers for the Company, especially in Hubei Province, where the market share of the Company continued to increase. Thirdly, in addition to serving the procurement needs of public sector customers, the Company has successfully expanded its business to the private sector. The development of new customers in the private sector not only opened up a larger market for the Company, providing a strong impetus and support for the Company's medium and long-term development, but also made the Company more confident in its technological development capabilities and market competitiveness in the procurement services business.

It is known to all that the central government of the People's Republic of China ("**PRC**" or "**China**") is determined to adhere to the policy of dynamic clearing of coronavirus disease 2019 ("**COVID-19**") pandemic. The anti-epidemic measures implemented by various local governments were therefore very strict, which had greatly affected and interrupted normal business activities. Consequently, procurement trade and logistics transportation had become unstable due to the implementation of epidemic prevention and control measures taken in different regions and areas. Supply chain instability created greater financial or cash flow challenges for small and medium-sized enterprises ("**SMEs**"), which also affected the collection efficiency and quality of some trade receivables of the Company directly. In addition, in light of the deteriorating international economic and trade environment due to the Russian-Ukrainian war and Sino-US trade frictions, the management of the Company believes that the future external economic environment faces by the Company is increasingly uncertain, and may be even worse than that of 2021. In this context, in order to conduct business in a prudent manner, the Company will have to take cautious and proactive actions including legal means towards certain of its customers as well as make more adequate accounting provisions. Although this may affect the Company's profitability for the coming financial year, the Company believes that a more active and timely handling of risks is one of the effective risk management methods to safeguard the interests of its shareholders in the long run.

BUSINESS PROSPECTS

China's economy may slow down in 2022, due to months of lockdown or restrictions on travelling and transportation in key economic center cities such as Shanghai and Beijing. Internationally, the war between Russia and Ukraine has worsened the already unstable international economic and trade environment, and is breaking the original supply chain layout of the world. Facing such a complex and adverse external environment, the Company must seek breakthrough opportunities to sustain its development and growth. After a long time of observation and analysis, the management of the Company firmly believes that the new energy industry is the field with much businesses potential and opportunities in the next decade. Since President Xi Jinping announced that China has committed to peaking its carbon emissions by 2030 and achieving carbon neutrality by 2060, the central government has implemented various methods and policies and provided incentives to enable enterprises to use new energy. Local governments at various levels have also responded to the call from the central government to increase their support for new energy including photovoltaic and wind power and encouraged the development of innovative projects in the new energy sector. The management of the Company believes that the rapid development of new energy industry has provided unprecedented opportunities for the Company's future business. The engineering, procurement and construction ("**EPC**") model has become common within the new energy industry, providing many supply chain procurement bidding and trading business opportunities, which are very worthy of exploring and expanding by the Company. While, new energy projects cannot be built without the support of local governments, the Company can make use of its long-term stable relationships with local governments at different levels accumulated over the years to promote the implementation of new energy projects such as photovoltaic power generation in various areas, thereby gaining many new customers in the new energy industry. Given that these customers are mainly large size power companies with good credit rating and strong economic strength they are considered as high-quality customers with large business volume and low business risks. Through these customers, the Company's business size can be quickly enlarged, thus driving through the growth bottleneck at a faster speed. Therefore, the Company intends to increase its penetration in the new energy industry and seek various opportunities to overcome the bottleneck of its development.

Management Discussion and Analysis

I. BUSINESS REVIEW

During the Period, the Group had derived its revenues from five areas: (i) provision of procurement services, (ii) trading business, (iii) provision of corporate IT solution, (iv) rental income and (v) energy management contracting business. The Group saw its business grow at a double-digit percentage on annualized basis. However, the pressure faced by the Group was also most challenging compared with its past. On one hand, the Group had to deal with the business disruptions and financial pressure caused by the strict anti-pandemic measures taken by the governments at all levels and throughout the PRC. On the other hand the constant changing and new government's policies and requirements with regards to governmental public procurements never stop presenting challenges to the Group. One of the latest examples was that certain local governments might turn from our customers into our competitors as they were required to develop the procurement platforms themselves to serve their procurement needs. With new challenges brought by the policies as well as the changing market conditions, we must put efforts in the technical innovation and market expansion and diversification to sustain its growth. It is pleasing to see that the Group achieved new progress in these aspects during the Period. In the aspect of technical innovation, we have successfully developed and incorporated the more advanced functions such as cloud signature and electronic letter of guarantee on our existing procurement platform. We have also combined the needs of our governmental customers in the procurement business with the requirements under the Government Procurement Law of the PRC to formulate a set of internal regulations on the collection of transaction files (交易檔案歸集管理規範), and developed a cloud platform for transaction files collection, which has been promoted and used nationwide. These advances have further enriched the functions of our existing products and highlighted our market competitiveness of being able to continuously provide better, safer and more transparent solutions for governmental procurement. In the aspect of market expansion and diversification, leveraging on our experience and technical advantage in governmental procurement, we have successfully developed software technique fit for private enterprises, further allowing the Group to directly provide software services to private enterprises with bidding and procurement needs, which is a big step forward in expanding the customer base of the Group from its traditional governmental clientele in the past. In addition, to enhance our competitiveness in private enterprise market, the Group also experimented the procurement services together with financial facilitation to private customers in the trading industry in the hope of increasing the Group's market share quickly.

Provision of procurement services

During the Period, the Group maintained its competitiveness and expanded its market share of government procurement and trading system, procurement management system, and trading system for state-owned enterprises, particularly in Hubei Province. In addition, the Group has also successfully enhanced its technical capabilities to meet the needs from clients from the private business sector regarding procurement and tendering processes. One of the markets that the Group plans to tap into is the new energy market. In September 2020, President Xi Jinping publicly announced that the PRC has committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. Accordingly, the central government of the PRC has implemented various initiatives and policies and has provided incentives to promote the use of new energy in enterprises nationwide. For example, on 20 June 2021, the National Energy Administration issued the Notice on Submitting the County (City, District) Roof Distributed Photovoltaic Development Pilot Scheme (《關於報送整縣（市、區）屋頂分佈式光伏開發試點方案的通知》) to promote the pilot county (city, district) distributed photovoltaic power projects throughout the country. Given the increasing popularity of the engineering, procurement and construction (EPC) model within the new energy industry and the promotion of carbon neutrality in PRC, the Group believes that this new momentum will provide tremendous business opportunities for its future procurement business. To this end, the Company is actively deploying and striving to develop this new market.

Trading business

Faced with the constant but sporadic outbreaks of the COVID-19 pandemic, the Group has made continuous efforts to expand the market and develop new customers to offset the adverse impact caused by external factors. The Group is pleased to see that its trading business had recorded larger growth as compared with the financial year ended 31 December 2020 without taking into account the effect of change of financial year end date in the Period. Moreover, the Group's new business of promoting bidding software technical services to customers in the trade sector is expected to bring in new trade customers and generate additional income.

Provision of corporate IT solution

The Group traditionally provides software development services to meet the maintenance and technical improvement requirements of the government and its affiliated or related institutions. In 2021, the Group has expanded its service offerings to private enterprise clients. Different from the governmental clientele who must conform to unified and fixed regulatory procedures and standards for public procurement matters, the private sector clients' needs and requests vary widely, which means that the Group's software package (the "**IT Solutions**") must be restructured to accommodate the various needs of varied private business users. After many efforts and attempts, we are pleased to see that the technology team of the Group finally achieved a technological breakthrough and successfully launched a package of IT Solutions that can meet the bidding and procurement needs of private enterprises. The Group believes that the application of the Company's IT Solutions to private clients in the trading industry is favorable for the business prospect of the Group, especially in terms of the expansion of private client base, which is one of the primary drivers for future business growth.

Rental income

The government's stringent control measures against the COVID-19 pandemic has had an impact on the tenants of the Group's own commercial building located in Donghu New Technology Development Zone, Wuhan City, Hubei Province, the PRC (the "**Zone**"). Although the rental income for the Period has increased compared with that of 2020, the rent level in the Zone and nearby areas tended to decrease. The Company is cautious and concerned about the prospect of rental market when the COVID-19 pandemic may continue in 2022.

Energy management contracting business

As stated above, the promotion and support of new clean energy construction and usage by the governments at all levels throughout the country has provided the Company with great business opportunities. The Company planned to resume its energy management services, which had been suspended for some years, to cater for the emerging and fast developing business demand. During the Period, the Group had signed contracts with local government and power companies to provide to them with less sophisticated operational and maintenance services to their solar power plants. The management will keep a close eye on the outcomes of this business trial and will adjust our business model and service offerings to better serve our customers and maximize the profits.

II. FINANCIAL REVIEW

As the Company changed its financial year end date from 31 December to 31 March as announced by the Company on 30 November 2021, the financial information of the Company herein presented is for the fifteen months ended 31 March 2022, with comparable based on these for the twelve months ended 31 December 2020, the comparative amounts are therefore not directly comparable.

Operational Performance

1. Revenue

Revenue of the Group for the Period was HK$140,256,000 (year ended 31 December 2020: HK$93,555,000).

The revenue for the Period included revenue from provision of procurement services of HK$14,596,000, accounting for 10.4% of the total revenue; revenue from trading business of HK$85,141,000, accounting for 60.7% of the total revenue; revenue from provision of corporate IT solution of HK$14,573,000, accounting for 10.4% of the total revenue; rental income of HK$24,654,000, accounting for 17.6% of the total revenue; and revenue from energy management contracting business of HK$1,292,000, accounting for 0.9% of the total revenue.

2. Cost of sales

Cost of sales for the Period was HK$116,037,000 (year ended 31 December 2020: HK$74,940,000). Cost of sales mainly comprised cost of goods purchased for trading business, costs of the provision of service of technical staff which could generate income in the Period, the cost of authentication key and the water and electricity of properties rented. To reflect more accurate costing, the related staff costs were classified from administrative expenses to direct costs due to our successful projects which could generate income in the Period.

3. Gross profit

Gross profit for the Period was HK$24,219,000 (year ended 31 December 2020: HK$18,615,000). Gross profit margin for the Period was 17.3%, representing a decrease of 2.6 percentage points as compared to the gross profit margin of 19.9% for the year ended 31 December 2020.

The decrease in gross profit margin was mainly due to the increase in costs of authentication key in provision of procurement services and technical costs involved in the successful projects in provision of IT solution services.

4. *Other income and (losses)/gains*

Other income and (losses)/gains for the Period was a loss of HK$5,785,000 (year ended 31 December 2020: a gain of HK$10,338,000). The other income and (losses)/gains mainly comprised fair value losses on investment properties, government grants, reversal of accruals and exchange gain for the Period.

5. *Administrative expenses*

Administrative expenses for the Period was HK$46,120,000 (year ended 31 December 2020: HK$36,169,000). The administrative expenses mainly comprised staff cost, legal and other professional fees, and general office expenses. The average monthly expenses were similar to that of last year.

6. *Reversal of impairment loss for intangible assets, impairment loss for trade and other receivables, (impairment loss)/reversal of impairment loss for prepayments and loan receivables*

Based on the valuation conducted by an independent valuer for the Period, the Group made a net impairment loss for trade and other receivables of HK$397,000; a net impairment for loan receivables of HK$2,651,000 as recoverability of these receivables were in doubt and an impairment loss for prepayments for goods was HK$6,060,000 on the ground that one of the suppliers of the Group failed to honour its contractual responsibility to supply goods to the Group and failed to repay the relevant prepayments to the Group. The Group is in debt recovery process to recover the relevant prepayments from this supplier, and the Directors considered the chance of recovering the prepayments made to this supplier to be remote.

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

7. *Written-off of a loan receivable*

One of the debtors of loan receivables of the Group, which was a limited liability company established in the PRC, was de-registered during the Period. After taking into consideration legal advices, the Directors considered that there is no realistic prospect to recover the respective loan receivable. After the above assessment, the Group wrote off a gross carrying amount of loan receivable balance of approximately HK$2,423,000 in related to this debtor during the Period.

8. *Finance costs*

Finance costs for the Period was HK$2,146,000 (year ended 31 December 2020: HK$2,023,000). They were interests on bank borrowing and lease liabilities.

9. Income tax credit

Income tax credit of the Group for the Period amounted to HK$7,445,000 (year ended 31 December 2020: HK$49,000). The income tax credit mainly arise from the reversal of the deferred taxation on land appreciation tax of our properties located in Wuhan, Hubei Province, the PRC.

10. (Loss)/profit for the period/year

Loss for the Period amounted to HK$33,918,000 (year ended 31 December 2020: a profit of HK$221,000). The loss for the Period was mainly due to written-off of a loan receivable, provision for impairment loss of certain receivables and prepayments and fair value losses on investment properties.

Financial Position

1. Liquidity and capital structure

As at 31 March 2022, the Group maintained bank and cash balances of HK$27,592,000 (31 December 2020: HK$16,293,000) of which HK$25,180,000 (31 December 2020: HK$15,162,000) were denominated in RMB. The Group's total assets amounted to HK$369,218,000 (31 December 2020: HK$360,002,000), total equity amounted to HK$194,659,000 (31 December 2020: HK$204,476,000), and total liabilities amounted to HK$174,559,000 (31 December 2020: HK$155,526,000). The assets-liabilities ratio (total assets over total liabilities) was 2.12:1 (31 December 2020: 2.31:1), the current ratio (current assets over current liabilities) was 0.55:1 (31 December 2020: 0.47:1) and the gearing ratio (total borrowings over total equity) was 0.13:1 (31 December 2020: 0.15:1).

2. Structure of interest-bearing bank and other borrowing

As at 31 March 2022, the Group's interest-bearing bank borrowings amounted to approximately HK$25,897,000 (31 December 2020: HK$30,851,000) which were denominated in Renminbi.

The percentage of interest-bearing bank borrowings wholly repayable within one year and in the second to the fifth years were 19.05% and 76.19% (31 December 2020: 15.38% and 61.54%), respectively. As at 31 March 2022, all interest-bearing bank borrowings were arranged at floating rate and secured by a charge over the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank and cash balances and rental income.

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, associates and joint venture during the Period.

The Group did not have any specific future plans for material investments or capital assets as at 31 March 2022. Nevertheless, the Group will continue to explore and evaluate projects and investment opportunities with potentials to create value for its shareholders in the long run.

2. Pledge of assets

As at 31 March 2022, the Group had a bank borrowing of RMB21,000,000 (equivalent to approximately HK$25,897,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank balances and rental income.

3. Litigation and contingent liabilities

In November 2019, the Beijing Dongcheng District People's Court ("**Beijing Dongcheng District Court**") published an announcement regarding a summons issued to Gongcai Network Technology Limited (公採網絡科技有限公司) ("**Gongcai Network**"), a wholly-owned subsidiary of the Company, in respect of a civil case relating to a license fee income recognised as other income by the Group in 2012. Guocai South China Metal Exchange Service Limited (the "**Plaintiff**") claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK$16,648,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately HK$9,256,000) (collectively the "**Claimed Amounts**"). Due to the outbreak of Covid-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

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

On 22 October 2021, the Plaintiff filed a retrial application with the Higher People's Court of Beijing Municipality ("**Higher People's Court**") for the final judgment. On 11 February 2022, the Higher People's Court made the final judgement and rejected the retrial application from the Plantiff. Therefore, the Group did not have any contingent liabilities at the end of the Period.

4. Foreign exchange exposure

During the Period, 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 March 2022, the Group employed approximately 135 employees, and the total remuneration of employees (including the Directors) for the Period was approximately HK$39,499,000. On 29 April 2022, the Company announced the adoption of a share award plan together with the proposed adoption of a new share option scheme to replace its existing share option scheme which will expire next year, with a view to attract and retain quality personnel and to provide them with incentive to contribute to future business development and operations of the Group.

6. Issue of shares

On 8 September 2021, the Company and a subscriber, Eastmount Global Limited entered into a subscription agreement under the general mandate, pursuant to which the subscriber agreed to subscribe for, and the Company agreed to allot and issue 48,800,000 ordinary shares (being approximately 19.98% of the existing issued share capital of the Company as at the date of the agreement, being approximately 16.65% 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$0.361. The aggregate nominal value of the subscription shares was HK$17,616,800. The then market price on 8 September 2021 was HK$0.450 and the net price of each subscription share was approximately HK$0.360. The net proceeds from the subscription were approximately HK$17.6 million. The Directors were of the view that the proceeds from the subscription would increase the general working capital of the Company, hence improving the liquidity condition and balance the financial conditions of the Company to a more stable and healthy level. The proceeds have been used to replenish the general working capital of the Group to support its day-to-day operation. The subscription of new shares was completed on 29 October 2021.

7. Important events subsequent to the Period

(i) Placing of convertible bonds

To facilitate the business development of the Group, on 3 December 2021 (after trading hours), the Company entered into a convertible bond placing agreement with the placing agent (the "**CB Placing Agreement**"), pursuant to which the Company proposed to offer for subscription, and the placing agent had agreed to procure subscriptions for, the convertible bonds in the principal amount of up to HK$75,000,000 (the "**Convertible Bonds**") on a best effort basis and subject to the terms and conditions set out in the CB Placing Agreement. On 19 April 2022, all conditions precedent to the CB Placing Agreement had been fulfilled and completion of the placing of the Convertible Bonds took place. Convertible Bonds in the aggregate principal amount of HK$27,500,000, which may be converted into 18,333,333 conversion shares of the Company based on the initial conversion price of HK$1.50 (subject to adjustment) per share upon full conversion, were issued by the Company to Sea Best Group Limited and Mr. Wu Feng. The conversion shares shall rank pari passu in respect of the voting rights with all other shares of the Company in issue on the date of issue and allotment of the conversion shares. The Convertible Bonds carry coupon interest at the rate of 5% per annum with a term of 7-years. The closing price of the shares of the Company on the date of the CB Placing Agreement was HK$1.53 per share. The net proceeds from the placing of the Convertible Bonds are approximately HK$26,500,000, it is intended that the net proceeds will be used as follow:

(i) approximately HK$25,000,000 for the expansion of the existing procurement and tendering business of the Group to customers in trading industry; and

(ii) approximately HK$1,500,000 as general working capital.

For further details of the placing of the Convertible Bonds, please refer to the announcements of the Company dated 3 December 2021 and 19 April 2022, and circular of the Company dated 12 January 2022.

(ii) Proposed adoption of new share option scheme and termination of existing share option scheme; and adoption of share award plan

On 29 April 2022, the Directors resolved to propose the adoption of a new share option scheme and the termination of the existing share option scheme of the Company. The proposed adoption of a new share option scheme and termination of the existing share option scheme are subject to the approval from the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**"), and the proposed adoption of a new share option scheme is also subject to the granting of the listing of and permission to deal in the shares of the Company which may be issued pursuant to the exercise of options granted under and in accordance with the terms of the new share option scheme from the Listing Committee of Stock Exchange. For further details of the proposed adoption of the new share option scheme, please refer to the announcement of the Company dated 29 April 2022.

On the same day, the Directors also resolved to adopt a share award plan, which is a discretionary plan of the Company and does not constitute a share option scheme under Chapter 17 of the Listing Rules. No shareholders' approval is required to adopt the share award plan.

