



CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

Interim Report
2011

The board (the “Board”) of directors (the “Directors”) of China Public Procurement Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Continuing operation			
Turnover	5	5,281	12,519
Cost of sales		(5,037)	(11,233)
Gross profit		244	1,286
Other income		21	725
Gain on disposal of property, plant and equipment		–	926
Administrative and other operating expenses		(19,173)	(22,111)
Equity settled share-based payment expense		–	(44,207)
Loss from operation		(18,908)	(63,381)
Finance costs		(30)	–
Loss before taxation	6	(18,938)	(63,381)
Taxation	7	–	–
Loss for the period from continuing operation		(18,938)	(63,381)
Discontinued operations			
Loss for the period from discontinued operations		–	–
Loss for the period		(18,938)	(63,381)
Attributable to:			
Equity shareholders of the Company		(18,533)	(63,112)
Non-controlling interests		(405)	(269)
		(18,938)	(63,381)

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2011*

	<i>Notes</i>	Six months ended 30 June	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Loss per share attributable to ordinary equity shareholders of the Company			
From continuing and discontinued operations	8		
– Basic (HK cents)		(0.56)	(1.93)
– Diluted (HK cents)		(0.56)	(1.91)
From continuing operations	8		
– Basic (HK cents)		(0.56)	(1.93)
– Diluted (HK cents)		(0.56)	(1.91)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2011*

	Six months ended 30 June	
	2011	2010
<i>Notes</i>	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	(18,938)	(63,381)
Other comprehensive income for the period		
Exchange differences arising on translation of foreign operations	920	475
Other comprehensive income for the period (net of tax)	920	475
Total comprehensive income for the period	(18,018)	(62,906)
Attributable to:		
Equity shareholders of the Company	(17,713)	(62,659)
Non-controlling interests	(305)	(247)
Total comprehensive income for the period	(18,018)	(62,906)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	30.6.2011 (unaudited) HK\$'000	31.12.2010 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	12,979	8,875
Goodwill		353	353
Intangible assets		18,120	17,729
		31,452	26,957
Current assets			
Trade and other receivables	11	413,494	428,413
Amount due from a non-controlling interest of a subsidiary		3,610	3,610
Pledged deposit		–	7,062
Bank balances and cash	12	33,452	48,771
		450,556	487,856
Current liabilities			
Trade and other payables	13	23,847	24,187
Bills payable		–	7,062
Receipt in advance		534	534
Amount due to a non-controlling interest of a subsidiary		40,000	40,000
Amount due to a related company		4,004	11,429
Tax payable		66,649	66,609
		135,034	149,821
Net current assets		315,522	338,035
NET ASSETS		346,974	364,992
CAPITAL AND RESERVES			
Share capital	14	33,163	33,163
Reserves		309,837	327,550
Equity attributable to owners of the Company		343,000	360,713
Non-controlling interests		3,974	4,279
Total equity		346,974	364,992

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2011*

	Share Capital	Reserves	Non- controlling Interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2010 (audited)	32,196	20,278	2,556	55,030
Loss for the period	–	(63,112)	(269)	(63,381)
Exchange differences arising on translation of foreign operations	–	453	22	475
Total comprehensive income for the period	32,196	(62,659)	(247)	(62,906)
Exercise of share options	539	27,435	–	27,974
Exercise of convertible equity-linked debt instruments	428	37,963	–	38,391
Equity settled share-based transactions	–	44,207	–	44,207
Deemed acquisition of additional interest in a subsidiary	–	(402)	402	–
	967	109,203	402	110,572
Balance at 30 June 2010 (unaudited)	33,163	66,822	2,711	102,696
Balance at 1 January 2011 (audited)	33,163	327,550	4,279	364,992
Loss for the period	–	(18,533)	(405)	(18,938)
Exchange differences arising on translation of foreign operations	–	820	100	920
Total comprehensive income for the period	–	(17,713)	(305)	(18,018)
Issue of shares	–	–	–	–
Exercise of warrants	–	–	–	–
Exercise of share options	–	–	–	–
Equity settled share-based transactions	–	–	–	–
Reserves released on disposal of subsidiaries	–	–	–	–
Disposal of available-for-sale investments	–	–	–	–
	–	–	–	–
Balance at 30 June 2011 (unaudited)	33,163	309,837	3,974	346,974

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(6,055)	(35,162)
Net cash generated from/(used in) investing activities	(5,799)	62
Net cash generated from/(used in) financing activities	(3,675)	66,365
Net increase/(decrease) in cash and cash equivalents	(15,529)	31,265
Cash and cash equivalents at beginning of the period	48,771	25,970
Effect of foreign exchange rate changes	210	307
Cash and cash equivalents at end of the period	33,452	57,542
Analysis of cash and cash equivalents at end of the period		
Bank balances and cash	33,452	57,542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. REVIEW OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been reviewed by the audit committee of the Company (the "Audit Committee") and have not been audited.

