



**CHINA PUBLIC PROCUREMENT LIMITED**

(formerly known as Sunny Global Holdings Limited)

**中國公共採購有限公司**

(前稱新怡環球控股有限公司)

*(incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

**Interim Report 2009**

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The outbreak of unprecedented financial crisis in the second half of 2008 has casted devastating impact to every business sector. Many enterprises have been suffering from substantial losses and struggling in the tough time as a result of the slump in revenue. For the six months ended 30 June 2009, the Group recorded a turnover of approximately HKD4.8 million (six months ended 2008: HKD57 million), of which the general trading business contributed less than HKD700,000 (six months ended 2008: HKD9.7 million). Thanks to the newly acquired public procurement business since mid April of this year, which helped to generate the revenue by more than HKD4 million, albeit it has just started up the business shortly before the period ended.

### The New Business – Public Procurement

On 15 April 2009, the Group has successfully acquired Hero Joy International Limited (“Hero Joy”) and its subsidiaries along with its public procurement business. A total of 945,635,485 shares at HKD0.6667 each were issued to the shareholders of Hero Joy (the “Vendor”) as the settlement of the consideration in accordance with the sales and purchase agreement (“S&P Agreement”) entered into on 31 August 2008. Preference shares will be issued to the Vendor when the New Business has achieved profits, the mechanism of calculating the amount of preference shares to be issued was set out in the circular dated 16 January 2009.

Although in the midst of the financial tsunami, the PRC managed to maintain a GDP growth of above 7% in the first two quarters in 2009. This was largely attributable to the increase in domestic demand by easing credit facilities and inputting enormous resources by both public and private sectors to roll out a wide variety of projects across the nation. This provides the opportunity for public procurement to grow and outperform other business sectors in the PRC economy. Given the uniqueness of public procurement business and the first-mover advantage of the Company, the Directors believe that public procurement business is far more promising and profitable. For the old businesses, they remained to perform poorly. Up till their disposals in 2009, the net losses before tax were approximately HKD21 million as compared to more than HKD62 million for the six months ended 30 June 2008 (please refer to Note 17 of the interim financial statements for detail). Having considered the gloomy prospect of the old businesses, the Group has divested them in order to deploy more resources in the public procurement business which the Directors believe that doing so would be in the best interests of the Company and the Company’s shareholders (“Shareholders”) as a whole. In order to reflect the core business of the Group in the future and provide the Company with a new corporate identity, the Company has changed its name to China Public Procurement Limited with a Chinese secondary name adopted as 中國公共採購有限公司 to replace the previously Sunny Global Holdings Limited on 18 May 2009.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **The New Business – Public Procurement** *(Continued)*

On 18 August 2009, the Company has entered into two framework agreements with Asia Water Resources (Holdings) Limited and Shenzhen Licon Global Printing Co., Ltd. respectively to procure a total of RMB6 billion worth of goods for the two enterprises. The Company has subsequently entered into a procurement agreement with Wulatezhongqi Huachang Mining Co., Ltd of Inner Mongolia and Great Rail Logistics International Co., Ltd. to procure cokes, the total procurement amount of which has reached to at least RMB700 million. The Directors are confident that the business will grow significantly in the second half of this year such that the final results will be back to positive which have not been so in the past 6 years. It is expected that after completing the construction of the electronic procurement platform, the business will be far more lucrative.

For the six months ended 30 June 2009, the Group recorded a loss of approximately HKD49 million (six months ended 2008: HKD62 million) reduced by approximately HKD13 million mainly due to the decrease of the equity settled share based payment arising from the grant of share options. The details are contained in the financial statements of this report. The loss attributable to Shareholders was HKD1.87 cent per share (six months ended 2008: HKD3.6 cent per share). The decrease was mainly due to the decrease in the administrative and operating expenses and the equity-settled share-based payment expenses and the increase in total issued shares by approximately one billion shares, of which around 945 million shares were issued to the vendors of the newly acquired public procurement business.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Capital Injection to EJY**

In order to provide sufficient capital to roll out the government procurement business and to maintain the routine operations in the PRC, the Company has, in proportion to its 90% interest, injected RMB27 million by means of increasing the share capital of the Company's joint venture, Guocai (Beijing) Technology Company Limited. The injection was completed in July 2009.

### **Liquidity and Financial Resources**

As at 30 June 2009, the Group maintained cash, fixed deposits and bank balances of approximately HKD32 million (31 December 2008: HKD54.6 million) and had no bank borrowings (31 December 2008: nil).

As at 30 June 2009, the Group's working capital (net current assets) and current ratio were approximately 46 million (31 December 2008: HKD117.9 million) and 85.36 respectively (31 December 2008: 7.2). The increase in current ratio is due to the substantial decrease in trade and other payables. The existing available cash and bank balances are considered sufficient for the Group's operations.