For further details of the share award plan, please refer to the paragraph headed "Directors' Report — Equity-Linked Agreements — Share Award Plan".

Save as disclosed above, there were no other important events affecting the Group subsequent to the Period and up to the date of this annual report.

IV. BUSINESS PROSPECTS

In 2021, the Group has successfully improved and upgraded its IT techniques and capabilities to facilitate procurement and tendering processes for clients in the private business sector, which is a big step forward from its traditional governmental clientele in the past. The Group has been minded to expanding its customer base for the IT solutions to the trading industry as there are a lot of bidding and tendering opportunities in this industry. To open up this niche market quickly, the Group plans to provide some funding facilitation in addition to our newly developed software. The main risks associated with the above-mentioned business approach are credit risk that may arise from the sale of goods from the bidders and the payments from the users and the operational risk that may arise from the delivery of the trading goods from the selected bidders to the users along the supply chain. The management has assessed those risks and are of the opinion that the above-mentioned business approach is merely, in essence, an extension from the existing business model of the Group by applying the Group's experience in the trading business onto the furtherance of the sales of the Group's IT solutions to potential customers engaged in the trading business, so the total risks arising from such business approach is no more than, if not less than, the existing risks that the Group is facing. Since the Group has been engaged in the provision of corporate IT solutions business and the trading business for over a decade, it has built up a set of mature and comprehensive risk management and internal control mechanism to monitor and control risks arising out of its businesses, therefore the Group is able to manage the risks well with over a decade's experience.

Apart from expanding customer base to the trading industry, under the backdrop of vigorous development of the new energy industry initiated by the central government of the PRC, the Group strongly believes that it would be able to capture opportunities in the new energy industry by offering its newly developed IT solutions fit for the private business sector to those new energy businesses, such as distributed photovoltaic power generation station construction projects, which have been strongly promoted by the local governments throughout the PRC. Against such background, the Company also considers participating in and obtaining the procurement services in the energy projects through strategic collaboration with large state-owned enterprises or listed companies. The launch and implementation of the new energy projects require strong support from local governments, and the Company has extensive communication experiences with government authorities thanks to years of experience in engaging government procurements businesses. Therefore, the Group is of the view that by utilising its long-term stable relationships with local governments and supplier network maintained by the Group for years and through minority equity investment in such investment holding vehicles, the Group would have unique and strong competitiveness to participate in the EPC business of the large power station construction projects. High value-added services such as engineering operation and maintenance services and general IT outsourcing services are the types of services that the Company is capable of and able to offer. The management of the Company believes that the in-depth cooperation with energy companies will facilitate the Company in overcoming the business development bottleneck and achieving rapid business development, further creating substantial value for the Company.

Biography of Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Wu Siyuan, aged 28, joined the Company in November 2021 as an executive Director and the Chief Executive of the Company. She was further appointed as the chairman of the Board and the nomination committee of the Company (the "**Nomination Committee**") and member of the remuneration committee of the Company (the "**Remuneration Committee**") on 29 April 2022. She graduated from Henan University in 2013 with a Bachelor's Degree in Finance, and from Hunan University in 2016 with a Master's Degree in Finance. From July 2016 to April 2018, she worked in the channel management department of the Bank of Shanghai Co., Ltd.* (上海銀行股份有限公司), responsible for the marketing and operation of mobile sales channels. From May 2018 to October 2020, she worked as the investment director in Shanghai Fuluona Asset Management Co., Ltd.* (上海富羅納資產管理有限公司). From October 2020 to October 2021, she worked as the standing deputy general manager in Shanghai Akcome Fuluona Financial Leasing Co., Ltd.* (上海愛康富羅納融資租賃有限公司).

Ms. He Qian, aged 50, joined the Company in January 2015, is an executive Director. She obtained a bachelor's degree in accounting from University of International Business and Economics in 2006 and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2011, and she is a certified accountant and certified tax agent. She began her career in accounting in 1994. She was a partner of Zhejiang Yuehua Certified Public Accountants* (浙江嶽華會計師事務所有限公司) from January 2004 to December 2008, she then became a partner and the head of the Zhejiang branch office of RSM China Certified Public Accountants Zhejiang Branch (中瑞嶽華會計師事務所（特殊普通合夥）浙江分所) from January 2009 to May 2013. From June 2013 to March 2015, she was a partner and the head of the Zhejiang branch office of Ruihua Certified Public Accountants Zhejiang Branch (瑞華會計師事務所（特殊普通合夥）浙江分所). Since April 2015, she has become the chairman of Zhejiang Yueyou Investment Management Co. Ltd. (浙江岳佑投資管理有限公司). She has been appointed as an independent director of both Zhejiang Chunhui Intelligent Control Co., Ltd. (浙江春暉智能控制股份有限公司) (stock code: 300943) and Jiangsu Akcome Science and Technology Co., Ltd. (江蘇愛康科技股份有限公司) (stock code: 002610), companies listed on the Shenzhen Stock Exchange, since May 2016 respectively. In March 2022, Ms. He has also been re-appointed as an independent director of Lionco Pharmaceutical Group Co., Ltd (靈康藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603669), where she once served as an independent director from December 2013 to February 2019.

Non-executive Directors

Ms. Liu Qian, aged 56, joined the Company in October 2021, is a non-executive Director. She graduated from the Undergraduate Program in Internal Combustion Engine of College of Automotive Engineering of Jilin University in 1986, and she graduated from the Graduate Program in Computational Mechanics of Jilin University in 1988. In 1995, Ms. Liu obtained a Master of Philosophy from University of Wales in the United Kingdom, and in 2012, she obtained an Executive Master of Business Administration from Cheung Kong Graduate School of Business. She has extensive experience in the new energy sector and management. She worked in Jiangsu Akcome Industrial Group Co., Ltd.* (江蘇愛康實業集團有限公司) (the "**Akcome Group**") from June 2011 to September 2014, during which she served as the vice president and successively served as the president of Power Business Department of Akcome Group, director and general manager of Suzhou Sheng Kang Solar Technology Co., Ltd.* (蘇州盛康光伏科技有限公司) concurrently. From September 2014 to March 2019, she successively served as the president of Market Development Division of and vice president of GCL New Energy Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 451), assistant vice president and director of administration office of GCL Group Limited* (協鑫集團有限公司), and vice president of GCL Intelligent New Energy Transportation Technology Development (Suzhou) Co., Ltd.* (協鑫智慧新能源交通科技發展(蘇州)有限公司). Ms. Liu has worked in Shanghai Fuluona Asset Management Co., Ltd.* (上海富羅納資產管理有限公司) since March 2019, and is currently the legal representative and the executive director. Since April 2021, Ms. Liu has also been a director of Huarui New Energy Investment Pte. Ltd. ("**Huarui**"), being an indirect wholly-owned subsidiary of the Company.

Mr. Li Shun, aged 45, joined the Company in October 2021 and is a non-executive Director. He was further appointed as the Chief Financial Officer of the Company on 1 December 2021. Mr. Li obtained his Bachelor's Degree in English Language from Beijing Foreign Studies University in 1999 and a Master of Science in Management from The University of Lancaster in the United Kingdom in 2002. Mr. Li has been a member of The Chartered Institute of Management Accountants since 2006. Mr. Li worked in the financial control department of China International Capital Corporation (UK) Limited (a subsidiary of China International Capital Corporation Limited, a company listed on the Stock Exchange, stock code: 3908) from April 2010 to July 2014. He worked as the chief financial officer of Metropolis Capital Holdings Limited (a company listed on the Stock Exchange, stock code: 8621) and its subsidiaries from August 2014 to May 2021, responsible for overseeing its corporate strategies, financial affairs and investment.

Mr. Li Guanghua, aged 47, joined the Company in February 2022, is a non-executive Director. Mr. Li graduated from Sichuan United University* (四川聯合大學) (now known as Sichuan University) in July 1998 with a Bachelor's Degree in Mechanical Design and Manufacturing. He graduated from Fudan University in June 2013 with an Executive Master of Business Administration and from Tsinghua University in June 2021 with an Executive Master of Business Administration. From July 1998 to August 2009, Mr. Li worked in various electronics and electrical appliances companies including LG Electronics Tianjin Appliances Co., Ltd.* (樂金電子(天津)電器有限公司), Midea Group Co., Ltd.* (美的集團股份有限公司) and Qingdao Haier International Trade Co., Ltd.* (青島海爾國際貿易有限公司). From August 2009 to April 2022, Mr. Li successively worked in Suzhou Akcome Metal Technology Co., Ltd.* (蘇州愛康金屬科技有限公司), Shanghai Fuluona Asset Management Co., Ltd.* (上海富羅納融資租賃有限公司) and Suzhou Akcome Energy Group Co., Ltd.* (蘇州愛康能源集團股份有限公司). Mr. Li joined Jiangsu Chengguang New Energy Ltd (江蘇承光新能源有限公司) in May 2022, one of the indirect wholly-owned subsidiary of the Company, as the head of new energy development business of the Group.

Independent Non-executive Directors

Mr. Zhong Dengyu, aged 48, joined the Company in December 2021, is an independent non-executive Director, a member of the Nomination Committee and the Remuneration Committee, and the chairman of the audit committee of the Company (the "**Audit Committee**"). He graduated from Heilongjiang Business School* (黑龍江商學院) (now known as Harbin University of Commerce) in 1997 with a bachelor's degree in accounting. Mr. Zhong has been a certified public accountant in the PRC since 1999 and a certified tax agent in the PRC since 2002. Since July 1997, Mr. Zhong has worked as an accountant in Talent Certified Public Accountants (Special General Partnership) Suzhou Qinye Branch* (天衡會計師事務所（特殊普通合夥）蘇州勤業分所) (formerly known as Jiangsu Xinggang Accounting Firm* (江蘇興港會計師事務所)), Suzhou Qinye United Accounting Firm* (蘇州勤業聯合會計師事務所), Suzhou Qinye Certified Public Accountants Co., Ltd.* (蘇州勤業會計師事務所有限公司), Talent Certified Public Accountants Co., Ltd. Suzhou Qinye Branch* (天衡會計師事務所有限公司蘇州勤業分所), where his current position is a partner and a deputy head.

Mr. Jiang Jun, aged 42, joined the Company in June 2017, is an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and the Audit Committee. He obtained a bachelor's degree in accounting from Beijing University of Chemical Technology in 2003. He is a qualified intermediate accountant and holds the National Computer Rank Examination Grade II Certificate. He started his career in accounting since 2003. He was an accountant for Beijing Longde Group Limited* (北京龍德實業集團有限公司) from September 2003 to June 2006, and he has been the chief audit executive for Shi Boo Investment Holding Co., Ltd. since July 2006.

Mr. Wang Shuai, aged 47, joined the Company in December 2018, is an independent non-executive Director and has been appointed as a member of the Audit Committee on 1 February 2021. He graduated with a bachelor degree in economics and management from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China* (中共中央黨校函授學院) (by way of distance learning) in December 2005 in the PRC.

Mr. Wang has accumulated years of business working experience, he served as the general manager of Shanxi Golden Mining Co., Ltd.* (山西金地礦業有限公司) from October 2010 to May 2016 and has been serving as the chairman of Jiangtun Financial Services (Shenzhen) Technology Co., Ltd.* (江豚金聯(深圳)科技有限公司) since June 2017.

COMPANY SECRETARY

Ms. Wong Kwun Yuet Shavonne ("**Ms. Wong**") has been appointed as the company secretary of the Company and an authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 1 December 2021. Ms. Wong is a practising solicitor in Hong Kong working at Chiu & Partners in the field of commercial and corporate finance. Ms. Wong graduated from the University of Hong Kong with the Bachelor of Business Administration (Law) and Bachelor of Laws degrees. To better support Ms. Wong, on 29th April 2022, the Board resolved to appoint Mr. Li Shun, one of the non-executive Directors and the Chief Financial Officer of the Company, as the Deputy Company Secretary to act as Ms. Wong's primary contact person of the Company.

* *The English translation is for identification purpose only*

Corporate Governance Report

The Company recognises that good corporate governance standards maintained throughout the Group serve as an effective risk management for the Company. The Board is committed to leading the growth of the Group in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard. The Directors acknowledge their responsibility for preparing the Company's accounts.

COMPLIANCE WITH THE LISTING RULES AND CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), which provides code provisions and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the applicable requirements of the code provisions of the CG Code that was in force during the Period. 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. During the Period the Company has complied with the CG Code except for the following deviation.

Prior to the resignation of Mr. Zheng Jinwei, the then executive Director, as the chief executive of the Company on 19 November 2021, he was both the chairman of the Board and the chief executive of the Company, and Ms. Wu Siyuan ("**Ms. Wu**"), who has been appointed as an executive Director and chief executive of the Company on 19 November 2021, has been further appointed as the chairman of the Board with effect from 29 April 2022. 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 the same person allows the Company to have consistent leadership and ensures effective implementation and promotion of the overall strategy of the Company. At the same time, since all major decisions of the Company are discussed by the Board, the Board committees and the senior management of the Company, the Board is of the view that the appointment of Ms. Wu as both the chief executive and the chairman of the Board would not compromise the balance of power and authority and is in the interest of the shareholders of the Company as a whole. The Board will review the effectiveness of this arrangement from time to time and may recruit and/or appoint a new chief executive if and when the Board considers necessary.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD

Composition

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

Executive Directors
Ms. Wu Siyuan, MSc, BSc *(Chairman and Chief Executive)*
Ms. He Qian, CPA (PRC), EMBA, BAcc

Non-executive Directors
Ms. Liu Qian, EMBA, MA, BEng
Mr. Li Shun, CGMA, MSc, BA
Mr. Li Guanghua, EMBA, MSc, BSc

Independent non-executive Directors
Mr. Zhong Dengyu, CPA (PRC)
Mr. Jiang Jun, Bacc
Mr. Wang Shuai, BEcon

Attendance of the Directors at the Board and general meetings

For the Period, 16 Board meetings and two general meetings have been held. Details of the attendance of the Directors are as follows:

	Number of meetings attended/ Number of meetings held	
Board members	**Board meetings**	**General meetings**
Executive Directors		
Ms. Wu Siyuan *(Chairman and Chief Executive)* (Note 1)	9/10	1/1
Mr. Zheng Jinwei (Note 2)	8/15	1/2
Ms. He Qian	15/16	2/2
Non-executive Directors		
Ms. Liu Qian *(appointed on 8 October 2021)*	13/13	1/1
Mr. Li Shun *(appointed on 8 October 2021)*	13/13	1/1
Mr. Li Guanghua *(appointed on 16 February 2022)*	2/2	0/0
Mr. Xu Peng *(ceased on 19 November 2021)*	5/7	1/1
Mr. Zhang Jianguo *(ceased on 16 July 2021)*	0/2	0/0
Mr. Chen Limin *(ceased on 1 February 2021)*	0/2	0/0

Board members	Number of meetings attended/ Number of meetings held Board meetings	General meetings
Independent non-executive Directors		
Mr. Zhong Dengyu *(appointed on 17 December 2021)*	6/6	1/1
Mr. Jiang Jun	13/16	2/2
Mr. Wang Shuai	11/16	1/2
Mr. Deng Xiang *(ceased on 19 January 2022)*	10/11	1/1

Notes:

1. Ms. Wu Siyuan was appointed as an executive Director and the Chief Executive on 19 November 2021, she was further appointed as the Chairman of the Board on 29 April 2022.

2. Mr. Zheng Jinwei ceased as the Chief Executive on 19 November 2021, and he further ceased as the executive Director and Chairman of the Board on 29 April 2022.

Apart from the above Board meetings and general meetings, a meeting between the chairman and the independent non-executive Directors without the presence of other Directors was also held during the Period.

Responsibilities of the Board and management

The Board reviews and approves corporate matters such as business strategies and investments, mergers and acquisitions, as well as the general administrative and management of the Group. The Board has overall responsibility in monitoring the process of corporate reporting and control system throughout the Group. The corporate reporting standards are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, the Securities and Futures Ordinance (the "**SFO**") and other applicable regulations are delegated to the company secretarial department. The management of the Company reviews and briefs the reporting systems with the executive Directors regularly and the Audit Committee and the Remuneration Committee annually.

Save as disclosed in the section headed "Biography of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship between the members of the Board.

Continuous professional development of Directors

According to the Code Provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. For the Period, Directors participated in continuous professional development by reading the study materials of the Listing Rules, attending seminars and in-house briefing relating to (i) Director's responsibilities under the Listing Rules; (ii) Listing Rules on notifiable and connected transaction; and (iii) updates on the Listing Rules regarding the core shareholder protection standards to be adopted by listed issuers. Furthermore, Directors also attended briefings on the potential amendments to the Listing Rules relating to the share schemes of listed issuers, the consultation paper of which was published by the Stock Exchange in October 2021.

Name of Director	Type of Continuous Professional Development: Attending Seminars, and in-house Briefings	Type of Continuous Professional Development: Reading Materials and Updates
Executive Directors		
Ms. Wu Siyuan *(Chairman and Chief Executive)*	✓	✓
Mr. Zhang Jinwei *(ceased on 29 April 2022)*		✓
Ms. He Qian	✓	✓
Non-executive Directors		
Ms. Liu Qian	✓	✓
Mr. Li Shun	✓	✓
Mr. Li Guanghua	✓	✓
Mr. Xu Peng *(ceased on 19 November 2021)*		✓
Mr. Zhang Jianguo *(ceased on 16 July 2021)*		✓
Mr. Chen Limin *(ceased on 1 February 2021)*		✓
Independent non-executive Directors		
Mr. Zhong Dengyu	✓	✓
Mr. Jiang Jun	✓	✓
Mr. Wang Shuai	✓	✓
Mr. Deng Xiang *(ceased on 19 January 2022)*		✓

Furthermore, each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements.

CHAIRMAN AND CHIEF EXECUTIVE

As at the date of this annual report, the Group does not separate the roles of the chairman and the chief executive. Ms. Wu Siyuan is both the chairman of the Board and the chief executive. The Board considers that vesting the roles of chairman and chief executive in the same individual would not compromise the balance of power and authority but allow the Company to have consistent leadership and effective implementation and promotion of the overall strategy of the Company. The Board will review the effectiveness of this arrangement from time to time and may recruit and/or appoint a new chief executive if and when the Board considers necessary.

NON-EXECUTIVE DIRECTORS

The term of office under service contracts of non-executive Directors and independent non-executive Directors are three years from their respective dates of appointment and subject to retirement by rotation in accordance with the Bye-laws.

INDEPENDENT NON-EXECUTIVE DIRECTORS

As at the date of this annual report, the Company met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to rule 3.13 of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

BOARD COMMITTEES

There are three committees established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Role and function

The terms of reference of the Audit Committee, which is available on the websites of the Company and the Stock Exchange, follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the code provisions under the CG Code. Audit Committee must meet, at least twice a year, with the Company's external auditors.

The functions of the Audit Committee include but not limited to the following:

- making recommendation to the Board on the appointment, resignation and removal of external auditor and their fees and governing the relationship with the external auditors;
- reviewing and monitoring the external auditor's independent and objectivity and the effectiveness of the audit process in accordance with the applicable standards;
- ensuring co-ordination between internal and external auditors of the Group, and ensuring that the internal audit function of the Group is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- reviewing the financial statements, interim and annual results of the Group and the significant financial reporting judgments contained therein;
- discussing with the external auditor problems and issues of significance during the annual audit of the Group; and
- overseeing the financial reporting system, risk management and internal control systems of the Company.