2. 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 (the "Stock Exchange"), 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 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and a new Interpretation that are first effective for the current accounting period of the Group. Of these, the changes in standards and interpretations that are relevant to the Group’s financial statements are as follows:

- HKAS 24 (as revised in 2009) Related Party Disclosures
- HKFRSs (Amendments) Improvements to HKFRSs (2010)

The Group has not applied the new standards or interpretations that are not yet effective in the current accounting period.

The adoption of these amendments to standards has no material financial effect on the Group’s results and financial position for the current or prior periods.

4. SEGMENT INFORMATION

The Group’s reportable segments from continuing operations under HKFRS 8 are (i) public procurement operation and (ii) energy trading operation. Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focused on the two main operations of the Group which are identified in accordance with the business nature and the size of the operations. This basis is also consistent with the basis of organisation in the Group, where management has organised the Group around these two operations. The directors concluded that there is no separate reporting segment apart from the energy trading operation for the period.

5. TURNOVER AND OTHER INCOME

The principal activity of the Group is provision of procurement services to general public and government in the People's Republic of China (the "PRC").

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Turnover		
Public procurement	–	12,519
Energy trading	5,281	–
	5,281	12,519
Other income		
Interest income	21	674
Sundry income	–	52
	21	725

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss before taxation from continuing operations has been arrived at after charging:		
Cost of inventories recognised as expense	5,037	11,233
Depreciation of property, plant and equipment	1,791	1,416
Operating lease rentals – office premises	3,348	3,086
Staff costs (including directors' remuneration)		
– Salaries and allowances	7,439	9,854
– Retirement scheme contributions	479	347

7. TAXATION

No Hong Kong Profits Tax has been provided in the financial statements as the Group's subsidiaries in Hong Kong have no estimated assessable profits for the period.

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 2010: Nil).

8. LOSS PER SHARE

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss for the period from continuing operation	(18,533)	(63,112)
Loss for the period from discontinued operation	–	–
Loss for the period attributable to equity shareholders of the Company	(18,533)	(63,112)

The calculation of basic loss per share is based on the weighted average of 3,289,428,000 (six months ended 30 June 2010: weighted average of 3,261,775,000) ordinary shares in issue during the interim period.

The calculation of diluted loss per share is based on the weighted average of 3,323,020,000 (six months ended 30 June 2010: weighted average of 3,303,127,000) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

9. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of plant and equipment with a cost of HK\$5,768,000 (six months ended 30 June 2010: HK\$2,768,000). The Group did not dispose of any items of plant and machinery during the six months ended 30 June 2011.

11. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,866	1,007
Prepayments	9,794	14,920
Other receivables	1,708	4,265
Deposit for development of online procurement system	5,254	5,254
Other deposits	2,872	2,967
Amount receivable for EMC projects	390,000	400,000
Total trade and other receivables	413,494	428,413

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

	30.6.2011	31.12.2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue		
31-60 days	2,859	–
Over 1 year	1,007	1,007

12. BANK BALANCE AND CASH/PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash at banks approximate to their fair values.

Included in cash at banks is an amount of approximately HK\$4,082,000 (2010: HK\$9,692,000), representing deposits placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

As at 30 June 2011, there was no fixed bank deposit pledged by the Group (31 December 2010: HK\$7,062,000).

13. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
Trade payables	54	64
Accruals and other payables	23,793	24,123
	23,847	24,187

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

	30.6.2011	31.12.2010
	HK\$'000	HK\$'000
Over 90 days	–	64
Over 180 days	54	–

14. SHARE CAPITAL

	Number of shares		Share Capital	
	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2011 '000	30 June 2010 '000	30 June 2011 HK\$'000	30 June 2010 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	10,000,000	100,000	100,000
Convertible non-redeemable preference shares of HK\$0.01 each (Note)	10,000,000	10,000,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning of year	3,316,332	3,219,582	33,163	32,196
Issue of shares upon exercise of share options	–	53,940	–	539
Issue of shares upon exercise of convertible equity-linked debt instruments	–	42,810	–	428
At 30 June	3,316,332	3,316,332	33,163	33,163

Note:

Pursuant to a special resolution passed at special general meeting of the Company held on 9 February 2009, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by authorising the creation of an additional 10,000,000,000 convertible non-redeemable preference shares of HK\$0.01 each.

15. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 12 June 2002 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at no consideration to subscribe for shares of the Company. The options are exercisable immediately (or a later date as determined by the Directors) from the date on which the options are granted for a period up to ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

There was a total of 142,600,000 options outstanding as at 30 June 2011, with a weighted average remaining contractual life of 1.308 years (31 December 2010: 1.762 years).

16. RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2011	1,254,676	8,390	55,691	1,509	-	(992,716)	327,550
Net loss for the period	-	-	-	-	-	(18,533)	(18,533)
Exchange differences arising on translation of foreign operations	-	-	-	820	-	-	820
Total comprehensive income for the period	-	-	-	820	-	(18,533)	(17,713)
Exercise of share options	-	-	-	-	-	-	-
Exercise of convertible equity-linked debt instruments	-	-	-	-	-	-	-
Equity settled share-based transactions	-	-	-	-	-	-	-
Deemed acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-
Forfeiture of share options	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As at 30 June 2011	1,254,676	8,390	55,691	2,329	-	(1,011,249)	309,837

16. RESERVES (Continued)

	Share premium HK\$'000	Merger reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2010	1,181,334	8,390	26,391	111	-	(1,195,948)	20,278
Net loss for the period	-	-	-	-	-	(63,112)	(63,112)
Exchange differences arising on translation of foreign operations	-	-	-	453	-	-	453
Total comprehensive income for the period	-	-	-	453	-	(63,112)	(62,659)
Exercise of share options	35,421	-	(7,986)	-	-	-	27,435
Exercise of convertible equity-linked debt instruments	37,963	-	-	-	-	-	37,963
Equity settled share-based transactions	-	-	44,207	-	-	-	44,207
Deemed acquisition of additional interest in a subsidiary	-	-	-	-	(402)	-	(402)
Forfeiture of share options	-	-	(4,545)	-	-	4,545	-
	73,384	-	31,676	-	(402)	4,545	109,203
As at 30 June 2010	1,254,718	8,390	58,067	564	(402)	(1,254,515)	66,822

17. OPERATING LEASE

As at 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30.6.2011 HK\$'000	31.12.2010 <i>HK\$'000</i>
Within one year	9,086	3,744
In the second to fifth years inclusive	4,876	5,012
	13,962	8,756

18. COMMITMENTS

	2011	2010
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of – technical know-how	8,417	8,239

19. CONTINGENT LIABILITIES

On 15 April 2009, the Group acquired the entire issued share capital of Hero Joy International Limited (“Hero Joy”) and its subsidiaries, Public Procurement Limited and Guocai (Beijing) Technique Company Limited (hereinafter collectively referred to as “Hero Joy Group”), from independent third parties (“Vendors”). The acquired business of Hero Joy is engaged in provision of public procurement in the PRC (“Public Procurement Business”).

Pursuant to the agreement dated 31 August 2008, the contingent consideration requires the Group to pay an additional consideration shares if the profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK\$200 million for the year ended 31 December 2009 or 2010. The contingent consideration will be satisfied by issue and allotment of new convertible non-redeemable preference shares of the Company at an issue price of HK\$0.6667 per share. The aggregate consideration for the acquisition should not be more than HK\$6,000 million.

The Group is required to pay the contingent consideration to the Vendors in view of that the profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK\$200 million for the year ended 31 December 2010. The Group, however, has subsequently obtained a written consent from the Vendors that the payment of contingent consideration will be further subject to cash receipt of an amount not less than HK\$200 million in respect of above-mentioned profit. Fulfillment of this condition is uncertain up to the date of this report.

20. RELATED PARTY TRANSACTIONS

- (a) At the end of reporting period, the Group has the following significant balances with related parties:

	2011	2010
	HK\$'000	HK\$'000
Amount due from:		
Guocai Science & Technology Company Limited (Note i)	4,610	3,610
Amount due to:		
Guocai Science & Technology Company Limited (Note i)	40,000	40,000
Beijing Rongxin Dentsu Science & Technology Development Limited (Note ii)	4,004	11,429

Notes:

- (i) The above company is non-controlling interest of a subsidiary in the PRC.
- (ii) Mr. Lu Xing, a director of the Company, has non-controlling interest in Beijing Rongxin Dentsu Science & Technology Development Limited and is a director of such company. Therefore the abovementioned company, over which the Group can exercise significant influence, is a related party of the Group. The amounts due are unsecured, interest free and repayable on demand.

20. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

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

	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term employee benefits	4,973	4,319
Retirement scheme contributions	34	11
Share-based payments	–	448
	5,007	4,767

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Audit Committee and the Board on 25 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, revenue of the Company has decreased from approximately HK\$13 million to approximately HK\$5.281 million, representing a decrease of 59% as compared with the same period of last year.

For the six months ended 30 June 2011, the Group recorded a loss of approximately HK\$19 million (six months ended 30 June 2010: approximately HK\$63 million), decreased by approximately HK\$44 million, mainly due to the equity settled share-based payment expenses arisen from ungranted share options in the period. The details are contained in the consolidated financial statements of this report. The loss attributable to shareholders was HK0.56 cent per share (six months ended 30 June 2010: HK1.93 cents per share).

During the period under review, the Company was more focused on the businesses of electronic public procurement transaction service and energy management contracting service. However, the promotion period of the above two businesses was relatively long and the businesses were subject to political decisions of local governments, therefore the corresponding revenues of the businesses were unable to realise in the period under review and have to be deferred. Meanwhile, due to the intensified competition of the domestic energy trading industry in which the Company engaged, the Company's results in the period under review experienced a downturn as compared with last year. The Board will capitalise on the good prospects for the growth of global public procurement and energy saving sectors, endeavour to improve the operating situation faced by the Company during the period under review, and strive to achieve substantial business growth and generate good revenue in the future.

Prospects

The Board remains optimistic about the Company's future business development in the areas of electronic public procurement transaction management and energy management contracting service. Firstly, in the wake of the global economic crisis, various countries have adopted a series of fiscal stimulus policies of increasing public spending, which was mainly reflected in a substantial increase in public procurement. Accordingly, public procurement has been used as a policy tool of the central government to exercise macro-control over the economy, and becomes an important component of the macro-economic policy. Therefore, the construction of a unified national electronic public procurement platform to form one large procurement market has become a global development trend of public procurement. Secondly, the central government of the PRC has stated clearly in the "Twelfth Five Year Plan" its objectives of reducing energy consumption by 16%, reducing carbon emission by 17% and increasing the proportion of non-fossil energy to 11.4% in the next five years. In view of the foregoing, the energy management contracting service industry will end its current promotion during the "Twelfth Five Year Plan" and enter into a fast growing stage.

The Board reasonably believes that, by leveraging on the resources advantages of the Company's business partners in the PRC in the areas of electronic public procurement transaction management and energy management contracting service, and capitalising on the global development trend of the booming public procurement and energy saving and emission reduction industry, the Group will achieve substantial business growth and generate good revenue in the future.

Liquidity and Financial Resources

As at 30 June 2011, the Group maintained cash, fixed deposits and bank balances of approximately HK\$33.452 million (31 December 2010: approximately HK\$49 million) without any bank borrowings (31 December 2010: nil). As at 30 June 2011, the Group's working capital (net current assets) and current ratio were approximately HK\$315.522 million (31 December 2010: approximately HK\$338 million) and 3.34 respectively (31 December 2010: 3.25). The increase in current ratio is due to the substantial increase in trade receivables.

The existing available cash and bank balances are considered sufficient for the Group's operations.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 28% as at 30 June 2011 (at 31 December 2010: 29%).

Pledge of Assets

As at 30 June 2011, there were no assets pledged by the Group (31 December 2010: approximately HK\$7,062,000).

Contingent Liabilities

On 15 April 2009, the Group acquired the entire issued share capital of Hero Joy International Limited (“Hero Joy”) and its subsidiaries, Public Procurement Limited (the “Subsidiary”) and 國采（北京）技術有限公司 (Guocai (Beijing) Technique Company Limited*) (the “EJV”) (hereinafter collectively referred to as “Hero Joy Group”), from independent third parties (“Vendors”). The acquired business of Hero Joy is engaged in provision of public procurement in the PRC (“Public Procurement Business”).

Pursuant to the agreement dated 31 August 2008, the contingent consideration requires the Group to pay an additional consideration shares if the profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK\$200 million for the year ended 31 December 2009 or 2010. The contingent consideration will be satisfied by issue and allotment of new convertible non-redeemable preference shares of the Company at an issue price of HK\$0.6667 per share. The aggregate consideration for the acquisition should not be more than HK\$6,000 million.