### **Pledge of Assets and Contingent Liabilities**

As at 30 June 2009, HKD7.4 million was pledged as bank deposit to secure the lease of the office premises. The HKD15 million pledge of the bank deposits to secure the bank facilities as at 31 December 2008 was released during the period. As at 30 June 2009, the Group had no material contingent liabilities (31 December 2008: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Foreign Exchange Exposure**

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the period under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

### **Staff and Remuneration Policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2009, the Group had approximately 40 employees. The Company maintains a share option scheme, pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group. During the period of six months ended 30 June 2009, 172,200,000 share options were granted, of which 20,000,000 share options were cancelled and none were exercised.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Share Option Scheme**

Under the share option scheme adopted by the Company on 12 June 2002 (the "Share Option Scheme"), the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The Share Option Scheme is effective for the period from 12 June 2002 to 11 June 2012. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Share Option Scheme (the "General Scheme Limit") 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 options may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme may not, subject to shareholders' approval, exceed 30% of the share capital of the Company in issued from time to time.

On 26 March 2009, a total of 172,200,000 share options were granted to the directors of the Company and eligible participants pursuant to the Share Option Scheme, subject to the Shareholders' approval in a general meeting. On 18 June 2009, a special general meeting was convened and the proposal to grant the aforesaid share options was approved by the Shareholders. In addition, the Shareholders approved to refresh the General Scheme Limit in the general meeting. The share options were granted at a cash consideration of HK\$1.00 per grantee and entitled the grantees to subscribe for ordinary shares (of nominal value of HK\$0.01 each) of the Company at an exercise price of HK\$0.5 per share, determined with reference to the then market prices as required under Rule 17.03(9) of the Listing Rules. The share options may be exercisable during the period from 26 March 2009 to 25 March 2012. As at 30 June 2009, none of these share options were exercised while 20,000,000 were cancelled.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Share Option Scheme** *(Continued)*

On 14 August 2009, a total of 10,600,000 shares options were further granted to directors of the Company and other eligible participants pursuant to the Share Option Scheme. Of which, Mr. Wu Fred Fong, independent non-executive director, was granted 2,000,000 share options while Ms. Cheng Zhuo, non-executive director, was granted 3,000,000 share options. The share options were granted at a cash consideration of HK\$1 per grantee and entitled the grantees to subscribe for ordinary shares at an exercise price of HK\$1 per share. Amongst the 10,600,000 share options granted, 5,600,000 of which may be exercisable during the period from 14 August 2009 to 13 August 2012, 3,000,000 of which may be exercisable from 14 August 2010 to 13 August 2012 and the remaining 2,000,000 share options may be exercisable from 14 August 2011 to 13 August 2012.

## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

As at 30 June 2009, 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 for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

<b>Name of director</b>	<b>Number of shares or underlying shares held or short positions</b>	<b>Capacity</b>	<b>Approximate percentage to the total issued shares of the Company (%)</b>
Au Tin Fung <sup>1</sup>	150,000(L)	Personal	0.00
Chan Chun Wai <sup>2</sup>	420,000(L)	Personal	0.01
Li Chun Tak <sup>2</sup>	140,000,000(L)	Personal	4.35
Cheng Yuanzhong <sup>3</sup>	20,000,000(L)	Personal	0.62
Liu Bo <sup>3</sup>	20,000,000(L)	Personal	0.62
Wu Xiaodong <sup>3</sup>	20,000,000(L)	Personal	0.62
Dai Zhongcheng <sup>4</sup>	3,000,000(L)	Personal	0.09
Wong Hin Shek <sup>5</sup>	3,000,000(L)	Personal	0.09
Wong Kam Fat, Tony <sup>6</sup>	7,206,000(L)	Personal	0.22

*L: Long Position*

Notes:

- The interest represents 150,000 share options granted to Mr. Au Tin Fung pursuant to the Share Option Scheme.
- The interests represent 420,000 shares held by Mr. Chan Chun Wai ("Mr. Chan") and 140,000,000 share options granted to Mr. Li Chun Tak ("Mr. Li") pursuant to the Share Option Scheme. Both Mr. Chan and Mr. Li resigned on 7 August 2009.
- The interests represent 20,000,000 share options granted to Mr. Cheng Yuanzhong, Mr. Liu Bo and Mr. Wu Xiaodong respectively pursuant to the Share Option Scheme.



## DIRECTORS' INTERESTS IN THE SHARE CAPITAL

(Continued)

4. The interest represents 3,000,000 share options granted to Mr. Dai Zhongcheng ("Mr. Dai") pursuant to the Share Option Scheme. Mr. Dai resigned on 22 July 2009.
5. The interest represents 3,000,000 share options granted to Mr. Wong Hin Shek ("Mr. Wong") pursuant to the Share Option Scheme. Mr. Wong resigned on 22 September 2009.
6. The interest represents 7,206,000 shares held by Mr. Wong Kam Fat, Tony ("Mr. Wong"). Mr. Wong resigned as the Chairman as well as non-executive director on 4 September 2009. The Company is in the process of recruiting a suitable candidate to fill in the vacancy of the position of Chairman.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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 or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of shares or underlying shares	Percentage of the issued share capital
Master Top Investments Limited <sup>1,6</sup> ("Master Top")	Corporate	4,295,453,626(L)	133.49%
Ho Wai Kong ("Mr. Ho")	Beneficial owner	4,331,981,626(L)	134.63%
Mega Step Investment Limited <sup>2,6</sup> ("Mega Step")	Corporate	1,223,537,808(L)	38.02%
Lu Xing ("Mr. Lu")	Beneficial owner	1,358,833,808(L)	42.23%
Bing Jingjing <sup>3</sup>	Beneficial owner	1,358,833,808(L)	42.23%
Favor Mind Holdings Limited <sup>4,6</sup> ("Favor Mind")	Corporate	1,601,118,210(L)	49.76%
Wang Dingbo ("Mr. Wang")	Beneficial owner	1,608,800,544(L)	50.00%
Top Access Overseas Limited <sup>5</sup> ("Top Access")	Corporate	1,173,781,274(L)	36.48%
Magical Power Investments Limited <sup>5,6</sup> ("Magical Power")	Corporate	1,254,537,273(L)	38.99%
Siu Fung ("Ms. Siu")	Beneficial owner	1,183,537,274(L)	36.78%