Composition

As at the date of this annual report, the Audit Committee comprises three members as follows:

Mr. Zhong Dengyu *(Chairman) (appointed on 19 January 2022)*
Mr. Jiang Jun
Mr. Wang Shuai *(appointed on 1 February 2021)*

Mr. Zhong Dengyu, Mr. Jiang Jun and Mr. Wang Shuai are independent non-executive Directors, both Mr. Zhong Dengyu and Mr. Jiang Jun possess recognised professional qualification in accounting and have proven experience in audit and accounting.

Attendance record

For the Period, three Audit Committee meetings have been held. Details of the attendance of the Audit Committee members are as follows:

Audit Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Zhong Dengyu *(Chairman) (appointed on 19 January 2022)*	1/1
Mr. Jiang Jun	2/3
Mr. Wang Shuai *(appointed on 1 February 2021)*	2/3
Mr. Deng Xiang *(ceased on 19 January 2022)*	2/2
Mr. Chen Limin *(ceased on 1 February 2021)*	0/0

Summary of the work done

The work done by the Audit Committee for the Period included:

- reviewed the interim results for January to June 2021, second interim results for January to December 2021 and 2020 annual results of the Group;
- discussed with the management of the Company over the completeness, fairness, adequacy and compliance of accounting standards and policies of the Group in the preparation of the two 2021 interim statements and 2020 annual financial statements;
- reviewed and discussed with the external auditors over the financial reporting of the Company; and
- reviewed adequacy and effectiveness of risk management and internal control system, and the internal audit function maintained within the Group.

Each Audit Committee meeting was supplied with the necessary financial information of the Group for the Audit Committee members to consider, review and assess matters of significance arising from the work conducted.

The audited consolidated financial statements for the period from 1 January 2021 to 31 March 2022 have been reviewed by the Audit Committee.

Remuneration Committee

Role and function

The terms of reference of the Remuneration Committee, which is available on the websites of the Company and the Stock Exchange, follow the code provisions under the CG Code. The Remuneration Committee shall meet at least once a year. The functions of the Remuneration Committee include but not limited to the following:

- making recommendations to the Board on the Company's policy and structure of remuneration for all Directors and senior management;
- establishing and applying a formal and transparent procedure for developing remuneration policy for executive Directors and senior management to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration;
- making recommendations to the Board on the remuneration packages of all Directors and senior management; and
- ensuring levels of remuneration of Directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain Directors and senior management.

Composition

As at the date of this annual report, the Remuneration Committee comprises three members as follows:

Mr. Jiang Jun *(Chairman)*
Mr. Zhong Dengyu *(appointed on 19 January 2022)*
Ms. Wu Siyuan *(appointed on 29 April 2022)*

Mr. Jiang Jun and Mr. Zhong Dengyu are independent non-executive Directors whereas Ms. Wu Siyuan is an executive Director.

Attendance record

For the Period, five Remuneration Committee meetings has been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	Number of meeting attended/ Number of meeting held
Mr. Jiang Jun *(Chairman)*	5/5
Mr. Zhong Dengyu *(appointed on 19 January 2022)*	1/1
Mr. Zheng Jinwei *(ceased on 29 April 2022)*	3/5
Mr. Deng Xiang *(ceased on 19 January 2022)*	4/4

Summary of the work done

The work done by the Remuneration Committee for the Period included:

- reviewed the remuneration package of all the Directors and senior management;
- made recommendations of the above remuneration policy and remuneration packages to the Board; and
- assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

The Remuneration Committee meetings were supplied with the necessary information on specific remuneration package of Directors and senior management of the Group for the members to consider, review and make recommendation to the Board on the remuneration policy.

Nomination Committee

Role and function

The terms of reference of the Nomination Committee, which is available on the websites of the Company and the Stock Exchange, follow the code provisions under the CG Code. The Nomination Committee shall meet at least once a year. The functions of the Nomination Committee include but not limited to the following:

- reviewing the structure, size, composition and the diversity (including the skills, knowledge and experience) of the Board at least annually;
- assessing the independence of Independent non-executive Directors;
- identifying and nominating for the approval of the Board candidates to fill Board vacancies;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and
- making recommendations to the Board on appointment or re-appointment of the Directors and succession planning for the Directors.

Composition

As at the date of this annual report, the Nomination Committee comprises three members as follows:

Ms. Wu Siyuan *(Chairman) (appointed on 29 April 2022)*
Mr. Zhong Dengyu *(appointed on 19 January 2022)*
Mr. Jiang Jun

Mr. Wu Siyuan is an executive Director whereas Mr. Zhong Dengyu and Mr. Jiang Jun are independent non-executive Directors.

Attendance record

For the Period, five Nomination Committee meeting has been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	Number of meeting attended/ Number of meeting held
Mr. Zheng Jinwei *(Chairman) (ceased on 29 April 2022)*	3/4
Mr. Zhong Dengyu *(appointed on 19 January 2022)*	2/2
Mr. Jiang Jun	5/5
Mr. Deng Xiang *(ceased on 19 January 2022)*	3/3

Summary of the work done

The work done by the Nomination Committee for the Period included:

- reviewed the structure, size, composition and the diversity (including the skills, knowledge and experience) of the Board;
- reviewed the independence of independent non-executive Directors; and
- identified individuals suitably qualified to become Board members having taken into account the Company's board diversity policy and made recommendations to the Board on the selection of individuals nominated for directorships.

The Board has established a nomination policy (the "**Nomination Policy**") setting out the approach to identify and nominate candidates to make recommendations to the Board and for its consideration.

The criteria of nomination as set out in the Nomination Policy have been considered from a number of aspects, including but not limited to, balance of skills, knowledge, experience and, with reference to such evaluation, prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee shall:

(a) use open advertising or the services of external advisers to facilitate the search for potential candidates;

(b) consider candidates on merit and against objective criteria, taking into consideration (in the case of non-executive appointments) whether the appointees can give sufficient time and attention to the Company's affairs;

(c) keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;

(d) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(e) in consultation with the head of human resources, recommend to the Board procedures for formal and rigorous annual evaluation of performance of the Board, its committees and individual Directors;

(f) review annually the time required from Directors to perform duties. Performance evaluation should be used to assess whether the non-executive Director sufficient time in performing their duties; and

(g) ensure that on appointment to the Board, non-executive Directors receive a formal service contract setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.

The Nomination Committee shall submit recommendations to the Board concerning the candidates for directorship for consideration and decision.

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 2 July 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service which are measurable objectives for implementing the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee reviewed the Board's composition and considered the Board Diversity Policy during the Period. The Board currently comprises experts from diversified professions such as accounting, legal and management with different gender, age and duration of service. The Nomination Committee is of the view that the structure, number of members and composition of the Board have maintained a diversification in terms of technique, expertise and experience, which is appropriate for the business operations of the Group and complies with the Board Diversity Policy.

Corporate Governance Functions

Role and function

The Board is responsible for performing corporate governance functions (the "**Corporate Governance Functions**"). The terms of reference of Corporate Governance Functions pursuant to the Board resolution of the Company was passed on 29 March 2012. The Board shall hold Corporate Governance Functions meeting at least once a year.

The Corporate Governance Functions include but not limited to the following:

- developing and reviewing the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Summary of the work done

The work done by the Corporate Governance Functions for the Period included:

- developed and reviewed the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and made recommendations;
- reviewed and updated (if necessary) system documents related to the Company's internal control and risk management;
- reviewed and monitored the training and continuous professional development of the Directors and senior management;
- reviewed and monitored the code of conduct applicable to employees and the Directors; and
- reviewed the Group's compliance with the CG Code and disclosure in the "Corporate Governance Report" of the Company.

AUDITOR'S REMUNERATION

With recommendation from the Audit Committee, the Board resolved to appoint Crowe (HK) CPA Limited ("**Crowe**") as the Company's external auditor and such appointment of Crowe as the auditor of the Company was approved by shareholders of the Company (the "**Shareholders**") at the annual general meeting held on 29 June 2021. They are primarily responsible for providing audit services in connection with the financial statements of the Group for the Period.

Remuneration paid to the Company's external auditor, Crowe, for annual audit services and non-audit services provided for the Period were HK$890,000 and HK$570,000, respectively. The non-audit services were mainly for the interim results review services.

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

FINANCIAL REPORTING

The Directors acknowledged that they are responsible for the preparation of the consolidated financial statements for the accounting period that truly and fairly reflect the business, property and cash flows of the Company for that Period.

The statement of the auditor regarding their reporting responsibility for the consolidated financial statements is set out in the Independent Auditor's Report on pages 47 to 52.

COMPANY SECRETARY

Ms. Ng Weng Sin ceased as the company secretary of the Company on 1 December 2021, with effect from the same day, Ms. Wong Kwun Yuet Shavonne ("**Ms. Wong**") was appointed as the company secretary of the Company. To better support Ms. Wong, on 29th April 2022, the Board resolved to appoint Mr. Li Shun, one of the non-executive Directors and the Chief Financial Officer of the Company, as the Deputy Company Secretary to act as Ms. Wong's primary contact person of the Company. For the Period, Ms. Wong took no less than 15 hours of relevant professional training pursuant to rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a special general meeting

Pursuant to Bye-law 58 of the Bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy on 29 March 2012 (the "**Shareholders' Communication Policy**") which is subject to review regularly to ensure its effectiveness. Under the Shareholders' Communication Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's and the Stock Exchange's websites.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the company secretary at the Company's head office and principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition. Shareholders may send a written requisition to the Board or Company Secretary at the Company's office in Hong Kong for putting forward any proposals to the Board.

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to the Shareholders in its annual report and interim reports. The Directors host the annual general meeting each year to meet the Shareholders and answer to their enquiries. The Directors make efforts to attend the annual general meeting so that they may answer any questions from the Shareholders.

The Directors, the company secretary or other appropriate members of senior management of the Company will also respond to inquiries from the Shareholders and investors promptly.

MAJOR CHANGES TO THE BYE-LAWS

These were no amendments to the existing memorandum of association and the Bye-laws for the Period.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Period, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The management of the Company is further delegated and authorised to (i) design, implement and maintain risk management and internal control systems appropriately and effectively; (ii) identify, evaluate, manage and control the risks that may have potential and material impacts on the processes of the operations; (iii) monitor risks and take appropriate methods to mitigate risks; (iv) respond promptly to and follow up the findings of the risk management and internal control issues identified; and (v) provide confirmation to the Board and the internal audit function of the Group on the effectiveness of the risk management and internal control systems.

The Board oversees the Company's risk management and internal control systems on an ongoing basis and reviews its effectiveness annually. A review was conducted on the Company's and its subsidiaries' risk management and internal control systems, in areas such as finance, operational and compliance controls to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions and the reports were presented at the meetings of the Audit Committee during the Period. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. The Board considers these systems are well established to suit the Group's needs and are effective and adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 13 of the Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures and training arrangements.

GOING CONCERN

The Group incurred a net loss of approximately HK$33,918,000 during the Period and as of 31 March 2022 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$38,999,000. As at the same date, the Group's bank and cash balances were approximately HK$27,592,000, and the Group had current bank borrowing and current tax liabilities of approximately HK$4,933,000 and HK$33,398,000, respectively. 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 the normal course of business.

The Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2022 after taking into consideration of the following:

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

(b) as at 31 March 2022, the Group had a bank borrowing of RMB21,000,000 (equivalent to approximately HK$25,897,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank balances and rental income of which RMB17,000,000 (equivalent to approximately HK$20,964,000) was classified as non-current liabilities. As at 31 March 2022, the fair value of the Group's investment properties amounted to approximately HK$294,488,000. The Group will also negotiate with its banks for additional banking facilities when necessary; and

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

Accordingly, the Directors are of the opinion that it is appropriate for the Group to prepare the consolidated financial statements on a going concern basis. If adequate financing is not available, the Group may be unable to meet its obligations as and when they fall due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

For further details, please refer to the paragraph headed "Independent Auditors' Report — Material Uncertainty Related to Going Concern" in this annual report and note 2(c) to the consolidated financial statements. The opinion from the independent auditors' is not modified in respect of this matter.

The Directors present their report together with the audited consolidated financial statements of the Group for the Period.

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of procurement services, trading of different kinds of products, provision of corporate IT solution services, leasing of the Group's investment properties located in Wuhan, Hubei Province, the People's Republic of China (the "**PRC**") and provision of energy management contracting services in the PRC.

BUSINESS REVIEW

The business review of the Group for the Period is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report and the paragraphs below.

Compliance with Relevant Laws and Regulations

The Group's business is mainly operated by its subsidiaries established in the PRC and the Company was incorporated in Bermuda and is a listed company on the Main Board of the Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Bermuda, Hong Kong and the PRC.

The Group complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), the Listing Rules and the SFO for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group. During the Period, the Company was not aware of any material non-compliance or breach of the applicable legislation or regulations that have a significant impact on the Group.

KEY RISK FACTORS AND UNCERTAINTIES

The following lists out the key risks and uncertainties faced by the Group.

Impact of Local and International Regulations

The business operation of the Group is subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the relevant rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets and further conducts studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability as unexpected disruption to the third-party services and their performance, if not up to standard, may bring adverse impact to the Group, including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Credit Risks

The Group derives its revenues from trading, renting and IT services which is bound to be involved with a lot of account receivables from its customers. Given the currently increasing market uncertainty caused by the COVID-19 pandemic and other external factors such as the restructuring of supply chain caused by the Sino-US relationship and the Russian-Ukraine war, the Group may face potential default losses from its customers. The Group cautiously analysed its clients base and has taken more prudent approach when dealing with its customers and may even escalate its measures to safeguard the interests of the Group.

ENVIRONMENTAL PROTECTION

The Group is responsible for its impact to the environment arising from its business operations. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. During the Period, to the best knowledge of the Directors, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

In accordance with Rule 13.91 of the Listing Rules that was in force during the Period, the Company will publish an Environmental, Social and Governance ("**ESG**") Report together with the publication of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Period.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and perform regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the Period is set out in note 10 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Period are set out in the Consolidated Statement of Profit or Loss on page 53 of this annual report.

DIVIDEND

Dividend Policy

The principle of dividend policy is to allow Shareholders to participate in the Company's profits whilst allowing the Company to retain adequate reserves for the Group's future growth. In considering the declaration and payment of dividends, the Board will consider:

- the Group's actual and expected financial results;
- the economic conditions and other internal and external factors that may have an impact on the business or financial performance and position of the Group;
- the current and future operations, liquidity position, capital requirements and investment of the Group; and
- any other factors that the Board deems appropriate.

There is no fixed dividend payout ratio and there is no assurance that dividends will be paid in any particular amount for any given period.

Dividend

The Directors do not recommend the payment of final dividend for the Period (2020: nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 155 of this annual report.

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

Details of the movements in the property, plant and equipment, investment properties and right-of-use assets of the Group during the Period are set out in notes 18, 19 and 20 to the consolidated financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the Period are set out in notes 26 and 29 to the consolidated financial statements, respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Period are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 March 2022 and 31 December 2020, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses is in debit balance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Period.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Period or subsisting at the end of the Period are set out below:

Share Option Scheme

The Company adopted a share option scheme pursuant to the ordinary resolution passed by the Shareholders on 13 June 2013 (the "**Scheme**").

The purpose of the Scheme is to attract and retain quality personnel and provide them with incentive to contribute to the business and operation of the Group. Participants under the Scheme include, among others, Directors and employees of the Group.

The principal terms of the Scheme are summarised as follows:

The Scheme was adopted for a period of 10 years commencing from 13 June 2013 and will expire on 12 June 2023.

Share options may be granted without any initial payment. The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) the nominal value of the shares;

(ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the share option; and

(iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the share option.

Under the Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Scheme provided that, inter alia, the Company may seek approval of the Shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme may not, subject to Shareholders' approval, exceed 30% of the share capital of the Company in issue from time to time.

Refreshment of the scheme limit

At the annual general meeting held on 28 June 2019, a resolution was duly passed that a maximum of 17,448,972 shares, being 10% of the total number of issued shares of the Company as at the date of the passing of such resolution approving the refreshment of the scheme limit, may be allotted and issued pursuant to the exercise of the options which may be granted under the Scheme.

Details of the share options movements during the Period under the Scheme are as follows:

		Number of share options								
Name of category	Date of grant of share options	Balance as at 1 January 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Balance as at 31 March 2022	Vesting period	Exercise period	Exercise price *(HK$)*
Employees	9 May 2019	8,700,000	—	—	(8,700,000)	—	—	—	9 May 2019 to 8 May 2021	0.416

During the Period, no share options were granted. The total number of the shares of the Company that remain available for issue upon exercise of the options that may be granted under the Share Option Scheme and any other share option scheme of the Company is 17,448,972 shares, representing 5.6% of the Company's shares in issue as at the date of this annual report. Further details of the Scheme are set out in note 29 to the consolidated financial statement.

Share Award Plan

The Company adopted a share award plan on 29 April 2022 (the "**Share Award Plan**") in order to recognise and reward the contribution of the selected participants under the Share Award Plan, to encourage and retain them for the Group's continual operation and development and to attract suitable personnel for the Group's future development. Under the Share Award Plan, the Board may from time to time select any employees, directors, advisers or consultants and other group or classes of participants of the Group or any invested entity of the Group, whom the Board considers, in their sole discretion, to have contributed or will contribute to the Group, as selected participants (the "**Selected Participants**"). The Board shall determine the timing of awarding shares of the Company to the Selected Participants (the "**Award**"), the number of awarded shares (the "**Awarded Shares**"), vesting dates and conditions of vesting, and performance targets that must be achieved before any of the Awarded Shares may be vested in the Selected Participants under such Award.

The trustee will hold the Awarded Shares on trust for all or one or more of the Selected Participants until such Awarded Shares are vested with the relevant Selected Participants in accordance with the rules of the Share Award Plan.

The consideration payable by the Selected Participants for each Awarded Share upon acceptance of an Award shall be a percentage of the closing price on the date of the grant of the Award and such percentage shall be determined by the Board in its sole discretion.

The aggregated maximum number of Shares underlying all Awards made pursuant to the Share Award Plan (excluding Awarded Shares which have lapsed in accordance with the Share Award Plan) must not exceed 5% of the total issued share capital of the Company as at the date of adoption of the Share Award Plan (i.e. 14,654,186 Shares), such 5% limit may be refreshed subject to Shareholders' approval provided that the total number of shares of the Company which may be subject to an Award or Awards under the Share Award Plan and any other share option scheme or share award plan of the Group may not exceed 10% of the total number of the shares of the Company in issue as at the date of the Shareholders' approval. The maximum number of shares of the Company which may be awarded to a Selected Participants in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

The Share Award Plan is a discretionary scheme of the Company and shall be subject to the administration of the Board and the trustee in accordance with the rules of the Share Award Plan and the trust deed entered into between the Company and the trustee. The Share Award Plan does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Share Award Plan will remain in force for a period of 10 years from 29 April 2022, being the date of adoption of the Share Award Plan. Early termination maybe done by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the Share Award Plan.