The Group is required to pay the contingent consideration to the Vendors in view of that the profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK\$200 million for the year ended 31 December 2010. The Group, however, has subsequently obtained a written consent from the Vendors that the payment of contingent consideration will be further subject to cash receipt of an amount not less than HK\$200 million in respect of above-mentioned profit. Fulfillment of this condition is uncertain up to the date of this report (the contingent liabilities as at 31 December 2010 were the same as the contingent consideration payable to Hero Joy Group by the Group as mentioned above).

* for identification purpose only

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 2011, the Group had approximately 50 employees, and total remuneration of employees (including Directors) was approximately HK\$7,439,000. The Company maintains a share option scheme, pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

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 and any other share option scheme(s) of the Company 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 of the Company at a general meeting to refresh the General Scheme Limit. The maximum number of shares in respect of which shares may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the share capital of the Company in issue from time to time.

Details of the share options movements during the six months ended 30 June 2011 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2011	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors										
Ho Wai Kong	26.03.2009	23,000,000	-	-	-	-	23,000,000	-	26.03.2009 to 25.03.2012	0.50
Lu Xing	26.03.2009	35,000,000	-	-	-	-	35,000,000	-	26.03.2009 to 25.03.2012	0.50
Wu Xiaodong	26.03.2009	5,000,000	-	-	-	-	5,000,000	-	26.03.2009 to 25.03.2012	0.50
Cheng Zhuo	14.08.2009	3,000,000	-	-	-	-	3,000,000	(Note 1)	14.08.2009 to 13.08.2012	1.00
Chan Tze See, Kevin	05.01.2010	1,000,000	-	-	-	-	1,000,000	-	05.01.2010 to 04.01.2013	0.78
Chen Bojie	05.01.2010	1,000,000	-	-	-	-	1,000,000	-	05.01.2010 to 04.01.2013	0.78
Wu Fred Fong	14.08.2009	2,000,000	-	-	-	-	2,000,000	(Note 1)	14.08.2009 to 13.08.2012	1.00
Song Lianzhong (resigned on 1 September 2011)	09.02.2010	30,000,000	-	-	-	-	30,000,000	-	09.02.2010 to 08.02.2013	1.07
Jiang Haoye (resigned on 1 September 2011)	09.02.2010	15,000,000	-	-	-	-	15,000,000	-	09.02.2010 to 08.02.2013	1.07
Zhang Guisheng (retired on 17 June 2011)	09.02.2010	15,000,000	-	-	-	-	15,000,000	-	09.02.2010 to 08.02.2013	1.07
Subtotal		130,000,000	-	-	-	-	130,000,000			

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2011	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Other Employees	14.08.2009	400,000	-	-	-	-	400,000	(Note 1)	14.08.2009 to 13.08.2012	1.00
	09.11.2009	10,600,000	-	-	-	-	10,600,000	(Note 2)	09.11.2009 to 08.11.2012 (Note 3)	0.77
	05.01.2010	1,600,000	-	-	-	-	1,600,000	-	05.01.2010 to 04.01.2013	0.78
	04.05.2010	30,000,000	-	-	(30,000,000)	-	-	-	04.05.2010 to 03.05.2013	1.11
Subtotal		42,600,000	-	-	(30,000,000)	-	12,600,000			
Total		172,600,000	-	-	(30,000,000)	-	142,600,000			

Notes:

1. Of an aggregate 10,600,000 share options granted on 14 August 2009, 5,600,000 share options granted vested on 14 August 2009, i.e. the date of share options granted; 3,000,000 share options granted vested on the first anniversary of 14 August 2009; and 2,000,000 share options granted vested on the second anniversary of 14 August 2009.
2. As to the share options granted on 9 November 2009, 5,600,000 share options granted vested on 9 November 2009; 3,000,000 share options granted vested on 1 October 2010; and 2,500,000 share options granted will vest on 1 October 2011.
3. As to the share options granted on 9 November 2009, the validity period for the 5,500,000 share options granted started from 9 November 2009 to 31 October 2011 and for the 5,600,000 share options granted started from 9 November 2009 to 8 November 2012.