## **SUBSTANTIAL SHAREHOLDERS** *(Continued)*

*L: Long Position*

*Notes:*

1. Master Top is a Company incorporated in the British Virgin Islands and is wholly owned by Mr. Ho.
2. Mega Step is a Company incorporated in the British Virgin Islands and is wholly owned by Mr. Lu.
3. Ms. Bing Jingjing is a spouse of Mr. Lu.
4. Favor Mind is a Company incorporated in the British Virgin Islands and is wholly owned by Mr. Wang.
5. Top Access and Magical Power are companies incorporated in the British Virgin Islands and are directly and indirectly wholly owned by Ms. Siu respectively.
6. According to the sale and purchase agreement signed on 31 August 2008, the Company will allot and issue preferred shares to the vendor of the public procurement business including Master Top, Mega Step, Favor Mind and Magical Power if the acquired public procurement business achieved net profit of not less than HKD200,000,000 on or before the end of 2010. Given that the preferred shares are to be issued in full, Master Top will be entitled to 3,908,564,725 preferred shares, Mega Step will be entitled to 1,184,730,828 preferred shares, Favor Mind will be entitled to 1,601,118,210 preferred shares, Magical Power will be entitled to 1,122,715,687 preferred shares. The preferred shares are convertible to the Company's ordinary shares provided that any conversion of which will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code. For details, please refer to the relevant circular dated 16 January 2009.

## **Pre-Emptive Rights**

There is no provision for pre-emptive rights under the Company's 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 of the Company**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules during the period under review, except for the deviations as below:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. Except for Mr. Wu Fred Fong who has entered into a service contract with the Company for a term of three years, all independent non-executive directors of the Company are not appointed for a specific term of office.

However, all independent non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

### **Audit Committee**

As at 30 June 2009, the audit committee of the Company comprises four members namely Mr. Au Tin Fung, Mr. Chan Chun Wai (resigned on 7 August 2009), Ms. So Wai Yee, Betty and Mr. Wu Fred Fong the independent non-executive directors of the Company.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim accounts of the Group for the period, and are of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

### **Remuneration Committee**

As at 30 June 2009, the Remuneration Committee comprises four members namely Mr. Au Tin Fung, Mr. Chan Chun Wai (resigned on 7 August 2009), Ms. So Wai Yee, Betty and Mr. Wu Fred Fong the independent non-executive directors of the Company. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

## **CORPORATE GOVERNANCE** *(Continued)*

### **Code of Conduct for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by the directors of the Company on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2009.

On behalf of the Board

**Liu Bo**

*Executive Director*

Hong Kong, 26 September 2009

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 June 2009*

	Notes	Six months ended 30 June	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
<b>Continuing operation</b>			
<b>Turnover</b>		<b>4,800</b>	–
Cost of sales		<b>(3,788)</b>	–
<b>Gross profit</b>		<b>1,012</b>	–
Other revenue		12	–
Administrative and other operating expenses		<b>(13,271)</b>	–
Equity-settled share-based payment expenses		<b>(23,403)</b>	–
Loss from operation		<b>(35,650)</b>	–
Finance costs	4	<b>(18)</b>	–
<b>Loss before taxation</b>	5	<b>(35,668)</b>	–
Taxation	6	–	–
Loss for the period from continuing operation		<b>(35,668)</b>	–
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	17	<b>(13,303)</b>	(62,289)
Loss for the period		<b>(48,971)</b>	(62,289)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(49,088)</b>	(61,435)
Minority interests		117	(854)
		<b>(48,971)</b>	(62,289)

**CONDENSED CONSOLIDATED INCOME STATEMENT***(Continued)**For the six months ended 30 June 2009*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2009 (unaudited) HK cents</b>	2008 (unaudited) HK cents
<b>Loss per share attributable to ordinary equity shareholders of the Company</b>			
From continuing and discontinued operations	7(i)		
– Basic		<b>(1.87)</b>	(3.60)
– Diluted		<b>(1.79)</b>	(2.23)
From continuing operations	7(ii)		
– Basic		<b>(1.36)</b>	–
– Diluted		<b>(1.30)</b>	–