For further details of the Share Award Plan, please refer to the announcement of the Company dated 29 April 2022.

From the adoption of the Share Award Plan on 29 April 2022 and up to the date of this annual report, the Board did not grant any Award to any Selected Participant under the Share Award Plan.

DIRECTORS

The Directors during the Period and up to the date of this annual report are:

Executive Directors
Ms. Wu Siyuan (Note 1)
Mr. Zhang Jinwei (Note 2)
Ms. He Qian

Non-executive Director
Ms. Liu Qian *(appointed on 8 October 2021)*
Mr. Li Shun *(appointed on 8 October 2021)*
Mr. Li Guanghua *(appointed on 16 February 2022)*
Mr. Xu Peng *(ceased on 19 November 2021)*
Mr. Zheng Jianguo *(ceased on 16 July 2021)*
Mr. Chen Limin *(ceased on 1 February 2021)*

Independent non-executive Director
Mr. Zhong Dengyu *(appointed on 17 December 2021)*
Mr. Jiang Jun
Mr. Wang Shuai
Mr. Deng Xiang *(ceased on 19 January 2022)*

Notes:

1. Ms. Wu Siyuan was appointed as an executive Director and the Chief Executive on 19 November 2021, she was further appointed as the Chairman of the Board on 29 April 2022.

2. Mr. Zheng Jinwei ceased as the Chief Executive on 19 November 2021, and he further ceased as the executive Director and Chairman of the Board on 29 April 2022.

In accordance with Bye-law 87(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Ms. He Qian and Mr. Wang Shuai will retire by rotation at the forthcoming AGM. Each of Ms. He Qian and Mr. Wang Shuai, being eligible, has offered themselves for re-election. In accordance with Bye-law 86(2) of the Bye-laws, any Director appointed as an addition to the Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at the meeting. Thus, Mr. Zhong Dengyu and Mr. Li Guanghua, being newly appointed Directors will retire at the forthcoming AGM and, being eligible, offer themselves for-re-election.

The Company has received from each of the independent non-executive Directors an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent to the Company.

DIRECTORS' SERVICE CONTRACTS OR LETTERS OF APPOINTMENT

All Directors have entered into formal service contracts or letters of appointment with the Company for a term of 3 years and are subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws.

None of the Directors who are proposed for re-election at the forthcoming AGM have an unexpired service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board duly authorised by the Shareholders at the AGM, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 29 to the financial statements contained in this annual report.

Save as disclosed in this annual report, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the Period.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or his connected entities had a material interest, either directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

On 1 February 2021, Mr. Chen Limin ceased as a non-executive Director and ceased to be a member of the Audit Committee. On the same day, Mr. Wang Shuai, an independent non-executive Director, has been appointed as a member of the Audit Committee.

On 16 July 2021, Mr. Zhang Jianguo ceased as a non-executive Director.

On 8 October 2021, Ms. Liu Qian and Mr. Li Shun have respectively been appointed as a non-executive Director and entered into a formal service contract with the Company for a term of three years commencing from the same date. Ms. Liu is entitled to a monthly director's fee of HK$20,000, and Mr. Li is entitled to a monthly director's fee of HK$20,000 and a monthly salary of HK$80,000.

On 19 November 2021, Mr. Xu Peng ceased as a non-executive Director and Mr. Zheng Jinwei, an executive Director, ceased as the chief executive of the Company. With effect from same date, Ms. Wu Siyuan has been appointed as an executive Director and the chief executive of the Company and entered into formal service contracts with the Company for each of the above positions for a term of three years commencing from 19 November 2021. Ms. Wu is entitled to a monthly salary of HK$50,000.

On 17 December 2021, Mr. Zhong Dengyu has been appointed as an independent non-executive Director and has entered into a formal service contract with the Company for a term of three years commencing from the same date. Mr. Zhong is entitled to a monthly director's fee of HK$20,000.

On 19 January 2022, Mr. Deng Xiang ceased as an independent non-executive Director as well as the chairman of the Audit Committee and member of each of the Remuneration and Nomination Committee. With effect from the same date, Mr. Zhong Dengyu has taken up the roles of the chairman of the Audit Committee and member of each of the Remuneration and Nomination Committee.

On 16 February 2022, Mr. Li Guanghua has been appointed as a non-executive Director and has entered into a formal service contract with the Company for a term of three years commencing from the same date. Mr. Li is entitled to a monthly director's fee of HK$20,000.

On 29 April 2022, Mr. Zheng Jinwei ceased as an executive Director as well as the chairman of the Board and Nomination Committee, a member of the Remuneration Committee and an authorised representative of the Company under Rule 3.05 of the Listing Rules. Ms. Wu Siyuan, who has already been appointed as an executive Director on 19 November 2021, has taken up the remaining of the above mentioned roles previously held by Mr. Zheng Jinwei with effect from the same date.

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Biography of Directors and Senior Management" on pages 17 to 19 of this annual report.

Saved as disclosed, no other information of Directors is required to be disclosed in this annual report pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 31 March 2022, the interests and short positions of the directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity	Class of shares	Number of shares/underlying shares in the Company	Total interests as to percentage of the issued share capital of the Company as at 31 March 2022 (Note 1)
Zheng Jinwei (Note 2)	Interests of a controlled corporation	Ordinary	600,000 (Note 3)	0.20%
Wu Siyuan	Discretionary beneficiary of a discretionary trust	Ordinary	69,658,600 (Note 4)	23.77%

Notes:

1. As at 31 March 2022, the issued share capital of the Company was 293,083,725 shares.

2. Mr. Zheng Jinwei ceased as an executive Director on 29 April 2022.

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

4. These shares of the Company were held by Eastmount Global Limited, the entire issued share capital of which was indirectly held by Trident Trust Company (Singapore) Pte Limited as trustee of a family trust founded by Ms. Liu Luoxiu. Given Ms. Wu Siyuan was a discretionary beneficiary under the family trust, she was deemed to be interested in the shares of the Company held by Eastmount Global Limited by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 March 2022, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares of the Company in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at 31 March 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of the Company

Name of Shareholders	Capacity	Number of shares of the Company interested	Percentage of the issued share capital of the Company as at 31 March 2022 (Note 1)
Eastmount Global Limited	Beneficial owner	69,658,600 (Note 2)	23.77%
Trident Trust Company (Singapore) Pte Limited	Trustee of a discretionary trust	69,658,600 (Note 2)	23.77%
Liu Luoxiu	Founder of a discretionary trust	69,658,600 (Note 2)	23.77%

Notes:

1. As at 31 March 2022, the issued share capital of the Company was 293,083,725 shares.

2. These shares of the Company were held by Eastmount Global Limited, which was wholly-owned by Fu Ze Ventures Limited, which was in turn wholly-owned by Eshay Investments Limited. Eshay Investments Limited was wholly-owned by Frandor Limited, which in turn was wholly-owned by Trident Trust Company (Singapore) Pte Limited, the trustee of a discretionary trust of which Ms. Liu Luoxiu is the settlor and certain family members of Ms. Liu Luoxiu, including Ms. Wu Siyuan, the chairman of the Board, an executive Director and the chief executive of the Company, are discretionary beneficiaries. Each of aforementioned persons and entities was deemed to be interested in the shares of the Company held by Eastmount Global Limited by virtue of Part XV of the SFO.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 March 2022.

COMPETING INTERESTS

As at 31 March 2022, none of the Directors or substantial Shareholders or any of their respective close associates has engaged in any business that competes or is likely to compete with the business of the Group, or has any other conflict of interests with the Group.

RELATED PARTY TRANSACTIONS

Please refer to note 40 to the consolidated financial statements in this annual report for details of the related party transactions pursuant to HKFRSs and those related party transactions disclosed in note 40 are not considered as connected transactions, or are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Period, sales to the Group's five largest customers accounted for 66.7% of the total sales for the Period, in which sales to the largest customer represented approximately 50.6% of the total sales of the Period.

The cost of sales mainly consists of purchases, depreciation, staff costs and sub-contractor fees. The purchases from the Group's five largest suppliers for trading and services rendered, amounted to 70.6% of the total purchases for the Period, in which purchases from the largest supplier represented approximately 57.4% of the total purchases of the Period.

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) has an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

Save as disclosed herein, no contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Period.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules for the Period and up to the date of this annual report.

EVENTS AFTER THE PERIOD

Save as disclosed in the paragraph headed "III. Other Issues — 7. (i) Placing of convertible bonds and (ii) Proposed adoption of new share option scheme and termination of existing share option scheme; and adoption of share award plan" on pages 14 and 15 of the section headed "Management Discussion and Analysis" and the resignation of Mr. Zheng Jinwei as an executive Director as disclosed in the sections headed "Corporate Governance Report" and "Director's Report", from 31 March 2022 to the date of this annual report, there was no important event affecting the Group.

EXTERNAL AUDITOR

Crowe (HK) CPA Limited ("**Crowe**") was appointed as the external auditor to fill the casual vacancy following the resignation of RSM Hong Kong as the external auditor of the Company on 16 December 2020. The Group's consolidated financial statements for the Period and the year ended 31 December 2020 were audited by Crowe. Save as disclosed, there were no other changes in the Company's external auditor in the past three years. A resolution will be proposed at the AGM to re-appoint Crowe as the external auditor of the Company.

For and on behalf of the Board

Wu Siyuan
Chairman and Chief Executive

Hong Kong, 29 June 2022

Independent Auditor's Report

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

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

OPINION

We have audited the consolidated financial statements of China Public Procurement Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 53 to 154, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fifteen months ended 31 March 2022 (the "**Period**"), and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the Period in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(c) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$33,918,000 during the Period and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$38,999,000. These conditions, along with other matters as set forth in note 2(c), indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgments and estimates required in determining the fair values. As disclosed in note 19 to the consolidated financial statements, the carrying amount of investment properties is HK$294,488,000 as at 31 March 2022. During the Period, a fair value loss on investment properties of approximately HK$10,665,000 was recognised in the consolidated statement of profit or loss. As disclosed in note 2(g) to the consolidated financial statements, the Group's investment properties are stated at fair value based on the valuations performed by an independent qualified professional valuer (the "**Valuer**"). Details of the valuation techniques are disclosed in note 7 to the consolidated financial statements. These valuations involve a significant degree of judgment and estimation in respect of the key unobservable inputs including market rentals and market yield, taking into account the lettable units and type of the properties.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuer's valuation approach to assess if they meet the requirements of the HKFRSs and industry norms; • Obtaining the detailed work of the Valuer to evaluate the accuracy and relevance of key data inputs underpinning the valuation; and • Challenging the reasonableness and the appropriateness of the key inputs and key assumptions applied based on our knowledge of the property markets.

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of intangible assets

We identified the impairment assessment of intangible assets as a key audit matter due to the significant judgments involved in the management's impairment assessment process.

As disclosed in note 21 to the consolidated financial statements, the carrying amount of intangible assets attributable to the provision of procurement services segment is approximately HK$13,386,000 as at 31 March 2022. In deciding whether intangible assets were impaired or not requires the determination of the recoverable amount which requires estimation of the value in use of the cash-generating unit ("**CGU**") of the provision of procurement services segment.

In estimating the value in use of the CGU, key assumptions used by the management included the discount rate, budgeted revenue and gross margin taking into account the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by management. Neither impairment loss nor reversal of impairment loss for intangible assets was recognised in the consolidated statement of profit or loss for the Period. An independent external valuation was performed by the Valuer in support of the management's estimate.

Our procedures in relation to the impairment assessment of intangible assets included:

- Understanding how the management perform impairment assessment including the estimation of future cash flows and key assumptions used;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Evaluating the appropriateness of the key assumptions used in the discounted cash flow calculation, including budgeted revenue and gross margin through assessing the CGU's past performance, management's expectation for the market developments and the future 5 years' financial forecast approved by the management;
- Assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data;
- Evaluating the potential impact of value in use based on the reasonably possible change of the key assumptions used; and
- Evaluating the historical accuracy of the cash flows forecast by comparing historical cash flows forecast to the actual results in the current period and understanding the causes of any significant variances.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (HK) CPA Limited
Certified Public Accountants

Hong Kong, 29 June 2022

Chan Wing Fai
Practising Certificate Number P07327

Consolidated Statement of Profit or Loss

For the fifteen months ended 31 March 2022

	Notes	Fifteen months ended 31 March 2022 HK$'000	Year ended 31 December 2020 HK$'000
Revenue	8	**140,256**	93,555
Cost of sales and services rendered		**(116,037)**	(74,940)
Gross profit		**24,219**	18,615
Other income and (losses)/gains	9	**(5,785)**	10,338
Administrative expenses		**(46,120)**	(36,169)
Reversal of impairment loss for intangible assets		**—**	4,340
Impairment loss for trade and other receivables, net		**(397)**	(1,512)
(Impairment loss)/reversal of impairment loss for prepayments	22	**(6,060)**	6,156
(Impairment loss)/reversal of impairment loss for loan receivables, net	23	**(2,651)**	427
Written-off of a loan receivable	23	**(2,423)**	—
(Loss)/profit from operations		**(39,217)**	2,195
Finance costs	11	**(2,146)**	(2,023)
(Loss)/profit before tax		**(41,363)**	172
Income tax credit	12	**7,445**	49
(Loss)/profit for the period/year	13	**(33,918)**	221
(Loss)/profit attributable to:			
Owners of the Company		**(31,923)**	1,643
Non-controlling interests		**(1,995)**	(1,422)
		(33,918)	221
(Loss)/earnings per share	17		
Basic and diluted (HK cents per share)		**(12.24)**	0.74

The notes on pages 61 to 154 form parts of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the fifteen months ended 31 March 2022

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
(Loss)/profit for the period/year	**(33,918)**	221
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**6,537**	14,407
Reclassification of cumulative foreign currency translation reserve upon deregistration of subsidiaries	**(53)**	—
Other comprehensive income for the period/year, net of tax	**6,484**	14,407
Total comprehensive (expense)/income for the period/year	**(27,434)**	14,628
Other comprehensive (expense)/income attributable to:		
Owners of the Company	**(25,084)**	17,163
Non-controlling interests	**(2,350)**	(2,535)
	(27,434)	14,628

The notes on pages 61 to 154 form parts of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	As at 31 March 2022 HK$'000	As at 31 December 2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**3,760**	4,098
Investment properties	19	**294,488**	293,802
Right-of-use assets	20	**10,230**	12,798
Intangible assets	21	**13,769**	13,365
Total non-current assets		**322,247**	324,063
Current assets			
Inventories — raw materials		**95**	84
Trade and other receivables	22	**18,453**	11,692
Contract assets	35	**831**	—
Loan receivables	23	**—**	6,505
Financial assets at fair value through profit or loss ("**FVTPL**")	24	**—**	1,365
Bank and cash balances	25	**27,592**	16,293
Total current assets		**46,971**	35,939
TOTAL ASSETS		**369,218**	360,002
EQUITY			
Share capital	26	**29,309**	24,429
Reserves		**177,604**	189,951
Equity attributable to owners of the Company		**206,913**	214,380
Non-controlling interests		**(12,254)**	(9,904)
Total equity		**194,659**	204,476

Consolidated Statement of Financial Position

At 31 March 2022

	Notes	As at 31 March 2022 HK$'000	As at 31 December 2020 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowing	30	**20,964**	26,105
Deferred income	31	**3,808**	4,139
Lease liabilities	32	**36**	1,554
Other payable	34	**22,500**	—
Deferred tax liabilities	33	**41,281**	47,041
Total non-current liabilities		**88,589**	78,839
Current liabilities			
Bank borrowing	30	**4,933**	4,746
Lease liabilities	32	**1,008**	2,331
Trade and other payables	34	**40,792**	33,296
Contract liabilities	35	**5,839**	3,787
Current tax liabilities		**33,398**	32,527
Total current liabilities		**85,970**	76,687
TOTAL EQUITY AND LIABILITIES		**369,218**	360,002
Net current liabilities		**(38,999)**	(40,748)
Total assets less current liabilities		**283,248**	283,315

Approved by the Board of Directors on 29 June 2022 and are signed on its behalf by:

Wu Siyuan

He Qian

The notes on pages 61 to 154 form parts of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the fifteen months ended 31 March 2022

	Attributable to owners of the Company											
	Share capital	Share premium	Contribution surplus	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	20,939	12,752	(114,233)	8,390	1,574	15,778	132,596	8,278	106,188	192,262	(7,369)	184,893
Profit/(loss) for the year	—	—	—	—	—	—	—	—	1,643	1,643	(1,422)	221
Exchange differences on translating foreign operations	—	—	—	—	—	—	15,520	—	—	15,520	(1,113)	14,407
Total comprehensive income/(expense) for the year	—	—	—	—	—	—	15,520	—	1,643	17,163	(2,535)	14,628
Lapse of share options (note 29)	—	—	—	—	(787)	—	—	—	787	—	—	—
Issue of shares by subscription (note 26(a))	3,490	1,465	—	—	—	—	—	—	—	4,955	—	4,955
Changes in equity for the year	3,490	1,465	—	—	(787)	—	15,520	—	2,430	22,118	(2,535)	19,583
At 31 December 2020	24,429	14,217	(114,233)	8,390	787	15,778	148,116	8,278	108,618	214,380	(9,904)	204,476

Consolidated Statement of Changes in Equity

For the fifteen months ended 31 March 2022

	Attributable to owners of the Company											
	Share capital	Share premium	Contribution surplus	Merger reserve	Share-based payments reserve	Statutory reserve	Foreign currency translation reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	24,429	14,217	(114,233)	8,390	787	15,778	148,116	8,278	108,618	214,380	(9,904)	204,476
Loss for the period	–	–	–	–	–	–	–	–	(31,923)	(31,923)	(1,995)	(33,918)
Exchange differences on translating foreign operations	–	–	–	–	–	–	6,892	–	–	6,892	(355)	6,537
Reclassification of cumulative foreign currency translation reserve upon deregistration of subsidiaries	–	–	–	–	–	–	(53)	–	–	(53)	–	(53)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	6,839	–	(31,923)	(25,084)	(2,350)	(27,434)
Lapse of share options (note 29)	–	–	–	–	(787)	–	–	–	787	–	–	–
Issue of shares by subscription (note 26(b))	4,880	12,737	–	–	–	–	–	–	–	17,617	–	17,617
Changes in equity for the period	4,880	12,737	–	–	(787)	–	6,839	–	(31,136)	(7,467)	(2,350)	(9,817)
At 31 March 2022	29,309	26,954	(114,233)	8,390	–	15,778	154,955	8,278	77,482	206,913	(12,254)	194,659

The notes on pages 61 to 154 form parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the fifteen months ended 31 March 2022