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 30 June 2011, 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 Securities and Futures Ordinance (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 Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 30 June 2011
Ho Wai Kong	Corporate interest	237,388,901 (Note 1)	3,908,564,725 (Note 1)	125.02%
	Beneficial interest	14,800,000	23,000,000 (Note 2)	1.14%
	Spousal interest	29,348,000 (Note 3)	–	0.88%
Lu Xing	Corporate interest	68,806,980 (Note 4)	1,184,730,828 (Note 4)	37.80%
	Beneficial interest	10,296,000	35,000,000 (Note 2)	1.37%

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 30 June 2011
Wu Xiaodong	Beneficial interest	5,000,000	5,000,000 (Note 2)	0.30%
Cheng Zhuo	Beneficial interest	–	3,000,000 (Note 2)	0.09%
Chan Tze See, Kevin	Beneficial interest	–	1,000,000 (Note 2)	0.03%
	Spousal interest	352,000 (Note 5)	–	0.01%
Chen Bojie	Beneficial interest	–	1,000,000 (Note 2)	0.03%
Wu Fred Fong	Beneficial interest	–	2,000,000 (Note 2)	0.06%
Song Lianzhong (resigned on 1 September 2011)	Beneficial interest	150,000,000	30,000,000 (Note 2)	5.43%
Jiang Haoye (resigned on 1 September 2011)	Beneficial interest	–	15,000,000 (Note 2)	0.45%

Notes:

- Mr. Ho Wai Kong is interested in 237,388,901 shares under controlled corporation, of which 236,888,901 shares are held by Master Top Investments Limited and 500,000 shares are held by Similan Limited. Both companies are wholly and beneficially owned by Mr. Ho Wai Kong. Master Top Investments Limited is also entitled to a maximum of 3,908,564,725 preferred shares of the Company according to the sale and purchase agreement signed on 31 August 2008 if the public procurement business achieved net profit of not less than HK\$200 million for the year ended 31 December 2009 or 2010. However, the vendors agreed with the Company that the new preferred shares would only be issued if at least HK\$200 million of profit after tax and extraordinary expenses would be ascertained to be settled in cash. Up to the date of this report, only HK\$10 million of profit after tax and extraordinary expenses was settled.

2. These options were granted by the Company under the Share Option Scheme.
3. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 29,348,000 shares held by Ms. Guo Binni under the SFO.
4. Mr. Lu Xing is interested in 68,806,980 shares under controlled corporation, of which 36,806,980 shares are held by Mega Step Investments Limited and 32,000,000 shares are held by Ascher Group Limited. Mega Step Investments Limited is also entitled to maximum of 1,184,730,828 preferred shares of the Company according to the sale and purchase agreement signed on 31 August 2008 if the public procurement business achieved net profit of not less than HK\$200 million for the year ended 31 December 2009 or 2010. However, the vendors agreed with the Company that the new preferred shares would only be issued if at least HK\$200 million of profit after tax and extraordinary expenses would be ascertained to be settled in cash. Up to the date of this report, only HK\$10 million of profit after tax and extraordinary expenses was settled.
5. Mr. Chan Tze See, Kevin is the spouse of Ms. Lam Lai Chong and is therefore deemed to be interested in the 352,000 shares held by Ms. Lam Lai Chong under the SFO.

Save as disclosed above, as at 30 June 2011, none of the Directors nor their associates had any interests or short positions in any shares, underlying 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.

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

As at 30 June 2011, 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 and 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:

Long positions in ordinary shares of HK\$0.01 each of the Company

Name of shareholders	Capacity	Number of shares interested	Percentage of the issued share capital as at 30 June 2011
Master Top Investments Limited ("Master Top") (Note 1)	Beneficial interest	4,145,453,626 (Note 2)	125.00%
Wang Dingbo (Note 3)	Corporate interest	1,601,118,210 (Note 2)	48.28%
Favor Mind Holdings Limited ("Favor Mind") (Note 3)	Beneficial interest	1,000,000	0.03%
Mega Step Investments Limited ("Mega Step") (Note 4)	Beneficial interest	1,601,118,210 (Note 2)	48.28%
Siu Fung (Note 5)	Corporate interest	1,221,537,808 (Note 2)	36.83%
	Corporate interest	1,173,781,274 (Note 2)	35.39%
	Beneficial interest	9,756,000	0.29%
Top Access Overseas Limited ("Top Access") (Note 5)	Corporate interest	1,173,781,274 (Note 2)	35.39%
Magical Power Investments Limited ("Magical Power") (Note 5)	Beneficial interest	1,173,781,274 (Note 2)	35.39%
Legg Mason, Inc. (Note 6)	Investment managerial interest	182,500,000	5.50%
Havenport Asset Management Pte. Ltd. ("Havenport") (Note 7)	Investment managerial interest	204,388,000	6.16%
Tan Keng Sin Patrick (Note 7)	Corporate interest	204,388,000	6.16%
Tern Yuh Sheng Joseph (Note 7)	Corporate interest	204,388,000	6.16%
Guo Binni (Mr. Ho Wai Kong's spouse) (Note 8)	Beneficial interest	29,348,000	0.88%
	Spousal interest	4,183,753,626	126.16%