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June	
		2009 (unaudited) HK\$'000	2008 (unaudited) HK\$'000
<b>Loss for the period</b>		<b>(48,971)</b>	(62,289)
<b>Other comprehensive income for the period</b>			
Exchange differences arising on translation of foreign operations		(20)	1,037
Change in fair value of available-for-sale investments		–	(25,581)
Other comprehensive income for the period (net of tax)		(20)	(24,544)
<b>Total comprehensive income for the period</b>		<b>(48,991)</b>	(86,833)
<b>Attributable to:</b>			
Equity shareholders of the Company		(49,108)	(86,405)
Minority interests		117	(428)
<b>Total comprehensive income for the period</b>		<b>(48,991)</b>	(86,833)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	30.6.2009 (unaudited) HK\$'000	31.12.2008 (audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	9,991	6,574
Goodwill	10	741,303	–
Other intangible assets		16,973	–
Available-for-sale investments		–	14,395
Derivative financial instrument		–	7,961
		<b>768,267</b>	28,930
<b>Current assets</b>			
Deposit for acquisition of a subsidiary		–	60,000
Trade and other receivables	11	14,810	22,122
Pledged deposits	12	7,400	15,000
Bank balances and cash		24,655	39,624
		<b>46,865</b>	136,746
Assets classified as held for sale		–	144
		<b>46,865</b>	136,890
<b>Current liabilities</b>			
Trade and other payables	13	549	3,621
Receipt in advance		–	127
		<b>549</b>	3,748
Liabilities classified as held for sale		–	15,208
		<b>549</b>	18,956
<b>Net current assets</b>		<b>46,316</b>	117,934
<b>NET ASSETS</b>		<b>814,583</b>	146,864
<b>CAPITAL AND RESERVES</b>			
Share capital	14	32,177	22,170
Reserves		782,406	124,694
		<b>814,583</b>	146,864
Minority interests		–	–
		<b>814,583</b>	146,864



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2009*

	Share Capital HK\$	Reserves HK\$	Minority Interests HK\$	Total HK\$
Balance at 1 January 2008 (audited)	321,157	(105,956)	7,009	222,210
Loss for the period	–	(61,435)	(854)	(62,289)
Exchange differences arising on translation of foreign operations	–	611	426	1,037
Change in fair value of available-for-sale investments	–	(25,581)	–	(25,581)
Total comprehensive income for the period	–	(86,405)	(428)	(86,833)
Issue of shares	4,022	377,122	–	381,144
Capital reduction	(305,099)	305,099	–	–
Issue of warrants	–	25,440	–	25,440
Issue of convertible bonds	–	3,068	–	3,068
Equity-settled share-based payment transactions	–	45,579	–	45,579
Share issue expenses	–	(692)	–	(692)
	(301,077)	755,616	–	454,539
Balance at 30 June 2008 (unaudited)	20,080	563,255	6,581	589,916

Details of reserves are set out in note 16 to the condensed consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***(Continued)**For the six months ended 30 June 2009*

	Share Capital HK\$	Reserves HK\$	Minority Interests HK\$	Total HK\$
<b>Balance at 1 January 2009</b> (audited)	22,170	124,694	–	146,864
<b>Loss for the period</b>	–	(49,088)	117	(48,971)
<b>Exchange differences arising on translation of foreign operations</b>	–	(20)	–	(20)
<b>Total comprehensive income for the period</b>	–	(49,108)	117	(48,991)
<b>Issue of shares</b>	10,007	620,998	–	631,005
<b>Exercise of warrants</b>	–	390	–	390
<b>Exercise of share option</b>	–	27,681	–	27,681
<b>Equity-settled share-based payment transactions</b>	–	23,403	–	23,403
<b>Reserves released on disposal of subsidiaries</b>	–	76	(117)	(41)
<b>Disposal of available-for-sale investments</b>	–	34,272	–	34,272
	10,007	706,820	(117)	716,710
<b>Balance at 30 June 2009</b> (unaudited)	32,177	782,406	–	814,583

Details of reserves are set out in note 16 to the condensed consolidated financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2009*

	<b>Six months ended 30 June</b>	
	<b>2009 (unaudited) HK\$'000</b>	2008 (unaudited) HK\$'000
<b>Net cash used in operating activities</b>	<b>(38,197)</b>	(74,667)
<b>Net cash used in investing activities</b>	<b>(5,410)</b>	(10,657)
<b>Net cash from financing activities</b>	<b>28,621</b>	41,070
<b>Net decrease in cash and cash equivalents</b>	<b>(14,986)</b>	(44,254)
<b>Cash and cash equivalents at beginning of period</b>	<b>39,660</b>	118,213
<b>Effect of foreign exchange rate changes</b>	<b>(19)</b>	539
<b>Cash and cash equivalents at end of period</b>	<b>24,655</b>	74,498
<b>Analysis of cash and cash equivalents of the end of the period</b>		
<b>Bank balances and cash</b>	<b>24,655</b>	74,498

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2009*

## 1. Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

## 2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the group's financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. Changes in accounting policies *(Continued)*

The amendments to HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
  
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 2. Changes in accounting policies *(Continued)*

- The “Improvements to HKFRSs (2008)” comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group’s accounting policies:

As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. Segment information

#### *Business segments*

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess its performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group currently organises its operations into five reportable segments, namely public procurement, coal trading, information technology, general trading. They represent four major line of business engaged by the Group. The principal activities of the reportable segments are as follows:

Public procurement	– Provision of procurement services to general public and government in PRC
Coal Trading	– Sales of coal in bulk
Information technology	– Provision of information technology services
General Trading	– Sales of computer components
Corporate management	– Provision of administrative services for corporate expenses and investment holding

During the period, the Group disposed of its operations of coal trading, information technology, general trading and corporate management.

Segments results represent the profit before taxation earned by each segment, excluding interest income, finance costs, unallocated other income and unallocated corporate expenses such as central administration costs and directors' salaries.