	Notes	Fifteen months ended 31 March 2022 HK$'000	Year ended 31 December 2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(41,363)**	172
Adjustments for:			
Amortisation of deferred income	9, 31	**(485)**	(281)
Amortisation of intangible assets		**119**	120
Depreciation of property, plant and equipment	18	**1,066**	669
Depreciation of right-of-use assets	20	**3,101**	2,346
Net fair value losses/(gains) on investment properties	19	**10,665**	(6,469)
Finance costs	11	**2,146**	2,023
Reversal of impairment loss for intangible assets	21	**—**	(4,340)
Written-off of intangible assets	21	**—**	587
Interest income	9	**(28)**	(268)
Loss on disposal of property, plant and equipment		**100**	—
Impairment loss for trade and other receivables, net		**397**	1,512
Unrealised exchange gain	9	**(1,730)**	—
Gain on deregistration of subsidiaries	9	**(53)**	—
Gain on disposal of a subsidiary	9, 43	**(27)**	—
Impairment loss/(reversal of impairment loss) for prepayment	22	**6,060**	(6,156)
Impairment loss/(reversal of impairment loss) for loan receivables, net	23	**2,651**	(427)
Written-off of a loan receivable	23	**2,423**	—
Operating loss before working capital changes		**(14,958)**	(10,512)
(Increase)/decrease in inventories		**(7)**	157
(Increase)/decrease in trade and other receivables		**(13,319)**	3,790
Increase in contract assets		**(817)**	—
Decrease in financial assets at FVTPL		**1,394**	1,350
(Increase)/decrease in restricted bank balance		**(654)**	458
Increase in trade and other payables		**1,579**	5,298
Increase in contract liabilities		**1,870**	1,341
Cash (used in)/generated from operations		**(24,912)**	1,882
Income taxes paid		**(55)**	(8)
Interest on lease liabilities	11	**(164)**	(263)
Net cash (used in)/generated from operating activities		**(25,131)**	1,611

Consolidated Statement of Cash Flows

For the fifteen months ended 31 March 2022

	Notes	**Fifteen months ended 31 March 2022** HK$'000	Year ended 31 December 2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9	**28**	37
Loans advanced		**—**	(5,736)
Net cash outflow from the disposal of a subsidiary	43	**(10)**	—
Proceeds from disposal of property, plant and equipment		**15**	—
Purchases of property, plant and equipment	18	**(538)**	(391)
Settlement of loans advanced		**1,572**	—
Acquisition of a subsidiary	42	**(33)**	—
Net cash generated from/(used in) investing activities		**1,034**	(6,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	11	**(1,982)**	(1,760)
Proceeds from issue of shares		**17,617**	4,955
Repayment of bank borrowings		**(6,060)**	(4,500)
Principal elements of lease payments		**(3,024)**	(1,685)
Receipt in advance from a placee of convertible bond	34	**22,500**	—
Security deposit received from a placee of convertible bond	34	**4,933**	—
Net cash generated from/(used in) financing activities		**33,984**	(2,990)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**9,887**	(7,469)
Effect of foreign exchange rate changes		**711**	2,034
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**15,402**	20,837
CASH AND CASH EQUIVALENTS AT 31 MARCH/31 DECEMBER		**26,000**	15,402
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**27,592**	16,293
Less: Restricted bank balances		**(1,592)**	(891)
		26,000	15,402

The notes on pages 61 to 154 form parts of these consolidated financial statements.

1. GENERAL INFORMATION

China Public Procurement Limited (the "**Company**") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business in Hong Kong was changed from Unit 501, 5/F, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong to Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong with effect from 1 April 2022. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Change of financial year end date

Pursuant to a resolution passed by the board of directors on 30 November 2021, the Company's financial year end date has been changed from 31 December to 31 March. Accordingly, the current financial period will cover a period of fifteen months from 1 January 2021 to 31 March 2022. The comparative figures (which cover the financial year from 1 January 2020 to 31 December 2020) for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes are not comparable with those of the current period.

(c) Basis of Preparation of the consolidated financial statements

The consolidated financial statements for the fifteen months ended 31 March 2022 comprise the Company and its subsidiaries (together referred to as the "**Group**").

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Group incurred a net loss of approximately HK$33,918,000 during the fifteen months ended 31 March 2022 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$38,999,000. As at the same date, the Group's bank and cash balances were approximately HK$27,592,000, and the Group had current bank borrowing and current tax liabilities of approximately HK$4,933,000 and HK$33,398,000, respectively. 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 the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 March 2022 after taking into consideration of the following:

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

(b) As at 31 March 2022, the Group had a bank borrowing of RMB21,000,000 (equivalent to approximately HK$25,897,000) from a bank in the PRC by pledging the Group's building, investment properties, certain right-of-use assets, certain trade receivables, certain bank balances and rental income of which RMB17,000,000 (equivalent to approximately HK$20,964,000) was classified as non-current liabilities. As at 31 March 2022, the fair value of the Group's investment properties amounted to approximately HK$294,488,000. The Group will also negotiate with its banks for additional banking facilities when necessary; and

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

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. If adequate financing is not available, the Group may be unable to meet its obligations as and when they full due in the foreseeable future. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies

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

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

In addition, the Group has early applied Amendment to HKFRS 16 "*Covid-19-Related Rent Concessions beyond 30 June 2021*", which will be mandatorily effective for annual periods beginning on or after 1 April 2021, with earlier application is permitted.

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

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

(f) Investments in debt and equity financial instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)).

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

— FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(u).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

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

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

(h) Property, plant and equipment

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets

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

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

— Computer software and software copyrights acquired	10 years

Both the period and method of amortisation are reviewed annually.

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

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) The Group as a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) The Group as a lessee (Continued)

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

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

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

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement of ECLs

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Significant increases in credit risk (Continued)

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

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

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

— intangible assets; and

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

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

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(l) Inventories

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(n)).

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(n) Trade and other receivables and loan receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(m)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(k)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

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

(q) Interest-bearing borrowings

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

(r) Employee benefits

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

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

(ii) Share-based payments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(iii) Termination benefits

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

(s) Income Tax

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income Tax (Continued)

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

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

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

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

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

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

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

    — the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Trading business:

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(ii) Procurement business:

Sales of authentication keys

Revenue from sales of authentication keys is recognised at a point in time when control of authentication keys has transferred, being when the authentication keys have been delivered to the customers.

Provision of tendering services

Revenue from tendering services is recognised at a point in time on the later of (i) the consideration is received and is non-refundable; and (ii) completion of the services.

(iii) Corporate IT solution business:

Sales of online procurement software (with subsequent maintenance services)

The Group mainly sells online procurement software, and revenue is recognised at a point in time when control of software products has transferred, being when the software products have been delivered to customers' specific location and installed for use. In addition, the Group provided subsequent maintenance service after the installation, which is considered to be a distinct service as it is both regularly supplied by the Group to other customers on a stand-alone basis and is available for customers from other providers in the market. Transaction price is either (i) fixed in the contract with customers; or (ii) allocated between sales of software products and the maintenance services on a relative stand-alone selling price basis. Revenue relating to the maintenance services is recognised over time and would be recognised as a separate performance obligation for provision of services. The transaction price allocated to these services is recognised on a straight-line basis over the period of service.

(iv) Energy management contracting business

The Group provides regular energy management contracting services in the PRC. Such services are recognised as a performance obligation satisfied over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

The Group receives partial payment in advance of management fee according to contract terms.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(vi) Dividend income

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

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

(vii) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(viii) Government grants

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

(v) Translation of foreign currencies

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Translation of foreign currencies (Continued)

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

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

(w) Borrowing costs

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

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

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

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

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

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

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

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

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

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

(y) Segment reporting

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

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

3. POSSIBLE IMPACT OF AMENDMENTS AND NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE FIFTEEN MONTHS ENDED 31 MARCH 2022

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

HKFRS 17	Issuance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estiments[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

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

4. ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

(i) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of financing facilities from banks at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2(c) to the consolidated financial statements.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

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

(ii) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised using the straight-line method over their useful lives after taking into account estimated residual value. The useful lives and residual value are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation and amortisation, the rates of depreciation and amortisation are revised.

(iii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portions that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leases out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is also made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iv) Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

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

(v) Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from certain investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has recognised deferred tax on changes in fair value of investment properties as the Group is subject to income taxes on the fair value changes of the investment properties on disposal.

As at 31 March 2022, the carrying amount of deferred tax on investment properties is amounted to HK$41,281,000 (31 December 2020: HK$47,041,000).

(b) Sources of estimation uncertainty

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

(i) Impairment assessment on non-current assets

In considering the impairment losses that may be required for certain of the Group's non-current assets which mainly include property, plant and equipment, right-of-use assets and intangible assets, the recoverable amount of the asset need to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Group uses all readily available information in determining expected cash flows generated by the CGU to which the asset belongs and they are discounted to their present value, which requires significant judgements. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and PRC. The Group carefully evaluates tax implication of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 March 2022 was HK$33,398,000 (31 December 2020: HK$32,527,000).

Deferred tax assets are recognised for all unused tax losses to the extent that its is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies, details of which are set out in note 33 to the consolidated financial statement.

(iii) Fair values of investment properties

The valuation of investment properties was based on valuation on these properties conducted by an independent professional valuer using property valuation techniques which involve certain assumptions of market conditions as disclosed in note 19. Favourable or unfavourable changes to these assumptions would result in changes in the valuation of the Group's investment properties and corresponding adjustments to the fair value changes reported in the consolidated statement of profit or loss.

The carrying amount of investment properties as at 31 March 2022 is approximately HK$294,488,000 (31 December 2020: HK$293,802,000).

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(iv) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 6 and 22 respectively.

(v) Impairment allowances on other receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures;

4. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(v) Impairment allowances on other receivables (Continued)

- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on probabilities of default, exposures at default and losses given default; and

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

5. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group's overall strategy remains unchanged from prior year. The Group regards equity attributable to owners of the Company and net debts (included bank borrowing and amounts due to an ex-substantial shareholder and its subsidiaries, net of cash and cash equivalents) as capital, for management purpose. The amount of capital as at 31 March 2022 amounted to approximately HK$209,691,000 (31 December 2020: HK$232,613,000), in which the Group considers as optimal having considered the projected capital expenditures and the projected investment opportunities.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the bank borrowing.

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required by the Listing Rules. As at 31 March 2022, over 25% (31 December 2020: over 25%) of the shares were in public hands.

5. CAPITAL RISK MANAGEMENT (Continued)

Breaches in meeting the financial covenants would permit the bank to immediately call borrowing. During the year ended 31 December 2020, the Group and the relevant bank entered into supplemental agreements for revising the financial covenants. The breach of financial covenants in 2019 were revoked. During the fifteen months ended 31 March 2022, there was no breach in the financial covenants of bank borrowing.

6. FINANCIAL RISK MANAGEMENT

Exposure to foreign currency, credits, liquidity and interest rate risks arises in the normal course of the Group's business.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of respective Group entities such as HK$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2022, if the Hong Kong dollar had weakened 10 per cent against RMB with all other variables held constant, consolidated loss after tax for the period (year ended 31 December 2020: profit after tax for the year) would have been HK$7,000 higher (year ended 31 December 2020: HK$62,000 lower), arising mainly as a result of the foreign exchange loss (year ended 31 December 2020: loss) on bank and cash balances denominated in currencies other than the functional currencies of the respective group entities of the Group. If the Hong Kong dollar had strengthened 10 per cent against RMB with all other variables held constant, there would be an equal and opposite impact.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivable, other receivables, contract assets, debt instruments at FVTPL and cash and cash equivalents. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

Except for debt securities at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Besides, the Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Debt instruments at FVTPL

The Group invests in certain debt instruments which are unrated. The investments in unrated debt instruments have to be approved by the directors of the Company. The directors of the Company regularly reviews and monitors the portfolio of debt instruments. Details of the terms of these investments are disclosed in note 24. Summary of the fair value and principal amount of these debt instruments are set out below.

	As at 31 March 2022		As at 31 December 2020	
	Fair value	**Principal amount**	Fair value	Principal amount
	HK$'000	**HK$'000**	HK$'000	HK$'000
Unrated	–	–	1,365	1,365

Cash and cash equivalents

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating of Baa 2, which the Group considers to be low credit risks.

Trade receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In respect of trade receivables, the Group generally offer credit period of 30 days to customers. Normally, the Group does not hold any collateral from customers. At 31 March 2022, the ECLs for trade receivable and contract assets were measured and loss allowance of HK$1,205,000 (31 December 2020: HK$1,190,000) and HK$Nil (31 December 2020: HK$Nil) was provided respectively.

The Group has no significant concentration of credit risk in industries or counties in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 47% (31 December 2020: 32%) and 89% (31 December 2020: 78%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group segments its trade receivables and contract assets based on geographic regions, due to different loss patterns experienced in the different regions.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2022 and 31 December 2020:

	As at 31 March 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
PRC	**%**	**HK$'000**	**HK$'000**
Current (not past due)	**1.4**	**5,356**	**76**
Within 3 months past due	**1.6**	**9,764**	**159**
3 to 6 months past due	**100.0**	**107**	**107**
7 to 12 months past due	**99.3**	**869**	**863**
Over 12 months past due	**—**	**—**	**—**
Total		**16,096**	**1,205**

	As at 31 December 2020		
	Expected loss rate	Gross carrying amount	Loss allowance
PRC	%	HK$'000	HK$'000
Current (not past due)	0.8	914	7
Within 3 months past due	0.9	1,053	9
3 to 6 months past due	—	—	—
7 to 12 months past due	94.8	1,019	966
Over 12 months past due	94.5	220	208
Total		3,206	1,190

As at 31 March 2022, there is no loss allowance provided (31 December 2020: HK$nil) on contract assets with gross amount of HK$831,000 (31 December 2020: HK$nil).

Expected loss rates are based on actual loss experience over the past 2 years. The calculation reflects the probability-weighted outcome of expected credit losses and is adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and also forward-looking information including the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Movement in the loss allowance account in respect of trade receivables during the period/year is as follows:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
PRC	**HK$'000**	HK$'000
At 1 January 2021/1 January 2020	**1,190**	228
Impairment losses recognised for the period/year	**263**	1,030
Reversal for the period/year	**(184)**	(68)
Written off for the period/year	**(64)**	—
At 31 March 2022/31 December 2020	**1,205**	1,190

The increase in the loss allowance during the fifteen months ended 31 March 2022 was caused by origination of new trade receivables net of those settlements, resulting in an increase in loss allowance of approximately HK$79,000 (year ended 31 December 2020: increase of approximately HK$962,000).

Deposits, other receivables and loan receivables

For deposits, other receivables and loan receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits, other receivables and loan receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-months ECL. For the fifteen months ended 31 March 2022, reversal of net impairment loss of approximately HK$1,000 (year ended 31 December 2020: net impairment loss of approximately HK$152,000) on deposits, additional net impairment loss of approximately HK$319,000 (year ended 31 December 2020: approximately HK$398,000) on other receivables and an additional net impairment loss of approximately HK$2,651,000 (year ended 31 December 2020: reversal of net impairment loss of approximately HK$427,000) on loan receivables were recognised in the consolidated statement of profit or loss.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Deposits, other receivables and loan receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for deposits, other receivables and loan receivables as at 31 March 2022 and 31 December 2020:

	Gross carrying amount	
	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Other receivables	**1,986**	1,319
Amounts due from an ex-substantial shareholder and its subsidiaries	**87,205**	85,263
Compensation income receivable	**8,473**	8,473
	97,664	95,055
Deposits	**912**	886
Loan receivables	**117,450**	125,657

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Deposits, other receivables and loan receivables (Continued)

Movement in the loss allowance for deposits, other receivables and loan receivables at amortised cost during the period/year is as follows:

	Other receivable	Amounts due from an ex-substantial shareholder and its subsidiaries	Compensation income receivable	Total of other receivables	Deposits	Loan receivable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	401	82,374	8,473	91,248	18	118,377	209,643
Impairment losses recognised for the year	420	—	—	420	166	76	662
Reversal for the year	(22)	—	—	(22)	(14)	(503)	(539)
Exchange difference	—	2,889	—	2,889	—	1,112	4,001
At 31 December 2020 and 1 January 2021	799	85,263	8,473	94,535	170	119,062	213,767
Impairment losses recognised for the period	331	—	—	331	2	3,757	4,090
Reversal for the period	(12)	—	—	(12)	(3)	(1,106)	(1,121)
Written off for the period *(note)*	(120)	—	—	(120)	(13)	(4,847)	(4,980)
Exchange difference	—	1,942	—	1,942	—	584	2,526
At 31 March 2022	998	87,205	8,473	96,676	156	117,450	214,282

Note: During the fifteen months ended 31 March 2022, two of the debtors of the Group, which were established in the PRC with limited liabilities, were de-registered. The loan receivables amounted to approximately HK$4,847,000 from these two debtors were fully impaired in previous years under the Group's recoverability assessment. After taking into consideration of the legal advices, the directors of the Company considered that there is no realistic prospect to recover the aforesaid amounts, and the Group wrote off the relevant amounts of approximately HK$4,847,000 of the loss allowance and gross amounts of loan receivables.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

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

	Contractual undiscounted cash flow					
	On demand or within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-derivative financial liabilities	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 March 2022						
Trade and other payables	**35,165**	**—**	**—**	**—**	**35,165**	**35,165**
Bank borrowing	**6,157**	**5,894**	**16,074**	**1,233**	**29,358**	**25,897**
Lease liabilities	**1,019**	**37**	**—**	**—**	**1,056**	**1,044**
	42,341	**5,931**	**16,074**	**1,233**	**65,579**	**62,106**

	Contractual undiscounted cash flow					
	On demand or within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
Non-derivative financial liabilities	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020						
Trade and other payables	26,018	—	—	—	26,018	26,018
Bank borrowing	6,313	6,058	16,638	7,455	36,464	30,851
Lease liabilities	2,477	1,577	—	—	4,054	3,885
	34,808	7,635	16,638	7,455	66,536	60,754

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank balances, loan receivables and bank borrowing. Loan receivables bear interest at fixed interest rates and therefore are subject to fair value interest value risk. Other bank deposits and bank borrowing bear interest at variable rates varied with the then prevailing market condition. The Group did not use derivative financial instruments to hedge its debt obligations.

The effect of changes in interest rates is not significant to these consolidated financial statements. Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Financial assets:		
Financial assets at FVTPL	**–**	1,365
Financial assets at amortised cost	**44,227**	26,050
Financial liabilities:		
Financial liabilities at amortised cost	**62,106**	60,754

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets and liabilities, the causes of the fluctuations will be reported to the directors of the Company.

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements categorised into			Total
	Level 1	Level 2	Level 3	**31 March 2022**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL — structured deposits	—	—	—	**—**
Non-financial assets				
Investment properties				
Commercial units situated in the PRC	—	—	294,488	**294,488**
Total	—	—	294,488	**294,488**

Description	Fair value measurements categorised into			Total
	Level 1	Level 2	Level 3	31 December 2020
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL — structured deposits	—	1,365	—	1,365
Non-financial assets				
Investment properties				
Commercial units situated in the PRC	—	—	293,802	293,802
Total	—	1,365	293,802	295,167

During the fifteen months ended 31 March 2022 and the year ended 31 December 2020, there were no transfers between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

7. FAIR VALUE MEASUREMENTS (Continued)

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

Description	Investment properties
	HK$'000
At 1 January 2021	293,802
Total losses recognised in profit or loss	(10,665)
Exchange differences	11,351
At 31 March 2022	294,488
Total losses recognised in profit or loss for assets held at end of the reporting period	(10,665)

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

During the fifteen months ended 31 March 2022, the total losses recognised in profit or loss including those for assets held at end of the reporting period of approximately HK$10,665,000 (year ended 31 December 2020: gains of approximately HK$6,469,000) are presented in other income and (losses)/gains in the consolidated statement of profit or loss.