Notes:

1. Master Top is wholly and beneficially owned by Mr. Ho Wai Kong.
2. 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 HK\$200 million for the year ended 31 December 2009 or 2010. Assuming 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 and 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. The entitlement to preferred shares of Favor Mind was transferred to Mr. Ho Wai Kong under a sale and purchase agreement signed on 1 May 2010 but the agreement was cancelled under a cancellation agreement entered into among Favor Mind, Mr. Wang Dingbo and Mr. Ho Wai Kong on 31 March 2011.

The vendors agreed with the Company that the new preferred shares would only be issued if at least HK\$200 million of profit after tax and extraordinary expenses would be ascertained to be settled in cash. Up to the date of this report, only HK\$10 million of profit after tax and extraordinary expenses was settled.

3. Favor Mind is wholly and beneficially owned by Mr. Wang Dingbo.
4. Mega Step is wholly and beneficially owned by Mr. Lu Xing.
5. Magical Power is directly wholly owned by Top Access and Top Access is directly wholly and beneficially owned by Ms. Siu Fung. Therefore Magical Power is indirectly wholly and beneficially owned by Ms. Siu Fung.
6. These 182,500,000 shares are wholly and beneficially owned by Legg Mason Asset Management Singapore Pte. Limited, a company indirectly wholly owned by Legg Mason, Inc.. Therefore Legg Mason, Inc. is deemed to be interested in these 182,500,000 shares.
7. Havenport is directly and beneficially owned by Mr. Tan Keng Sin Patrick and Mr. Tern Yuh Sheng Joseph equally. Therefore Mr. Tan Keng Sin Patrick and Mr. Tern Yuh Sheng Joseph are deemed to be interested in these 204,388,000 shares.
8. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 4,183,753,626 shares held by Mr. Ho Wai Kong under 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 30 June 2011.

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 2011.

CONTINUING CONNECTED TRANSACTIONS

The EJV entered into two framework agreements, namely the Promotion Agreement and the Service Agreement, with 國采科技股份有限公司 (Guocai Science & Technology Company Limited*) (the "PRC Partner"), a substantial shareholder of the EJV. The PRC Partner is principally engaged in the development of computer technology, networking technology, electronic information technology, sale of computer networking equipments and corporate image consultancy. The EJV is principally engaged in technological development, advisory services, business planning and public-relations activities planning of network technologies.

On 1 April 2011, the PRC Partner issued the Supplemental Confirmation, which states, among other matters, the PRC Partner, the EJV and the Subsidiary, a wholly-owned subsidiary of the Company, had entered into the tri-party cooperation agreement, pursuant to which the ownership of rights and obligations under certain energy performance contracting projects (合同能源管理項目) the PRC Partner had entered into with government entities in certain provinces in the PRC (the "EMC Projects") had been transferred to the Subsidiary from the PRC Partner.

Accordingly, due to the change in cooperation structure between the PRC Partner, the EJV and the Subsidiary, the continuing connected transactions mentioned in the announcement dated 25 November 2010 no longer exist and the relevant circular will not be dispatched by the Company.

* for identification purpose only

CONNECTED TRANSACTIONS

- (1) The PRC Partner, the EJV and the Subsidiary, on 23 December 2010, entered into the tri-party cooperation agreement pursuant to which the PRC Partner agreed to transfer the ownership of the EMC Projects to the EJV which shall simultaneously transfer such ownership to the Subsidiary (the “Tri-Party Cooperation Agreement”). Pursuant to the Tri-Party Cooperation Agreement, the Subsidiary agreed that it would pay a service fee to the PRC Partner, being 10% of the disposal consideration when it transferred ownership of the EMC Projects to another party. As the ownership of the EMC Projects was transferred to a third party pursuant to the disposal agreement, the Subsidiary would pay HK\$40 million (being 10% of the disposal consideration of HK\$400 million as set out in the disposal agreement) to the PRC Partner as service fee (the “Transaction”).