Information regarding these segments is presented below. The segment results reported for the prior period have been restated to conform with the requirements of HKFRS 8.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Segment information (Continued)

#### Business segments (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Revenue		Segment profit	
	Six months ended 30 June		Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Continuing operation</b>				
Public procurement	4,800	–	(2,102)	–
Total for continuing operation	4,800	–	(2,102)	–
Unallocated other income			12	–
Central administration and directors' salaries			(5,441)	–
Equity-settled share-based payment expenses			(23,403)	–
Other corporate expenses			(4,716)	–
Finance cost			(18)	–
Loss before tax (continuing operation)			(35,668)	–
<b>Discontinued operations</b>				
Coal trading	–	26,883	(74)	(22,780)
Information technology	46	20,376	(1,643)	(1,118)
General trading	669	9,745	(196)	(446)
Corporate management	–	–	–	(36,950)
Total for discontinued operations	715	57,004	(1,913)	(61,294)
Unallocated other income			2	1,193
Reversal of previous impairment loss on other receivables			36,000	–
Loss on disposal of available-for-sale investment			(28,348)	–
Loss on disposal of convertible bond			(1,061)	–
Gain on disposal of subsidiaries			8,665	–
Loss on disposal of subsidiaries			(481)	–
Other corporate expenses			(26,167)	–
Finance cost			–	(2)
Loss before tax (discontinued operation)			(13,303)	(60,103)
Loss before tax (continuing and discontinued)			(48,971)	(60,103)
Taxation (continuing and discontinued)			–	(2,186)
Consolidated revenue and profit for the period	5,515	57,004	(48,971)	(62,289)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Finance costs

	Continuing operation Six months ended 30 June		Discontinued operation Six months ended 30 June		Consolidated Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Short-term loan interest	18	-	-	-	18	-
Other finance cost	-	-	-	2	-	2
	18	-	-	2	18	2

### 5. Loss before taxation

	Continuing operation Six months ended 30 June		Discontinued operation Six months ended 30 June		Consolidated Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Loss before taxation is arrived at after charging:						
Cost of inventories recognised as expense						
- Public procurement	3,788	-	-	-	3,788	-
- Coal trading	-	-	-	13,581	-	13,581
- General trading	-	-	839	9,436	839	9,436
- Information technology	-	-	242	12,187	242	12,187
Depreciation						
- Owned assets	6	-	339	432	345	432
- Leased assets	-	-	-	40	-	40
Exchange loss	7	-	-	-	7	-
Provision for impairment of trade and other receivables	96	-	261	-	357	-
Loss on disposal of property, plant and equipment	-	-	276	-	288	-
Property plant and equipment written off	-	-	858	-	858	-
Operating lease rentals						
- Office premises	1,734	-	2,077	751	3,811	751
Staff costs (including directors' remuneration)						
- Salaries and allowances	5,807	-	8,481	5,441	14,288	5,441
- Retirement scheme contributions	141	-	144	99	285	99
- Equity-settled share-based payment expenses	23,403	-	-	45,579	23,101	45,579

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 6. Taxation

No Hong Kong Profits Tax has been provided in the financial statements as the Group has no estimated assessable profits for both periods.

No PRC income tax has been provided as the Group has no estimate assessable profits for those subsidiaries established in the PRC for the period, as determined in accordance with the relevant income tax rules and regulations in the PRC (six months ended 30 June 2008: HK2,186,000 calculated at 33%).

### 7. Loss per share

#### *(i) Continuing and discontinued operations*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the period of HK\$49,088,000 (six months ended 30 June 2008: HK\$61,435,000) and the weighted average of 2,630,198,593 (six months ended 30 June 2008: weighted average of 1,707,254,010) ordinary shares in issue during the interim period.

The calculation of diluted loss per share is based on the Group's loss attributable to ordinary equity shareholders of the Company of HK\$49,088,000 (six months ended 30 June 2008: HK\$61,435,000) and the weighted average of 2,738,988,491 (six months ended 30 June 2008: weighted average of 2,755,816,010) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

#### *(ii) Continuing operation*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the period of HK\$35,668,000 (six months ended 30 June 2008: HK\$61,435,000) and the weighted average of 2,630,198,593 (six months ended 30 June 2008: weighted average of 1,707,254,010) ordinary shares in issue during the interim period.

The calculation of diluted loss per share is based on the Group's loss attributable to ordinary equity shareholders of the Company of HK\$35,668,000 (six months ended 30 June 2008: Nil) and the weighted average of 2,738,988,491 (six months ended 30 June 2008: weighted average of 2,755,816,010) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 8. Interim dividend

The Board has resolved not to declare any interim dividends for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

### 9. Property, plant and equipment

During the six months ended 30 June 2009, the group acquired items of plant and machinery with a cost of HK\$6,625,000 (six months ended June 30 2008: HK\$167,000). Items of plant and machinery with a net book value of HK\$2,591,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil), resulting in a loss on disposal of HK\$276,000 (six months ended 30 June 2008: Nil).

### 10. Goodwill

During the period, the Group acquired a public procurement business in PRC and the goodwill arising from the acquired amounted to HK\$741,303,000. Please refer to note 18 for the details of acquisitions.