7. FAIR VALUE MEASUREMENTS (Continued)

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

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purpose, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussion of valuation processes and results are held between the financial controller and the Board of Directors once a year.

For level 3 fair value measurements, the Group will normally engage independent professional qualified valuers with the recognised professional qualifications and recent experience to perform the valuations.

Investment properties were revalued at 31 March 2022 and 31 December 2020 by Grant Sherman Appraisal Limited, an independent qualified professional valuer, using income approach with reference to comparable sale transactions for similar properties in the same location and condition or using income capitalisation approach by reference to net rental income allowing for reversionary income potential.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value **31 March 2022**	 31 December 2020
			HK$'000	HK$'000
Assets				
Structured deposits	Market comparison approach	Price per unit of investment	**–**	1,365

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value **31 March 2022**	 31 December 2020
					HK$'000	HK$'000
Commercial units located in the PRC	Income capitalisation	Terminal yield	7% ((31 December 2020: 7%)	Decrease	**294,488**	293,802
		Reversionary yield	7.5% ((31 December 2020: 7.5%)	Decrease		
		Monthly rental (RMB/ square metre)	35–130 (31 December 2020: 42–130)	Increase		

8. REVENUE

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

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Provision of procurement services	**14,596**	10,649
Trading of goods	**85,141**	55,446
Provision of corporate IT solution services	**14,573**	12,032
Rental income	**24,654**	15,428
Provision of energy management contracting services	**1,292**	—
	140,256	93,555

Disaggregation of revenue from contracts with customers by major products or services lines and the timing of revenue recognition for the period/year are as follows:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time:		
— Trading of goods	**85,141**	55,446
— Provision of procurement services	**14,596**	10,649
— Sales of online procurement software	**7,534**	7,106
Recognised over time:		
— Licensing online procurement platform income	**1,418**	991
— Provision of maintenance services	**5,621**	3,935
— Provision of energy management contracting services	**1,292**	—
	115,602	78,127
Revenue from other sources		
— Rental income	**24,654**	15,428
	140,256	93,555

All of the above revenue were arisen in the PRC.

Contracts with customers with unsatisfied performance obligations on the abovementioned revenue, have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

9. OTHER INCOME AND (LOSSES)/GAINS

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Bank interest income	**28**	37
Net foreign exchange gain	**1,730**	—
Net fair value (losses)/gains on investment properties *(note 19)*	**(10,665)**	6,469
Gains on disposals of financial assets at FVTPL	**18**	130
Loss on disposal of property, plant and equipment	**(100)**	—
Government grants — amortisation of deferred income *(note 31)*	**485**	281
Government grants *(Note i)*	**508**	563
Interest income from loan receivables	**—**	231
Gain on deregistration of subsidiaries *(note ii)*	**53**	—
Gain on disposal of a subsidiary *(note 43)*	**27**	—
Sundry income *(Note iii)*	**2,131**	2,627
	(5,785)	10,338

Notes:

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

(ii) During the fifteen months ended 31 March 2022, the Group deregistered certain dormant subsidiaries. HK$53,000 of foreign currency translation reserve was released from the deregistration of the subsidiaries and the resulting gain on deregistration of subsidiaries of HK$53,000 was recognised in the consolidated statement of profit or loss during the period.

(iii) During the fifteen months ended 31 March 2022, the sundry income included a reversal of accrued salaries of approximately HK$1,134,000, which was made based on the assessment of the likelihood of such payment by the directors of the Company.

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

10. SEGMENT INFORMATION

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

The Group has five operating segments as follows:

Provision of procurement services	—	provision of procurement services to governmental authorities and private enterprises
Trading business	—	trading of different kinds of 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
Energy management contracting business	—	Provision of energy management contracting services in the PRC

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

The accounting policies of the operating segments are the same as those described in note 2 to the consolidated financial statements.

Segment profits or losses do not include administrative expenses, other income and (losses)/gains, finance costs, net impairment loss for certain trade and other receivables, reversal of impairment loss for certain prepayments, impairment loss/(reversal of impairment loss) for loan receivables and written-off of a loan receivable.

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

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

Segment liabilities do not include, bank borrowing, lease liabilities, certain other payables, current tax liabilities, deferred income and deferred tax liabilities.

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

10. SEGMENT INFORMATION (Continued)

Information about reportable segment results, assets and liabilities:

	Provision of procurement services	Trading business	Provision of corporate IT solution	Rental income	Energy management contracting business	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fifteen months ended 31 March 2022						
Revenue from external customers	14,596	85,141	14,573	24,654	1,292	140,256
Segment profit/(loss)	6,166	(5,921)	1,986	15,015	833	18,079
Amounts included in the measure of segment profit or loss:						
Impairment loss/(reversal of impairment loss) for trade and other receivables, net	–	186	(149)	43	–	80
Impairment loss for prepayment	–	6,060	–	–	–	6,060
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:						
Depreciation	36	–	30	–	–	66
As at 31 March 2022						
Segment assets	13,580	12,466	1,293	296,631	–	323,970
Segment liabilities	3,505	1,135	4,137	6,330	2,289	17,396
Amounts included in the measure of segment assets:						
Additions of segment non-current assets	–	–	–	–	–	–

10. SEGMENT INFORMATION (Continued)

Information about reportable segment results, assets and liabilities: (Continued)

	Provision of procurement services	Trading business	Provision of corporate IT solution	Rental income	Energy management contracting business	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020						
Revenue from external customers	10,649	55,446	12,032	15,428	—	93,555
Segment profit	11,534	6,155	1,970	8,412	—	28,071
Amounts included in the measure of segment profit or loss:						
Reversal of impairment loss for intangible assets	(4,340)	—	—	—	—	(4,340)
Impairment loss for trade and other receivables, net	6	—	947	16	—	969
Reversal of impairment loss for prepayment	—	(6,085)	—	—	—	(6,085)
Amounts not included in the measure of segment profit or loss but regularly reported to CODM:						
Depreciation	20	—	32	—	—	52
As at 31 December 2020						
Segment assets	13,159	5,933	1,778	294,499	—	315,369
Segment liabilities	2,806	—	4,084	7,733	—	14,623
Amounts included in the measure of segment assets:						
Additions of segment non-current assets	57	—	120	—	—	177

10. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment results:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Total profit of reportable segments	**18,079**	28,071
Administrative expenses	**(46,120)**	(36,169)
Other income and (losses)/gains	**(5,785)**	10,338
Finance costs	**(2,146)**	(2,023)
Unallocated impairment loss for trade and other receivables, net	**(317)**	(543)
Unallocated reversal of impairment loss for prepayments	**—**	71
(Impairment loss)/reversal of impairment loss for loan receivables, net	**(2,651)**	427
Written-off of a loan receivable	**(2,423)**	—
Consolidated (loss)/profit before tax	**(41,363)**	172

There was no inter-segment sale and transfer during the fifteen months ended 31 March 2022 and the year ended 31 December 2020.

No reconciliation of reportable and operating segment revenue is provided as the total revenue for reportable and operating segments is the same as the Group's consolidated revenue.

10. SEGMENT INFORMATION (Continued)

Reconciliations of segment assets and liabilities:

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Assets		
Total assets of reportable segments	**323,970**	315,369
Unallocated corporate assets		
— Bank and cash balances	**27,592**	16,293
— Loan receivables	**—**	6,505
— Financial assets at FVTPL	**—**	1,365
— Others	**17,656**	20,470
	45,248	44,633
Consolidated total assets	**369,218**	360,002
Liabilities		
Total liabilities of reportable segments	**17,396**	14,623
Unallocated corporate liabilities		
— Bank borrowing	**25,897**	30,851
— Security deposit for issuance of convertible bond *(note 34(iv))*	**4,933**	—
— Receipt in advance *(note 34(iii))*	**22,500**	—
— Lease liabilities	**1,044**	3,885
— Deferred tax liabilities	**41,281**	47,041
— Current tax liabilities	**33,398**	32,527
— Others	**28,110**	26,599
	157,163	140,903
Consolidated total liabilities	**174,559**	155,526

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Other material items — impairment loss for trade and other receivables, net		
Total impairment loss for of trade and other receivables of reportable segments, net	**80**	969
Unallocated amounts	**317**	543
Consolidated impairment loss for trade and other receivables, net	**397**	1,512
Other material items — depreciation		
Total depreciation of reportable segments	**66**	52
Unallocated amounts	**4,101**	2,963
Consolidated depreciation	**4,167**	3,015
Other items — impairment loss/(reversal of impairment loss) for prepayment		
Total impairment loss/(reversal of impairment loss) for prepayment	**6,060**	(6,085)
Unallocated amounts	**—**	(71)
Consolidated impairment loss/(reversal of impairment loss) for prepayment	**6,060**	(6,156)
Other items — additions to non-current assets		
Total addition to non-current assets of reportable segments	**—**	177
Other corporate additions	**641**	214
Consolidated additions to non-current assets	**641**	391

10. SEGMENT INFORMATION (Continued)

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 following is an analysis of geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, investment properties, right-of-use assets and intangible assets ("**Specified Non-Current Assets**").

The geographical location of customers refers to the location at which the services were provided or the goods delivered. The geographical locations of Specified Non-Current Assets are based on the physical location of the assets in the case of property, plant and equipment and investment properties, and the location of the operation in the case of right-of-use assets and intangible assets.

	Revenue from external customers (by customer location)		***Specified Non-Current Assets (by physical location)***	
	Fifteen months ended 31 March 2022	Year ended 31 December 2020	**As at 31 March 2022**	As at 31 December 2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**133**	1,184
PRC except Hong Kong	**140,256**	93,555	**322,114**	322,879
Consolidated total	**140,256**	93,555	**322,247**	324,063

Revenue from major customers:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Trading business segment		
Customer A	**70,948**	—
Customer B	**—**	31,508
Customer C	**—**	23,938

11. FINANCE COSTS

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Interest on bank borrowing	**1,982**	1,760
Interest on lease liabilities	**164**	263
Interest on financial liabilities not at fair value through profit or loss	**2,146**	2,023

12. INCOME TAX CREDIT

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Current tax — Hong Kong		
Over-provision in prior years	**—**	(1,771)
Current tax — the PRC		
Provision for the period/year	**15**	32
Under-provision in prior years	**16**	—
	31	(1,739)
Deferred tax *(note 33)*	**(7,476)**	1,690
	(7,445)	(49)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the fifteen months ended 31 March 2022 (year ended 31 December 2020: HK$Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% for the fifteen months ended 31 March 2022 (year ended 31 December 2020: 25%).

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

12. INCOME TAX CREDIT (Continued)

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

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
(Loss)/profit before tax	**(41,363)**	172
Tax at the PRC Enterprise Income Tax rate of 25% (year ended 31 December 2020: 25%)	**(10,341)**	43
Tax effect of income that is not taxable	**(970)**	(3,589)
Tax effect of expenses that are not deductible	**6,362**	3,114
Tax effect of utilisation of tax losses not previously recognised	**(2,616)**	(1,165)
Tax effect of tax losses not recognised	**3,787**	2,878
Tax effect of temporary differences not recognised	**789**	(1,194)
Effect of different tax rates of subsidiaries	**1,216**	963
PRC land appreciation tax	**(7,476)**	1,690
Tax effect of PRC land appreciation tax	**1,869**	(423)
Tax concession	**(81)**	(595)
Under/(over)-provision in prior years	**16**	(1,771)
Income tax credit	**(7,445)**	(49)

13. (LOSS)/PROFIT FOR THE PERIOD/YEAR

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

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Amortisation of intangible assets (included in administrative expenses) *(note 21)*	**119**	120
Auditor's remuneration		
(i) audit services		
— current period/year	**890**	890
— under-provision in prior year	**—**	180
(ii) non-audit services		
— current period/year	**570**	10
— under-provision in prior year	**—**	280
Cost of inventories sold	**84,816**	55,376
Depreciation of property, plant and equipment *(note 18)*	**1,066**	669
Depreciation of right-of-use assets *(note 20)*	**3,101**	2,346
Direct operating expenses of investment properties that generate rental income	**9,263**	6,875
Written-off intangible assets *(note 21)*	**—**	587
Net foreign exchange (gain)/loss*	**(1,730)**	194
Loss on disposal of property, plant and equipment	**100**	—

* The net foreign exchange loss for the year ended 31 December 2020 was included in administrative expenses.

14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Employee benefits expense:		
Salaries, bonuses and allowances	**36,751**	25,871
Retirement benefits scheme contributions*	**2,748**	197
	39,499	26,068

* The Group had no forfeited contributions under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") and its retirement benefits schemes in the PRC which may be used to reduce the existing level of contributions during the fifteen months ended 31 March 2022 (for the year ended 31 December 2020: Nil). There were also no forfeited contributions available to reduce future contributions at the end of the reporting period (31 December 2020: Nil).

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The retirement benefits scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 per month.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

As at 31 March 2022 and 31 December 2020, the Group had no significant obligation apart from the contribution as stated above.

14. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

Five highest paid individuals

The five highest paid employees of the Group during the fifteen months ended 31 March 2022 included one director (year ended 31 December 2020: one director), details of whose emoluments are set out in note 15. Details of the remuneration for the fifteen months ended 31 March 2022 of the remaining four (year ended 31 December 2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Basic salaries, allowances and other benefits in kind	**5,885**	4,012
Discretionary bonus	**2,165**	441
Retirement benefits scheme contributions	**257**	27
	8,307	4,480

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**—**	1
HK$4,000,001 to HK$4,500,000	**1**	—

During the fifteen months ended 31 March 2022, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in connection with the management of affairs of any member of the Group.

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments

Director's remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

	Fees	Salaries	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Other benefits in kind	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director						
Executive directors:						
Ms. Wu Siyuan (Chairman and Chief executive) *(note (i))*	220	–	–	30	34	284
Mr. Zheng Jinwei *(note (ii))*	750	–	–	80	655	1,485
Ms. He Qian	300	–	–	–	–	300
Non-executive directors:						
Ms. Liu Qian *(note (iii))*	115	–	–	–	–	115
Mr. Li Shun *(note (iii))*	115	320	–	–	–	435
Mr. Li Guanghua *(note (iv))*	29	–	–	–	–	29
Mr. Chen Limin *(note (v))*	25	–	–	–	–	25
Mr. Zhang Jianguo *(note (vi))*	130	–	–	–	–	130
Mr. Xu Peng *(note (vii))*	212	–	–	–	–	212
Independent non-executive directors:						
Mr. Zhong Dengyu *(note (viii))*	70	–	–	–	–	70
Mr. Deng Xiang *(note (ix))*	360	–	–	–	–	360
Mr. Jiang Jun	450	–	–	–	–	450
Mr. Wang Shuai	370	–	–	–	–	370
Total for the fifteen months ended 31 March 2022	**3,146**	**320**	**–**	**110**	**689**	**4,265**

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Directors' emoluments (Continued)

	Fees	Salaries	Discretionary bonus	Employer's contribution to a retirement benefit scheme	Other benefits in kind	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director						
Executive directors:						
Mr. Zheng Jinwei (Chairman and Chief executive)	600	—	—	7	478	1,085
Ms. He Qian	240	—	—	—	—	240
Non-executive directors:						
Mr. Chen Limin	300	—	—	—	—	300
Mr. Zhang Jianguo	240	—	—	—	—	240
Mr. Xu Peng	240	—	—	—	—	240
Independent non-executive directors:						
Mr. Deng Xiang	360	—	—	—	—	360
Mr. Jiang Jun	360	—	—	—	—	360
Mr. Wang Shuai	240	—	—	—	—	240
Total for the year ended 31 December 2020	2,580	—	—	7	478	3,065

Notes:

(i) Appointed on 19 November 2021

(ii) Mr. Zheng Jinwei ceased as chief executive of the Company on 19 November 2021, and subsequently ceased as executive director on 29 April 2022

(iii) Appointed on 8 October 2021

(iv) Appointed on 16 February 2022

(v) Ceased on 1 February 2021

15. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Notes: (Continued)

(vi) Ceased on 16 July 2021

(vii) Ceased on 19 November 2021

(viii) Appointed on 17 December 2021

(ix) Ceased on 19 January 2022

During the fifteen months ended 31 March 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (year ended 31 December 2020: Nil)

Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the fifteen months ended 31 March 2022 (year ended 31 December 2020: Nil).

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the fifteen months ended 31 March 2022 and the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting periods.

17. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share (year ended 31 December 2020: earnings per share) is based on loss attributable to owners of the Company of approximately HK$31,923,000 (year ended 31 December 2020: profit attributable to owners of the Company of approximately HK$1,643,000), and the weighted average number of ordinary shares of 260,800,648 (year ended 31 December 2020: 221,782,000) in issue during the fifteen months ended 31 March 2022.

Diluted (loss)/earnings per share

For the fifteen months ended 31 March 2022, the computation of diluted loss per share (year ended 31 December 2020: diluted earning per share) did not assume the exercise of share options because their exercise price is higher than the average share price.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2020	2,346	21,237	2,504	4,401	30,488
Additions	—	192	—	199	391
Write-off/disposal	—	(2,246)	—	(125)	(2,371)
Exchange differences	146	1,335	136	156	1,773
At 31 December 2020 and 1 January 2021	2,492	20,518	2,640	4,631	30,281
Additions	—	38	—	500	538
Acquired on acquisition of a subsidiary *(note 42)*	—	2	—	—	2
Write-off/disposal	—	(627)	(575)	—	(1,202)
Exchange differences	98	885	92	114	1,189
At 31 March 2022	2,590	20,816	2,157	5,245	30,808
Accumulated depreciation and impairment					
At 1 January 2020	84	21,036	2,322	3,164	26,606
Charge for the year	158	311	61	139	669
Write-off/disposal	—	(2,246)	—	(125)	(2,371)
Exchange differences	14	1,031	128	106	1,279
At 31 December 2020 and 1 January 2021	256	20,132	2,511	3,284	26,183
Charge for the period	212	347	—	507	1,066
Write-off/disposal	—	(512)	(575)	—	(1,087)
Exchange differences	14	705	86	81	886
At 31 March 2022	482	20,672	2,022	3,872	27,048
Net book value					
At 31 March 2022	2,108	144	135	1,373	3,760
At 31 December 2020	2,236	386	129	1,347	4,098

At 31 March 2022, the carrying amount of property, plant and equipment pledged as security for the Group's bank borrowing amounted to approximately HK$2,108,000 (31 December 2020: HK$2,236,000).

19. INVESTMENT PROPERTIES

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
FAIR VALUE		
At 1 January 2021/1 January 2020	**293,802**	270,219
Net fair value (losses)/gains *(note 9)*	**(10,665)**	6,469
Exchange differences	**11,351**	17,114
At 31 March 2022/31 December 2020	**294,488**	293,802

At 31 March 2022, the carrying amount of investment properties pledged as security for the Group's bank borrowing amounted to approximately HK$294,488,000 (31 December 2020: HK$293,802,000).