The PRC Partner is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that it is a substantial shareholder of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

- (2) China Public Procurement (Hong Kong) Technology Co., Ltd. (the “PRC Partner Subsidiary”), the Subsidiaries and the transferee, which is an independent third party, on 15 June 2011, entered into the project agreement in relation to the transfer of the rights and obligations under an energy performance contracting project (合同能源管理項目) in Wuhan (the “Project Agreement”) the PRC Partner had entered into with the government entity in Wuhan, the PRC. Pursuant to the project agreement, certain amount of the consideration to be paid by the transferee would be received by the PRC Partner Subsidiary and in turn be paid to the Subsidiary (the “Wuhan Transaction”).

The PRC Partner Subsidiary, being an associate of the PRC Partner, is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that the PRC Partner is a substantial shareholder of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the Wuhan Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

However, due to the delay in obtaining the supplemental confirmation from the PRC Partner and the executed Project Agreement from the PRC Partner Subsidiary, the Company fails to report, announce and obtain independent shareholders' approval in relation to the Transaction and the Wuhan Transaction in time, and thus in breach of the Listing Rules. In order to include information in relation to the Wuhan Transaction and the Project Agreement as mentioned in the announcement dated 25 July 2011 in the circular, more time is required for the finalization of the preparation of the letter from the independent financial adviser, the date of dispatch of the circular to the shareholders was delayed until 24 August 2011. Ordinary resolutions were passed on the special general meeting of the Company held on 12 September 2011 to confirm and ratify the Tri-Party Cooperation Agreement, the Project Agreement, the Transaction and the Wuhan Transaction.

Details of the above transactions are published in the Company's announcements dated 25 November 2010, 9 March 2011, 28 April 2011, 16 June 2011, 25 July 2011, 28 July 2011 and 12 September 2011 and the Company's circular dated 24 August 2011.

(3) *Connected transaction after reporting period*

On 15 September 2011, three purchasers (Metro Factor Limited, Top Blast Limited and Global Vector Limited) (collectively, the "Purchasers"), four vendors (Master Top, Mega Step, Favor Mind and Magical Power) (collectively, the "CT Vendors") and four guarantors (Mr. Ho Wai Kong, Mr. Lu Xing, Mr. Wang Dingbo and Ms. Siu Fung) (collectively, the "Guarantors") entered into the deed, pursuant to which the CT Vendors conditionally agreed to transfer an aggregate of 3,546,640,000 preferred shares (the "Subject Preferred Shares") to be allotted and issued by the Company to the CT Vendors as part of the consideration pursuant to the very substantial acquisition in relation to the acquisition of Hero Joy by the Group (the "2008 VSA") to the Purchasers.

Each of the Purchasers, being an associate of Mr. Cheng Yuanzhong (“Mr. Cheng”), is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that each of the them are wholly and beneficially owned by Mr. Cheng and Mr. Cheng is an executive Director and a director of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the allotment and issue of the ordinary shares upon conversion of the Subject Preferred Shares would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company will seek the independent shareholders’ approval to approve the allotment and issue of the ordinary shares upon conversion of the Subject Preferred Shares at the special general meeting of the Company.

Details of the above transaction are published in the Company’s announcement dated 15 September 2011.

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 “CG Code”) as set out in Appendix 14 to the Listing Rules during the period under review except for the code provision A.2.1. of the CG Code.

According to code A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the six months ended 30 June 2011, the roles of the chairman and the chief executive officer were segregated and performed by Mr. Ho Wai Kong and Mr. Zhang Guisheng respectively until the retirement of Mr. Zhang Guisheng as the executive Director and chief executive officer of the Company on 17 June 2011. On 15 September 2011, the Company appointed Mr. Cheng as executive Director, chief executive officer and vice chairman of the Company. The roles of chairman and chief executive officer were separately performed by Mr. Ho Wai Kong and Mr. Cheng since then.

Audit Committee

The Audit Committee comprises three members namely, Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin and Mr. Chen Bojie, all are the independent non-executive Directors. 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 results of the Group for the six months ended 30 June 2011, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The remuneration committee of the Company (the “Remuneration Committee”) comprises three members namely Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin and Mr. Chen Bojie, all are the independent non-executive Directors. 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.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2011.

On behalf of the Board

Ho Wai Kong

Chairman

Hong Kong, 29 September 2011

At the date of this report, the Company comprises five executive Directors, Mr. Ho Wai Kong (Chairman), Mr. Cheng Yuanzhong (Vice Chairman), Mr. Lu Xing, Mr. Wu Xiaodong and Mr. Li Junjie, two non-executive Directors, Ms. Cheng Zhuo and Mr. Wang Ning, and three independent non-executive Directors, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Wu Fred Fong.