### 11. Trade and other receivables

	<b>30.6.2009</b> <b>HK\$'000</b>	31.12.2008 HK\$'000
Trade receivables	<b>9,412</b>	5,488
Prepayments and deposits	<b>4,460</b>	15,540
Other receivables	<b>938</b>	1,094
<b>Total trade and other receivables</b>	<b>14,810</b>	22,122

The Group has a policy of allowing an average credit period ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables at the reporting date:

	<b>30.6.2009</b> <b>HK\$'000</b>	31.12.2008 HK\$'000
0-30 days	<b>9,412</b>	297
31-60 days	–	5,166
61-90 days	–	–
91-180 days	–	1
181-365 days	–	24
	<b>9,412</b>	5,488

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 12. Pledged Deposits

As at 30 June 2009, the Group's fixed bank deposits amounting to HK\$7,400,000 were pledged as securities for operating lease agreement of the Company.

As at 31 December 2008, the Group had total banking facilities of HK\$15,000,000 which were shared by the Group's fixed bank deposits amounting to HK\$15,000,000. During the period ended 30 June 2009, the pledge had been released.

### 13. Trade and other payables

	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Trade payables	–	300
Accruals and other payables	549	3,321
	<b>549</b>	<b>3,621</b>

The following is an aged analysis of trade payables at the reporting date:

	30.06.2009 HK\$'000	31.12.2008 HK\$'000
0-30 days	–	300
31-60 days	–	–
61-90 days	–	–
91-180 days	–	–
181-365 days	–	–
Over 365 days	–	–
	<b>–</b>	<b>300</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14. Share capital

	Number of shares	HK\$'000
<b>Authorised:</b>		
At 31 December 2008		
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000
Increased in authorised share capital <i>(Note i)</i>	10,000,000,000	100,000
Ordinary shares of HK\$0.01 each	20,000,000,000	200,000
<b>Issued and fully paid:</b>		
At as 31 December 2008		
Issue of shares for acquisition of a subsidiary <i>(Note ii)</i>	945,635,485	9,456
Issue of shares upon exercise of share option <i>(Note iii)</i>	54,062,000	541
Issue of shares upon exercise of warrants <i>(Note iv)</i>	1,000,000	10
At as 30 June 2009	3,217,722,485	32,177

*Notes:*

- (i) Pursuant to an ordinary resolution passed on 9 February 2009, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 subject to the completion of the acquisition of Hero Joy International Limited.
- (ii) On 15 April 2009, the acquisition of Hero Joy International Limited had been completed and 945,635,485 ordinary shares of HK\$0.6667 each were issued on the same day as Consideration Shares to satisfy the Basic Consideration. Details of the acquisition were disclosed in note 18 to the condensed consolidated financial statements.
- (iii) During the period, an aggregate of 54,062,000 share options of the Company had been exercised, procuring the Company to allot and issue 54,062,000 shares of the Company to the eligible participants.
- (iv) During the period, warrants were exercised to subscribe for 1,000,000 ordinary shares in the Company at a consideration of HK\$400,000 of which HK\$10,000 was credited to share capital and the balance of HK\$390,000 was credited to share premium.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 15. Equity-settled share-based payment transactions

On 26 March 2009, 172,200,000 share options were granted for nil consideration to employees of the Group under the Group's share option scheme (six months ended 30 June 2008: 147,500,000 share options were granted). Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 each of the Company. These share options will vest immediately from the date of grant and then be exercisable until 2012. The exercise price is HK\$0.5, being the weighted average closing price of the company's ordinary shares immediately before the grant.

54,062,000 share options were exercised during the six months ended 30 June 2009 (six months ended 30 June 2008: 2,240,000 share options were exercised). The weighted average share price at the date of exercise for shares options exercised during the year was HK\$1.035 (six months ended 30 June 2008: HK\$0.447).

The options outstanding as at 30 June 2009 had an exercise price of HK\$0.506 (2008: HK\$0.743) and a weighted average remaining contractual life of 6.003 years (2008: 9.342 years).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Reserves

	Share premium HK\$'000	Warrant reserve HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Investment valuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2008 (audited)	122,333	-	8,390	12,043	738	(1,814)	(247,646)	(105,956)
Net loss for the period	-	-	-	-	-	-	(61,435)	(61,435)
Exchange differences arising on translation of foreign operations	-	-	-	-	611	-	-	611
Change in fair value of available-for-sale investment	-	-	-	-	-	(25,581)	-	(25,581)
Total comprehensive income for the period	-	-	-	-	611	(25,581)	(61,435)	(86,405)
Capital reduction	-	-	-	-	-	-	305,099	305,099
Warrants issued	-	25,440	-	-	-	-	-	25,440
Premium arising on issue of shares	377,122	-	-	-	-	-	-	377,122
Conversion of convertible bonds	3,068	-	-	-	-	-	-	3,068
Equity-settled share-based payment transactions	-	-	-	45,579	-	-	-	45,579
Share Issue Expense	(692)	-	-	-	-	-	-	(692)
	379,498	25,440	-	45,579	-	-	305,099	755,616
As at 30 June 2008 (unaudited)	501,831	25,440	8,390	57,622	1,349	(27,395)	(3,982)	563,255

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Reserves (Continued)