The Group leases out office premises under operating leases with rentals receivable monthly. The leases typically run for an initial period of one to five years.

The details of fair value measurement of investment properties are set out in note 7 to the consolidated financial statements.

The Group is exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB, which is the functional currency of the relevant group entity. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

20. RIGHT-OF-USE ASSETS

	Leasehold lands	Leased properties	Total
	HK$'000	HK$'000	HK$'000
Net book value			
At 1 January 2020	8,928	5,505	14,433
Depreciation charge for the year *(note 13)*	(228)	(2,118)	(2,346)
Exchange differences	541	170	711
At 31 December 2020 and 1 January 2021	9,241	3,557	12,798
Addition	—	101	101
Depreciation charge for the period *(note 13)*	(307)	(2,794)	(3,101)
Exchange differences	358	74	432
At 31 March 2022	9,292	938	10,230

Lease liabilities of approximately HK$1,044,000 (31 December 2020: HK$3,885,000) are recognised with related right-of-use assets of approximately HK$938,000 as at 31 March 2022 (31 December 2020: HK$3,557,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leasehold properties may not be used as security for borrowing purposes.

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Depreciation expenses on right-of-use assets	**3,101**	2,346
Interest expense on lease liabilities (included in finance costs)	**164**	263
Expenses relating to short-term lease (included in administrative expenses)	**525**	895

During the fifteen months ended 31 March 2022 and the year ended 31 December 2020, there is neither expense relating to lease of low-value asset (excluding short-term lease of low-value asset) nor Covid-19-related rent concession received.

Details of total cash outflow for leases are set out in note 36(b) to the consolidated financial statements.

For the fifteen months ended 31 March 2022 and the year ended 31 December 2020, the Group leases for its operations. Lease contracts are entered into for fixed term of 3 years, but have termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 March 2022, the carrying amount of right-of-use assets pledged as security for the Group's bank borrowing amounted to approximately HK$9,292,000 (31 December 2020: HK$9,241,000).

21. INTANGIBLE ASSETS

	Computer software	Online platform promotion right	Online platform development and technical support right	Software technology knowhow	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 January 2020	1,845	8,938	7,822	72,665	91,270
Write-off	(587)	—	—	—	(587)
Exchange differences	82	554	485	4,507	5,628
At 31 December 2020 and 1 January 2021	1,340	9,492	8,307	77,172	96,311
Exchange differences	53	372	326	3,031	3,782
At 31 March 2022	1,393	9,864	8,633	80,203	100,093
Accumulated amortisation and impairment					
At 1 January 2020	687	8,938	7,822	64,847	82,294
Amortisation for the year	120	—	—	—	120
Reversal of impairment loss recognised in prior years	—	—	—	(4,340)	(4,340)
Exchange differences	48	554	485	3,785	4,872
At 31 December 2020 and 1 January 2021	855	9,492	8,307	64,292	82,946
Amortisation for the period	119	—	—	—	119
Exchange differences	36	372	326	2,525	3,259
At 31 March 2022	1,010	9,864	8,633	66,817	86,324
Carrying amount					
At 31 March 2022	383	—	—	13,386	13,769
At 31 December 2020	485	—	—	12,880	13,365

At 31 March 2022, the average remaining amortisation period of the computer software is 2.24 years (31 December 2020: 3.49 years).

At 31 March 2022, the carrying amount of intangible assets that assessed as indefinite useful life amounted to approximately HK$13,386,000 (31 December 2020: HK$12,880,000). These assets are attributable to the provision of procurement services segment.

On 31 March 2022, the management of the Group conducted impairment review on cash-generating unit of provision of procurement services segment. The recoverable amount of the cash-generating unit have been determined based on value in use calculation, which is based on the financial budgets approved by the management covering a five year period and a pre-tax discount rate of approximately 29% (31 December 2020: approximately 28%). Pre-tax discount rate applied reflects the current market assessment of the time value of money and the risk specific to the cash-generating unit. The value in use calculation and the pre-tax discount rate were determined by an independent qualified professional valuer. The key assumptions of the value in use calculations are discount rate and growth rate. Based on the assessments, neither impairment loss nor reversal of impairment loss on intangible assets was recognised (year ended 31 December 2020: reversal of impairment loss of approximately HK$4,340,000 due to a favourable turn from Covid-19 pandemic in the PRC) for the fifteen months ended 31 March 2022.

22. TRADE AND OTHER RECEIVABLES

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Trade and other receivables comprise:		
Trade receivables	**16,096**	3,206
Less: allowance for credit loss *(note (i))*	**(1,205)**	(1,190)
	14,891	2,016
Other receivables	**988**	520
Prepayment *(note (ii))*	**1,818**	8,440
Deposits	**756**	716
	18,453	11,692

Notes:

(i) During the fifteen months ended 31 March 2022, trade receivables of approximately HK$2,016,000 (year ended 31 December 2020: HK$5,829,000) at the beginning of the reporting period have been settled by the customers. Accordingly, impairment loss on trade receivables recognised under expected credit loss model of HK$184,000 (year ended 31 December 2020: HK$68,000) have been reversed and recognised in profit or loss.

(ii) One of the suppliers of the Group failed to honour its contractual responsibility to supply goods to the Group and failed to repay the relevant prepayments to the Group. The Group is in debt recovery process to recover the relevant prepayments from this supplier. After the assessment by the directors of the Company, the directors of the Company considered the chance of recovering the prepayments made to this supplier to be remote, and recognised a full impairment of approximately HK$6,060,000 on the prepayments to this supplier during the fifteen months ended 31 March 2022.

During the year ended 31 December 2020, a reversal of prepayments of approximately HK$6,156,000 was recorded due to settlement was made by the counterparty during the year.

As at 31 March 2022, trade receivables from contracts with customers amounted to HK$14,891,000 (31 December 2020: HK$2,016,000).

Details of impairment assessment of trade and other receivables for the fifteen months ended 31 March 2022 and for the year ended 31 December 2020 are set out in note 6(b) to the consolidated financial statements.

22. TRADE AND OTHER RECEIVABLES (Continued)

For trading business, the Group generally grants a credit period of 30 days (year ended 31 December 2020: 30 days) to its customers. Rental income is paid in accordance with the terms of respective agreements. For provision of 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 (year ended 31 December 2020: 30 days) from the date of acceptance. For energy management contracting business, the customers paid certain of contract sum in advance in accordance with the terms of respective agreements. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in trade and other receivables are trade receivables, net of allowance for impairment, of HK$14,891,000 (31 December 2020: HK$2,016,000) and an aging analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
0 to 90 days	**14,885**	1,951
91 to 180 days	**—**	17
181 to 365 days	**6**	36
Over 365 days	**—**	12
	14,891	2,016

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

Included in trade receivables was an amount due from a non-controlling shareholder of a subsidiary of approximately HK$863,000 (31 December 2020: HK$831,000) with impairment of approximately HK$863,000 (31 December 2020: HK$831,000).

As at 31 March 2022, there were amounts due from an ex-substantial shareholder and its subsidiaries of approximately HK$87,205,000 (31 December 2020: HK$85,263,000) with full impairment recognised in 2017, of which HK$15,000,000 (31 December 2020: HK$15,000,000) related to a deposit paid for potential acquisition of a subsidiary.

At 31 March 2022, the carrying amount of trade receivables charged as security for the Group's bank borrowing amounted to approximately HK$2,143,000 (31 December 2020: HK$697,000).

23. LOAN RECEIVABLES

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Fixed-rate loan receivables		
— Unsecured	**117,450**	125,567
Less: allowance for credit loss	**(117,450)**	(119,062)
	—	6,505

Loan receivables represented advances to independent third parties.

As at 31 March 2022, loan receivable at principal amount of HK$100,000,000 (31 December 2020: HK$100,000,000) was unsecured, interest-free and repayable in June 2015 and correlated to a cooperation arrangement with an independent third party. Further details of such were set out in the Company's announcement dated 5 June 2014. The remaining loan receivables at principal amount of approximately HK$17,450,000 (31 December 2020: HK$25,567,000) were unsecured, interest bearing at a range of 0.3% to 0.6% (31 December 2020: 0.3% to 0.6%) per month and repayable on respective maturity dates.

As at 31 March 2022, included in the Group's loan receivables balance were debtors with aggregate carrying amounts of approximately HK$117,450,000 (31 December 2020: HK$119,062,000) which were past due as at the reporting date, of which HK$117,450,000 (31 December 2020: HK$119,062,000) had been past due 90 days or more.

Based on the abovementioned circumstances, the Group recognised a net impairment loss for loan receivables of approximately HK$2,651,000 (year ended 31 December 2020: a net reversal of impairment loss for loan receivables of approximately HK$427,000) to reflect the expected credit losses during the fifteen months ended 31 March 2022. The Group will consider to take all possible ways, including but not limited to, legal proceedings, to recover the respective loans and interest receivables.

In addition, one of the debtors of loan receivables, which was established in the PRC with limited liabilities, was de-registered during the fifteen months ended 31 March 2022. After taking into consideration of the legal advices, the directors of the Company considered that there is no realistic prospect to recover the respective loan receivable. After the above assessment, the Group wrote off a gross carrying amount of loan receivable balance of approximately HK$2,423,000 (year ended 31 December 2020: Nil) in related to this debtor during the fifteen months ended 31 March 2022.

Details of impairment assessment of loan receivables for the fifteen months ended 31 March 2022 and the year ended 31 December 2020 are set out in note 6(b) to the consolidated financial statements.

24. FINANCIAL ASSETS AT FVTPL

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Held for trading		
Structured deposits, at fair value	**–**	1,365

The Group establishes fair value by using valuation techniques for the period/year. These include the use of market comparable approach, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

25. BANK AND CASH BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 March 2022 and 31 December 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

As at 31 March 2022, the bank and cash balances of the Group denominated in RMB and kept in the PRC aggregately amounted to approximately HK$20,832,000 (31 December 2020: HK$15,161,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 March 2022, the bank and cash balances of the Group included restricted deposits charged as security for the Group's bank borrowing amounted to approximately HK$1,592,000 (31 December 2020: HK$891,000).

26. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised share capital			
Ordinary shares			
Authorised ordinary shares at 1 January 2020, 31 December 2020, 1 January 2021 and 31 March 2022 (HK$0.1 each)		400,000	40,000
Preference shares			
Authorised preference shares at 1 January 2020, 31 December 2020, 1 January 2021 and 31 March 2022 (HK$0.1 each)		100,000	10,000
Total authorised share capital at 1 January 2020, 31 December 2020, 1 January 2021 and 31 March 2022 (HK$0.1 each)		500,000	50,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2020 (HK$0.1 each)		209,387	20,939
Issue of shares	(a)	34,897	3,490
At 31 December 2020 and 1 January 2021 (HK$0.1 each)		244,284	24,429
Issue of shares	(b)	48,800	4,880
At 31 March 2022 (HK$0.1 each)		293,084	29,309
Preference shares			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 March 2022 (HK$0.1 each)		—	—
Total issued and fully paid at 31 March 2022 (HK$0.1 each)		293,084	29,309

Notes:

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

(b) On 29 October 2021, 48,800,000 ordinary shares of the Company of HK$0.1 were issued at HK$0.361 per share. The premium on the issue of shares, amounting to approximately HK$12,737,000 was credited to the Company's share premium account.

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

(a) Statement of financial position of the Company

	Notes	As at 31 March 2022 HK$'000	As at 31 December 2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2**	2
Total non-current assets		**2**	2
Current assets			
Other receivables		**530**	46
Amounts due from subsidiaries		**4,933**	1,395
Bank and cash balances		**2,279**	142
Total current assets		**7,742**	1,583
TOTAL ASSETS		**7,744**	1,585
EQUITY			
Share capital	26	**29,309**	24,429
Reserves	27(b)	**(65,674)**	(39,519)
Total deficit		**(36,365)**	(15,090)
LIABILITIES			
Non-current liability			
Other payable	34	**22,500**	—
Current liabilities			
Amounts due to subsidiaries		**10,878**	9,960
Other payables and accruals		**10,731**	6,715
Total current liabilities		**21,609**	16,675
TOTAL DEFICIT AND LIABILITIES		**7,744**	1,585

27. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium	Share-based payments reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	12,752	1,574	218,077	(261,362)	(28,959)
Loss for the year	—	—	—	(12,025)	(12,025)
Issue of shares by subscription	1,465	—	—	—	1,465
Transfer of reserve upon lapse of share options	—	(787)	—	787	—
At 31 December 2020 and 1 January 2021	14,217	787	218,077	(272,600)	(39,519)
Loss for the period	—	—	—	(38,892)	(38,892)
Issue of shares by subscription	12,737	—	—	—	12,737
Transfer of reserve upon lapse of share options	—	(787)	—	787	—
At 31 March 2022	26,954	—	218,077	(310,705)	(65,674)

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be utilised in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

28. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Merger reserve

The merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued in exchange therefor pursuant to the Group reorganisation.

(iii) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2(r)(ii) to the consolidated financial statements.

(iv) Statutory reserve

In accordance with the PRC Company Law and the articles of association of PRC subsidiaries, subsidiaries registered in the PRC are required to appropriate 10% of its annual statutory net profit as determined in accordance with relevant statutory rules and regulations applicable to enterprises established in the PRC (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve fund reaches 50% of the entities' capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory reserve must be maintained at a minimum of 25% of the capital after such usages.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(v) to the consolidated financial statements.

(vi) Revaluation reserve

The revaluation reserve has been set up and is dealt with the fair value changes arising from the reclassification of Group's property, plant and equipment and prepaid land lease payments to investment properties.

28. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(vii) Contributed surplus

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 March 2022 and 31 December 2020, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses is in debit balance.

29. EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme was adopted on 13 June 2013 and will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant share options to full-time or part-time employees, directors, suppliers, customers, service providers for research, development and other technological support, advisors or consultants of the Group or its equity investments, shareholders or holders of any securities issued by the Group or its equity investments, or others who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

29. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

The total number of shares which may be allotted and issued upon exercise of all share options (excluding, for this purposes, share options which have lapsed in accordance with the terms of the Scheme) to be granted under the Scheme shall not exceed 10% of the issued share capital of the Company (the "**Limit**"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant share options beyond the Limit provided that the share options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and which may fall to be issued upon exercise of the share options (including both exercised or outstanding options) under the Scheme to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of share options to a grantee under the Scheme would result in the shares issued and to be issued upon exercise of all share options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Scheme in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the issued share capital of the Company, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

The offer for the grant of share options to any director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the share options).

Where share options are proposed to be granted to a substantial shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of share options would result in the shares issued and to be issued upon exercise of all share options already granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options: (i) representing in aggregate over 0.1% of the issued share capital of the Company and (ii) having an aggregate value (based on the closing price of a share of the Company at each date of the grant of these share options) exceed HK$5 million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting. Similar approval is required for any changes in terms of share options granted to substantial shareholders or independent non-executive directors or any of their respective associates.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer. There is no minimum period of which the share option must be held before it can be exercised.

29. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

The options which remained unexercised after a period of three years from the date of grant were expired. Generally, options granted to directors and employees are forfeited in 6 months if the directors and employee leave the Group while options granted to consultants are forfeited immediately if the consultants leave the Group.

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

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

29. EQUITY-SETTLED SHARE OPTION SCHEME (Continued)

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

	For the fifteen months ended 31 March 2022		For the year ended 31 December 2020	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at 1 January 2021/ 1 January 2020	**8,700**	**0.416**	17,400	0.416
Lapsed during the period/year *(note)*	**(8,700)**	**0.416**	(8,700)	0.416
Outstanding at 31 March 2022/ 31 December 2020	**–**	**–**	8,700	0.416
Exercisable at 31 March 2022/ 31 December 2020	**–**	**–**	8,700	0.416

Note: During the fifteen months ended 31 March 2022, the lapse of the share options is due to the expiration of these share options (year ended 31 December 2020: resignation of certain employees).

At 31 December 2020, the share options outstanding at the end of the year had a weighted average remaining contractual life of 0.35 years.

Share options granted to employees were incentives to work towards growing the value of the Company's share. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

30. BANK BORROWING

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Bank borrowing	**25,897**	30,851

30. BANK BORROWING (Continued)

The bank borrowing is repayable as follows:

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Within one year	4,933	4,746
More than one year, but not exceeding two years	4,933	4,746
More than two years, but not exceeding five years	14,799	14,239
More than five years	1,232	7,120
	25,897	30,851
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,933)	(4,746)
Amount due for settlement after 12 months	20,964	26,105

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

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

The effective interest rate of bank borrowing was as follows:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
Bank borrowing	5.39%	5.39%

Bank borrowing is arranged at floating interest rate of 10-year Loan Prime Rate announced by the Central Bank of the People's Republic of China plus 10% and exposes the Group to cash flow interest rate risk.

30. BANK BORROWING (Continued)

The following assets and their respective carrying values as at the end of the reporting period are pledged to secure the Group's bank borrowing:

	As at 31 March 2022 HK$'000	As at 31 December 2020 HK$'000
Investment properties *(note 19)*	**294,488**	293,802
Property, plant and equipment *(note 18)*	**2,108**	2,236
Right-of-use assets *(note 20)*	**9,292**	9,241
Trade receivables *(note 22)*	**2,143**	697
Restricted bank deposits *(note 25)*	**1,592**	891
	309,623	306,867

Apart from the above pledged assets, the Group's rental income from the pledged investment properties was also pledged as a security of the aforementioned bank borrowing.

During the year ended 31 December 2020, Gongcai Network Technology Limited ("**Gongcai Network**"), Guocai (Hubei) Technology Limited ("**Guocai (Hubei)**"), an indirect wholly-owned subsidiary of the Company, and the bank entered into supplemental agreements for revising the financial covenants. The breach of financial covenants in 2019 were revoked. As at 31 March 2022 and 31 December 2020, there was no breach in the financial covenants of bank borrowing.

31. DEFERRED INCOME

Deferred income represented government subsidies received for the capital investments of the Group. There is no unfulfilled condition relating to those granted and such grants are deferred and released to profit or loss in accordance with the useful lives of the related assets.

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
At 1 January 2021/1 January 2020	**4,139**	4,176
Credit to profit or loss for the period/year *(note 9)*	**(485)**	(281)
Exchange differences	**154**	244
At 31 March 2022/31 December 2020	**3,808**	4,139

32. LEASE LIABILITIES

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Within one year	**1,008**	2,331
In the second to fifth years, inclusive	**36**	1,554
	1,044	3,885
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,008)**	(2,331)
Amount due for settlement after 12 months	**36**	1,554

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

The weighted average incremental borrowing rate applied to lease liabilities is 6.2% (31 December 2020: 6.0%) per annum.

33. DEFERRED TAX LIABILITIES

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

	Revaluation of investment properties
	HK$'000
At 1 January 2020	(42,615)
Charge to profit or loss for the year *(note 12)*	(1,690)
Exchange differences	(2,736)
At 31 December 2020 and 1 January 2021	(47,041)
Credit to profit or loss for the period *(note 12)*	7,476
Exchange differences	(1,716)
At 31 March 2022	(41,281)

33. DEFERRED TAX LIABILITIES (Continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$187,815,000 (31 December 2020: HK$183,977,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams in accordance with the accounting policy set out in note 2(s) to the consolidated financial statements. As at 31 March 2022, the Group had unused tax losses of approximately HK$124,548,000 (31 December 2020: HK$118,837,000) that will expire by 2026 (31 December 2020: 2025). Other tax losses may be carried forward indefinitely. The unused tax losses of the Group have not yet been agreed by respective tax authorities.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$3,149,000 (31 December 2020: HK$6,462,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

34. TRADE AND OTHER PAYABLES

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Trade and other payables (current portion)		
Trade payables	**4,632**	264
Other payables (current portion):		
— Accruals	**8,136**	9,139
— Security deposits under provision of procurement services business	**2,239**	2,609
— Security deposits for issuance of convertible bond *(note (iv))*	**4,933**	—
— Receipt in advance	**1,826**	2,691
— Other payables *(note (i))*	**14,049**	13,792
— Amounts due to an ex-substantial shareholder and its subsidiaries *(note (ii))*	**2,881**	2,784
— Payables for acquisition of intangible assets	**2,096**	2,017
	40,792	33,296
Other payable (non-current portion):		
— Receipt in advance *(note (iii))*	**22,500**	—

34. TRADE AND OTHER PAYABLES (Continued)

Notes:

(i) Included unsecured interest-free advances of approximately HK$1,172,000 (31 December 2020: HK$1,127,000) from an independent third party.

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

(iii) As at 31 March 2022, the Group received a sum of HK$22,500,000 from one of the convertible bonds placees ("**Placee A**") which is independent of the Group. Pursuant to the agreement entered into by the Company and Placee A, the aforesaid sum shall be used as the consideration for the issuance of convertible bonds to Placee A with a principal amount of HK$22,500,000 which shall be due in 2029. The Company issued the convertible bonds to Placee A subsequently on 19 April 2022.

(iv) As at 31 March 2022, the Group received a sum of RMB4,000,000 (equivalent to approximately HK$4,933,000) from one of the convertible bonds places ("**Placee B**") who is independent of the Group. The aforesaid sum is security deposit for the issuance of convertible bonds and shall be refunded to Placee B when proceeds of convertible bonds is received from Placee B. The Company issued the convertible bonds to Placee B subsequently on 19 April 2022.

Included in trade and other payables are trade payables of HK$4,632,000 (31 December 2020: HK$264,000) and an aging analysis based on the invoice date at the end of the reporting period, is as follows:

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
0 to 90 days	**3,145**	95
91 to 180 days	**186**	—
181 to 365 days	**918**	—
Over 365 days	**383**	169
	4,632	264

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

35. CONTRACT ASSETS AND CONTRACT LIABILITIES

(i) Contract assets

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Arising from performance under corporate IT solution services	**831**	—
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 22)*	**12,748**	1,319

All the contract assets are expected to be recovered within one year.

(ii) Contract liabilities

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Billings in advance of performance obligation		
— Provision of corporate IT solution services	**3,654**	3,787
— Energy management contracting business	**2,185**	—
	5,839	3,787

Contract liabilities are expected to be settled within the Group's normal operating cycle and are classified as current liabilities.

Contract liabilities relating to service contracts are balances due to customers under service contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method, and such amount will be recognised as revenue when the relevant revenue recognition criteria are met.

35. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(ii) Contract liabilities (Continued)

Movements in contract liabilities in respect of provision of corporate IT solution services:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Balance at 1 January 2021/1 January 2020	3,787	2,234
Increase in contract liabilities as a result of advance received from customers during the period/year	2,350	3,081
Decrease in contract liabilities as a result of recognising revenue that was included in the contract liabilities at the beginning of the period/year	(2,627)	(1,741)
Exchange differences	144	213
Balance at 31 March 2022/31 December 2020	3,654	3,787

Movements in contract liabilities in respect of energy management contracting business:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Balance at 1 January 2021/1 January 2020	—	—
Increase in contract liabilities as a result of advance received from customers during the period/year	2,147	—
Decrease in contract liabilities as a result of recognising revenue that was included in the contract liabilities at the beginning of the period/year	—	—
Exchange differences	38	—
Balance at 31 March 2022/31 December 2020	2,185	—

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

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

	1 January 2021	**Cash outflows from operating activities**	**Cash outflow from financing activities**	**Other***	**Interest expense**	**Exchange differences**	**31 March 2022**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Bank borrowing *(note 30)*	**30,851**	**–**	**(8,042)**	**–**	**1,982**	**1,106**	**25,897**
Lease liabilities *(note 32)*	**3,885**	**(164)**	**(3,024)**	**101**	**164**	**82**	**1,044**
	34,736	**(164)**	**(11,066)**	**101**	**2,146**	**1,188**	**26,941**

* The amount represented the addition of right-of-use assets on lease commencement date during the fifteen months ended 31 March 2022.

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

(b) Total cash outflow for leases

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

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Within operating cash flows	**689**	1,158
Within financing cash flows	**3,024**	1,685
	3,713	2,843

These amounts relate to the following:

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Lease rental paid	**3,713**	2,843

37. LITIGATIONS AND CONTINGENT LIABILITIES

In November 2019, the Beijing Dongcheng District People's Court ("**Beijing Dongcheng District Court**") published an announcement regarding a summons issued to Gongcai Network in respect of a civil case relating to a license fee income recognised as other income by the Group in 2012. Guocai South China Metal Exchange Service Limited (the "**Plaintiff**") claimed that the relevant work and services mentioned in the services contracts and supplemental contracts entered into between the Plaintiff, Gongcai Network and other parties in 2012, were not performed by Gongcai Network. As a result, the Plaintiff claimed for a refund from Gongcai Network of RMB13,500,000 (approximately HK$16,648,000) paid on 3 January 2013 together with accrued interests for the period from 4 January 2014 to 4 September 2019 of RMB7,506,000 (approximately HK$9,256,000) (collectively the "**Claimed Amounts**"). Due to the outbreak of Covid-19 pandemic, the hearing that had been scheduled to be conducted on 17 February 2020 was postponed, and based on the judgement made by Beijing Dongcheng District Court on 29 December 2020, the claims from the Plaintiff was rejected.

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

On 22 October 2021, the Plaintiff filed a retrial application with the Higher People's Court of Beijing Municipality ("**Higher People's Court**") for the final judgment. On 11 February 2022, the Higher People's Court made the final judgement and rejected the retrial application from the Plaintiff. Therefore, the Group did not have any contingent liabilities at the end of the reporting period.

38. CAPITAL COMMITMENTS

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

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Acquisition of intangible assets	**8,329**	8,014

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms ranging from ten months to three years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for the staff quarters and office premises. As at 31 March 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

In addition to the portfolio of short-term leases for staff quarters and office premises which are regularly entered into by the Group during the fifteen months ended 31 March 2022, the Group entered into several short-term leases for staff quarters and office premises. As at 31 March 2022, the outstanding lease commitments relating to these staff quarters and office premises are HK$79,000 (31 December 2020: HK$196,000).

The Group as lessor

Property rental income earned during the fifteen months ended 31 March 2022 was approximately HK$24,654,000 (year ended 31 December 2020: HK$15,428,000). All of the Group's investment properties are held for rental purposes. Generally, leases are negotiated for terms ranging from one to five years.

Minimum lease payments receivable on leases are as follows:

	As at 31 March 2022	As at 31 December 2020
	HK$'000	HK$'000
Within one year	**11,313**	10,956
In the second year	**9,199**	5,193
In the third year	**7,384**	3,585
In the fourth year	**3,174**	3,602
In the fifth year	**136**	3,686
Total	**31,206**	27,022

39. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor (Continued)

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

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Lease income on operating leases	**24,654**	15,428

Operating leases relate to investment properties owned by the Group with lease terms of one to five years. The lessees do not have an option to purchase the property at the expiry of the lease period.

40. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed in note 42 to the consolidated financial statements, the Group had no other related party transactions during the fifteen months ended 31 March 2022.

(b) Related party balances

Details of the Group's outstanding balances with related parties are set out in note 22 to the consolidated financial statements.

At 31 March 2022, the Group had a prepaid education benefit of approximately HK$732,000 (31 December 2020: HK$1,232,000) for Mr. Zheng Jinwei, an executive director of the Company.

(c) Compensation of key management personnel

Directors of the Company are key management personnel of the Group whose remuneration is disclosed in note 15 to the consolidated financial statements.

41. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE

(a) Principal subsidiaries

Particulars of the principal subsidiaries as at 31 March 2022 are as follows:

			Proportion of ownership interest			
Name	Place of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	The Group's effective interest	Held by the Company	Held by the Company's subsidiaries	Principal activities
Directly held:						
Guocai Financial Information Consultancy Limited*,# 國採金融信息諮詢有限公司	The PRC	Registered/contributed capital RMB100,000,000/RMB19,999,000	100%	100%	—	Inactive
Indirectly held:						
Gongcai Network*,# 公採網絡	The PRC	Registered/contributed capital US$55,000,000/US$50,153,407	100%	—	100%	Provision of rental income, corporate IT solution services, trading of goods and investment holding
Guocai Jinggang Investment Limited*,# 國採京港投資有限公司	The PRC	Registered/contributed capital RMB50,000,000/RMB Nil	90%	—	100%	Inactive
Guocai (Beijing) Technology Limited*,# ("**Guocai (Beijing)**") 國採(北京)技術有限公司	The PRC	Registered and contributed capital RMB60,000,000	90%	—	90%	Provision of procurement and corporate IT solution services and investment holding
Guocai (Hubei)*,# 國採(湖北)	The PRC	Registered and contributed capital RMB10,000,000	100%	—	100%	Provision of procurement and corporate IT solution services
Guocai (Qinghai) Tendering Limited*,^ 國採(青海)招標有限公司	The PRC	Registered and contributed capital RMB2,000,000	93%	—	100%	Provision of procurement services

41. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 March 2022 are as follows: (Continued)

Name	Place of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the Company's subsidiaries	Principal activities
Indirectly held: (Continued)						
Guocai (Shenzhen) Information Technology Limited*,# 國採(深圳)信息技術有限公司	The PRC	Registered and contributed capital RMB4,000,000	60%	—	60%	Provision of corporate IT solution services
Public Procurement Limited	Hong Kong	Ordinary share capital HK$34,000,000	100%	—	100%	Investment holding
Qinghai Gongcai Shutong Information Technology Limited*,# 青海公採數通信息技術有限公司	The PRC	Registered and contributed capital RMB10,000,000	93%	—	100%	Provision of procurement service, corporate IT solution services and investment holding
Weihai Guocai Information Technology Limited*,^ 威海國採信息技術有限公司	The PRC	Registered/contributed capital RMB5,000,000/RMB400,000	100%	—	100%	Provision of corporate IT solution services
Shanghai Chengguang Zhongcai Electrical Development Limited*,^ 上海承光中採電力發展有限公司	The PRC	Registered/contributed capital RMB10,000,000/RMB5,000,000	100%	—	100%	Provision of energy management contracting services

* For identification purposes only.

\# Foreign investment enterprise.

^ Domestic invested enterprise.

41. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(a) Principal subsidiaries (Continued)

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

The following table shows information of a subsidiary that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

	Guocai (Beijing)	
	As at 31 March 2022	As at 31 December 2020
Principal place of business/country of registration	PRC/PRC	PRC/PRC
% of ownership interests/voting rights held by NCI	10%	10%
	HK$'000	HK$'000
Non-current assets	**21,019**	20,835
Current assets	**11,258**	13,318
Non-current liabilities	**—**	(321)
Current liabilities	**(88,430)**	(162,994)
Net liabilities	**(56,153)**	(129,162)
Accumulated NCI	**(12,101)**	(10,537)

	Fifteen months ended 31 March 2022	Year ended 31 December 2020
	HK$'000	HK$'000
Revenue	**6,125**	4,820
Profit/(loss)	**76,733**	(3,789)
Other comprehensive expense	**(3,724)**	(16,235)
Total comprehensive income/(expense)	**73,009**	(20,024)
Profit/(loss) allocated to NCI	**7,673**	(379)
Total comprehensive income/(expense) allocated to NCI	**7,301**	(2,002)
Net cash (used in)/generated from operating activities	**(4,021)**	2,509
Net cash used in investing activities	**—**	(1,681)
Net cash used in financing activities	**(546)**	(300)
Effect of foreign exchange rate changes	**—**	51
Net (decrease)/increase in cash and cash equivalents	**(4,567)**	579

41. PRINCIPAL SUBSIDIARIES AND AN ASSOCIATE (Continued)

(b) An associate

Particulars of the associate as at 31 March 2022 are as follows:

Name	Place of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Guocai South China Metal Exchange Service Limited* ("**Guocai South China**") 國採華南金屬市場服務有限公司	The PRC	Registered/contributed capital RMB100,000,000/ RMB20,000,000	21.5%	Inactive

* For identification purposes only.

For the year ended 31 December 2017, the Group cannot exercise significant influence on financial and operating policy of Guocai South China. Having regard to the fact that Guocai South China has been inactive with no revenue generated since 2015, investment in Guocai South China was fully written off in 2017.

As at 31 March 2022, there is a capital commitment in further capital injection to Guocai South China of approximately HK$21,211,000 (31 December 2020: HK$20,410,000).

42. ACQUISITION OF A SUBSIDIARY

On 31 January 2022, the Group acquired 100% equity interest in 北京碳諾科技有限公司 (Beijing Tan Nuo Technology Limited*) ("**Beijing Tan Nuo**") from a related company, in which a close family member of a person having significant influence over the Company has control, at a consideration of approximately RMB975,000 (or equivalent to approximately HK$1,194,000). Beijing Tan Nuo was inactive at the date of acquisition. The acquisition has been accounted for as acquisition of business using the acquisition method.

Further details of the acquisition, including the consideration transferred, assets acquired and liabilities recognised, goodwill arising on acquisition and net cash outflow on acquisition are set out below.

	HK$'000
Consideration transferred:	
Cash	**1,194**
Assets acquired and liabilities recognised at the date of acquisition:	
Plant and equipment	**2**
Other receivables	**34**
Bank and cash balances	**1,161**
Other payables	**(3)**
	1,194
Goodwill arising on acquisition:	
Consideration transferred	**1,194**
Less: recognised amounts of net assets acquired	**(1,194)**
Goodwill arising on acquisition	**–**
Net cash outflow on acquisition:	
Cash consideration paid	**1,194**
Less: cash and cash equivalents balances acquired	**(1,161)**
	33

Impact of acquisition on the result of the Group

For the fifteen months ended 31 March 2022, the revenue and loss and total comprehensive expense for the period of Beijing Tan Nuo were approximately HK$Nil and HK$659,000 respectively. Had the acquisition been completed on 1 January 2021, revenue for the fifteen months ended 31 March 2022 of the Group would have been approximately HK$140,256,000 and loss for the period would have been approximately HK$34,707,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Beijing Tan Nuo been acquired at the beginning of the current period, the directors of the Company calculated depreciation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

* *For identification purpose only*

43. DISPOSAL OF A SUBSIDIARY

On 31 August 2021, the Group disposed of its entire 99% equity interest in 山西中採網絡科技有限公司 (Shanxi Zhongcai Network Technology Limited*) ("**Shanxi Zhongcai**") to the legal representative of Shanxi Zhongcai at a consideration of RMB1 (or equivalent to approximately HK$1). Shanxi Zhongcai was inactive during the fifteen months ended 31 March 2022. The aggregate amounts of assets and liabilities attributable to Shanxi Zhongcai on the date of disposal were as follows:

	HK$'000
Net liabilities disposed of:	
Bank and cash balances	10
Other payables	(37)
	(27)
Gain on disposal of a subsidiary:	
Consideration received#	—
Net liabilities disposed of	27
	27
Net cash outflows arising on disposal:	
Cash consideration received	—
Less: Bank and cash balances disposed of	(10)
	(10)

* *For identification purpose only*

\# *Less than HK$1,000*

The subsidiary disposed of during the fifteen months ended 31 March 2022 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

44. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the end of the reporting period:

(a) On 19 April 2022, the Company issued convertible bonds to Placee A and Placee B with an aggregate principal amount of HK$27,500,000 which may be converted to 18,333,333 ordinary shares of the Company at the initial conversion price of HK$1.50 per conversion share (subject to adjustments). The convertible bonds are matured on the seventh anniversary of the issue date. The net proceeds from the issuance of the above convertible bonds after deducting the placing commission and other relevant costs and expenses are approximately HK$26,500,000.

As at 31 March 2022, Placee A paid a sum of HK$22,500,000 to the Group as the consideration for the issuance of the aforesaid convertible bonds (see note 34(iii) to the consolidated financial statements), while Placee B paid a sum of approximately HK$4,933,000 to the Group as a security deposit for issuance of the aforesaid convertible bonds (see note 34(iv) to the consolidated financial statements).

(b) In order to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group; (ii) give incentives to such eligible participants for encouraging and retaining them in the continual involvement in the operation and development of the Group; (iii) attract suitable personnel for the future development of the Group, on 29 April 2022, the directors of the Company resolved to (1) propose the adoption of a new share option scheme and the termination of the Scheme; and (2) adopt a share award plan.

The proposed adoption of a new share option scheme and termination of the Scheme are subject to the approval from the Company's shareholders at the forthcoming annual general meeting, while the proposed adoption of a new share option scheme is also subject to the approval from the Stock Exchange.

The share award plan is a discretionary plan of the Company. No shareholders' approval is required to adopt the share award plan.

The terms and conditions of the proposed new share option scheme and the share award plan are disclosed in the Company's announcement dated 29 April 2022.

45. COMPARATIVE FIGURES

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

Five-Year Financial Summary

	Fifteen months ended 31 March	Year ended 31 December			
	2022	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**140,256**	93,555	73,324	68,289	64,837
(Loss)/profit before tax	**(41,363)**	172	(11,109)	(24,270)	(182,113)
Income tax credit/(expense)	**7,445**	49	(2,586)	492	2,569
(Loss)/profit for the period/year	**(33,918)**	221	(13,695)	(23,778)	(179,544)
Attributable to:					
Owners of the Company	**(31,923)**	1,643	(14,174)	(24,402)	(176,395)
Non-controlling interests	**(1,995)**	(1,422)	479	624	(3,149)
	(33,918)	221	(13,695)	(23,778)	(179,544)

	At 31 March	At 31 December			
	2022	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**369,218**	360,002	332,299	329,673	494,368
Total liabilities	**(174,559)**	(155,526)	(147,406)	(145,683)	(264,706)
Total equity	**194,659**	204,476	184,893	183,990	229,662
Attributable to:					
Owners of the Company	**206,913**	214,380	192,262	189,242	235,735
Non-controlling interests	**(12,254)**	(9,904)	(7,369)	(5,252)	(6,073)
	194,659	204,476	184,893	183,990	229,662

Particulars of Investment Properties

Location	Existing use	Type of lease
G/F – 6/F, 7/F (Partial), 8/F – 11/F, Wuhan CPP building, Jinronggang Road Central, No 77 Guanggu Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province, the PRC	Commercial	Medium term