	Share premium HK\$'000	Warrant reserve HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Investment valuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2009 (audited)	518,409	24,720	8,390	57,096	(75)	(34,272)	(449,574)	124,694
Net loss for the period	-	-	-	-	-	-	(49,088)	(49,088)
Exchange differences arising on translation of foreign operations	-	-	-	-	(20)	-	-	(20)
Total comprehensive income for the period	-	-	-	-	(20)	-	(49,088)	(49,108)
Disposal of available-for-sale investment	-	-	-	-	-	34,272	-	34,272
Premium arising on issue of shares	620,998	-	-	-	-	-	-	620,998
Exercise of warrants	470	(80)	-	-	-	-	-	390
Exercise of share options	40,303	-	-	(12,622)	-	-	-	27,681
Forfeiture of share option	-	-	-	(2,901)	-	-	2,901	-
Equity-settled share-based payment transactions	-	-	-	23,403	-	-	-	23,403
Reserves transferred upon disposal of subsidiaries	-	-	-	-	76	-	-	76
	661,771	(80)	-	7,880	76	34,272	2,901	706,820
As at 30 June 2009 (unaudited)	1,180,180	24,640	8,390	64,976	(19)	-	(495,761)	782,406



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 17. Disposals of subsidiaries

(a) *Disposal of subsidiaries (discontinued operation of coal trading)*

On 8 May 2009, the Group disposed of its entire interest in Great Hill Trading Limited ("Great Hill") together with Great Hill's subsidiaries ("Great Hill Group"), which carried out all of its coal trading operation. The proceeds on disposal of HK\$34,000,000 were received in cash.

(b) *Disposal of subsidiaries (discontinued operation of information technology)*

During the period, the Group disposed of its entire interest in Joy Century Holding Limited, Digiworld Network Limited, SLS Investment Limited, Gala Success (Asia) Limited, Global Great development Limited and 領峰環球信息科技(北京)有限公司, which carried out information technology operations. The aggregate proceeds on disposals of HK\$116,000 were received in cash.

(c) *Disposal of subsidiaries (discontinued operation of general trading)*

During the period, the Group disposed of its entire interest in Chinaway Network Technology Limited, Interactive Broadband Services Limited, Successful Link International Limited and Envision Link Limited, which carried out general trading operations. The aggregate proceeds on disposals of HK\$378,000 were received in cash.

(d) *Disposal of subsidiaries (discontinued operation of corporate management)*

On 17 June 2009, the Group disposed of its entire interest in Star Excel Management Limited ("Star Excel") together with Star Excel's subsidiaries ("Star Excel Group"). The proceeds on disposal of HK\$12,500,000 were received in cash. Prior to the disposal, Star Excel Group was engaged in provision of administrative services for corporate expenses and investment holding.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Disposals of subsidiaries (Continued)

The loss for the period from the discontinued operations are analysed as follows:

	Six months ended 30 June 2009					Six months ended 30 June 2008				
	Information		General	Corporate	Total	Information		General	Corporate	Total
	Coal	technology	trading			Coal	technology	trading		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit/(loss) of operation for the period	35,926	(1,643)	(196)	(55,574)	(21,487)	(22,780)	(1,118)	(446)	(37,945)	(62,289)
Gain/(loss) on disposal	6,003	1,329	(96)	948	8,184	-	-	-	-	-
	41,929	(314)	(292)	(54,626)	13,303	(22,780)	(1,118)	(446)	(37,945)	(62,289)

The results of the discontinued operations for the period were as follows:

	Six months ended 30 June 2009					Six months ended 30 June 2008				
	Information		General	Corporate	Total	Information		General	Corporate	Total
	Coal	technology	trading			Coal	technology	trading		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	36,000	46	669	-	36,715	26,883	20,376	9,745	-	57,004
Operating costs	(74)	(1,689)	(865)	(55,574)	(58,202)	(49,663)	(21,494)	(10,191)	(37,945)	(119,293)
Profit/(loss) before tax	35,926	(1,643)	(196)	(55,574)	(21,487)	(22,780)	(1,118)	(446)	(37,945)	(62,289)
Taxation	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) after tax	35,926	(1,643)	(196)	(55,574)	(21,487)	(22,780)	(1,118)	(446)	(37,945)	(62,289)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 17. Disposals of subsidiaries *(Continued)*

The net assets of the discontinued operations at the date of disposal were as follows:

	Coal HK\$'000	Information technology HK\$'000	General trading HK\$'000	Corporate HK\$'000	Total HK\$'000
Net assets/(liabilities) disposal of					
Attributable goodwill	27,997	(1,213)	474	11,552	38,810
	-	-	-	-	-
Profit/(loss) on disposal	27,997	(1,213)	474	11,552	38,810
	6,003	1,329	(96)	948	8,184
Total consideration	34,000	116	378	12,500	46,994
Satisfied by cash	34,000	116	378	12,500	46,994
Net cash inflow arising on disposal	28,966	97	377	9,008	38,448

No tax charge or credit arose on gain on discontinuance of the operation.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. Acquisition of subsidiaries

On 15 April 2009, the Group acquired entire issued share capital of Hero Joy International Limited ("Hero Joy") and Hero Joy's subsidiaries, Public Procurement Limited and Guocai (Beijing) Technology Company Limited (hereinafter collectively referred to as "Hero Joy Group"). The acquired companies were engaged in provision of public procurement ("Public Procurement Business") in PRC with a view to enhancing revenue stream to the Group.

#### *Consideration transferred*

	HK\$'000
<hr/>	
Basic Consideration:	
945,635,485 ordinary shares at HK0.6667 each	630,455
Contingent consideration arrangement (i)	–
Acquisition-related costs	142,500
	<hr/>
	772,955
	<hr/>

- (i) Based on the sale and purchase agreement entered into on 31 August 2008, the Group is required to pay additional consideration ("Earn-out") to the shareholders of Hero Joy (the "Vendor") if the Public Procurement Business achieves net profit after tax for the year ended 31 December 2009 or 2010. The Earn-out will be satisfied by issue and allotment of new preferred shares of the Company at an issue price of HK\$0.6667 per share.

$$\text{Earn-out} = \{2009 \text{ NPAT or } 2010 \text{ NPAT}^* \text{ (as requested by the Vendors)} \times 30\} \text{ less Basic Consideration}$$

\* NPAT represents net profit after tax

The aggregate consideration for the acquisition should not be more than HK\$6,000 million. There were unable to estimate the NPAT of the Public Procurement Business for the year ended 31 December 2009 or 2010 and hence there had no reasonable measurement of the fair value of the obligation of contingent consideration arrangement for the six months ended 30 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. Acquisition of subsidiaries *(Continued)*

#### *Assets and liabilities recognised at the date of acquisition*

	HK\$'000
Non-current assets	
Property	28
Other intangible assets	16,960
Current assets	
Other receivables	5,987
Cash and cash equivalents	9,705
Current liabilities	
Other payable	(1,027)
	31,652

#### *Goodwill arising on acquisition*

	HK\$'000
Consideration transferred	772,955
Less: fair value of identifiable net assets acquired	(31,652)
Goodwill arising on acquisition	741,303

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to access to the public procurement business in PRC that were provided by the above newly acquired subsidiaries.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 18. Acquisition of subsidiaries *(Continued)*

#### *Net cash inflow arising on acquisition*

	HK\$'000
Consideration paid in cash	–
Less: cash and cash equivalent balances acquired	9,704
	9,704

#### *Impact of acquisition on the results of the Group*

Included in the loss for the interim period is HK\$1,158,000 attributable to Hero Joy Group. Revenue for the period includes HK\$Nil in respect of Hero Joy Group.

Had the acquisition of Hero Joy Group been effected at 1 January 2009, the revenue of Group from continuing operation for the six months ended 30 June 2009 would have been unchanged and the loss for the period from continuing operation would have been HK40,817,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

### 19. Capital commitments

	30.6.2009 HK\$'000	31.12.2008 HK\$'000
Contracted but not provided for		
– capital contribution to a subsidiary	–	26,000
– commission payable	–	142,500
	–	168,500

The Group did not have any significant commitments as at 30 June 2009.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 20. Operating lease commitments

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	<b>30.6.2009</b> HK\$'000	31.12.2008 HK\$'000
Within one year	<b>5,998</b>	2,216
In the second to fifth years inclusive	<b>6,924</b>	833
	<b>12,922</b>	3,049

### 21. Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

### 22. Related party transactions

#### *Key management compensation*

Remuneration for key management personnel, including amounts paid to the Company's directors are as follows:

	<b>Six months ended 30 June</b>	
	<b>2009</b> HK\$'000	2008 HK\$'000
Fee	<b>375</b>	335
Salaries and allowances	<b>3,964</b>	714
Bonus	<b>160</b>	–
Retirement scheme contributions	<b>83</b>	16
Share-based payments	<b>23,101</b>	45,579
	<b>27,683</b>	46,644

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 23. Post balance sheet events

The Company has the following events occurred after 30 June 2009 as below:

- (i) In July, in order to provide sufficient capital to roll out the government procurement business and to maintain the routine operations in the PRC, the Company has, in proportion to its 90% interest, injected RMB27 million by means of increasing the share capital of the Company's joint venture, Guocai (Beijing) Technology Company Limited. The injection was completed in the same month.
- (ii) The Company has entered into a framework agreement with Asia Water Resources (Holdings) Limited ("Asia Water Resources"), an independent third party, on 18 August 2009 in which the Company will have the pre-emptive right to procure for Asia Water Resources materials and services of not less than RMB3 billion in relation to sewage pipeline network engineering and water purification projects which will be carried out in several provinces in the PRC.

On the same day, the Company has also entered into a framework agreement with Shenzhen Licon Global Lighting Co., Ltd. ("Shenzhen Licon"), an independent third party, in which the Company will have the pre-emptive right to procure for Shenzhen Licon lighting products of not less than RMB3 billion and provide settlement and logistics finance services for several national procurement centres, including Malaysia, Singapore and Thailand.

- (iii) On 3 September 2009, the Company has been authorized to procure not less than RMB700 million worth of cokes for Wulatezhongqi Huachang Mining Co., Ltd. of Inner Mongolia and Great Rail Logistics International Co., Ltd. before the end of 2009.



## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** *(Continued)*

### **24. Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. The resulted accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Share-based payments*

The fair value of the options granted is estimated by independent professional valuers based on the various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of the options at the date of granting the options.

### **25. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2009**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2009 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 Company's results of operations and financial position.

### **26. Comparative figures**

As a result of the application of HKAS1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of item disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

### **27. Approval of the interim financial statements**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board on 26 September 2009.