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

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

THE GREAT POWER THROUGH

SYNERGIES

Annual Report 2012

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Joint Chairman
Mr. Cheng Yuanzhong, *B.Phil.*
Mr. Chen Shulin, *BEngl*

Honorary Chairman
Mr. Ho Wai Kong

Executive Directors
Mr. Wang Dingbo, *BEcon (Chief Executive)*
Mr. Lau Kin Shing, Charles, *DBA, CA, CPA (Chief Investment Officer)*
Mr. Li Kening, *BAcc (Chief Financial Officer)*
Mr. Peng Zhiyong, *MBA, BEcon (Head of Internal Audit)*
Mr. Peng Ru Chuan, *MA, MSc*

Non-executive Directors
Mr. Wang Ning, *BEcon*
Ms. Liu Jie, *MSc*

Independent Non-executive Directors
Mr. Wu Fred Fong, *MBA, CA*
Mr. Chan Tze See, Kevin, *MBA, BSc*
Mr. Chen Bojie, *BEcon*
Mr. Xu Haigen, *DEcon, MSc, BEcon*
Mr. Ying Wei, *CPA(PRC), MBA, BEcon*
Mr. Shen Shaoji, *BEcon*

BOARD COMMITTEES

Audit Committee and Remuneration Committee
Mr. Wu Fred Fong *(Chairman)*
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen
Mr. Ying Wei

Nomination Committee
Mr. Cheng Yuanzhong *(Chairman)*
Mr. Ho Wai Kong
Mr. Wu Fred Fong
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen
Mr. Ying Wei

Investment Committee
Mr. Chen Shulin *(Chairman)*
Mr. Ho Wai Kong
Mr. Wang Dingbo
Mr. Li Kening
Mr. Peng Zhiyong
Mr. Xu Haigen
Mr. Yi Haitao
Mr. Lau Kin Shing, Charles

COMPANY SECRETARY

Mr. Lau Kin Shing, Charles, *DBA, CA, CPA*

HEAD OF LEGAL

Ms. Ma Wai Sze, Aceya, *Solicitor, LLM, PCLL, LLB(Hon), LLB(Tsinghua)*

CORPORATE INFORMATION

SHARE REGISTRARS

Bermuda
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda

Hong Kong
Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2805–2810, 28/F.
Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISORS

As to Hong Kong law
Chiu & Partners

As to Bermuda law
Conyers Dill & Pearman

As to PRC law
Shu Jin Law Firm (Shanghai)

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation Hong Kong branch

STOCK CODE

1094

CHAIRMAN'S STATEMENT

To our shareholders,

On behalf of the Board of Directors (the "Directors") (the "Board") of China Public Procurement Limited (the "Company" or "CPP"), we hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ending 31 December 2012.

PUBLIC PROCUREMENT BUSINESS

During the period under review the Group continued to actively develop its public procurement business. CPP was authorised by Guocai Science & Technology Company Limited* (國採科技股份有限公司), our PRC partner, to enter into cooperation agreements with a number of local government procurement centers for which we will establish electronic procurement platforms and provide technical support. CPP also commenced business in Nanhai City (南海市), Qinghai Province (青海省), Hainan Province (海南省), Hebei Province (河北省), Hubei Province (湖北省), Shenyang City (瀋陽市), Chongqing City (重慶市), Guangxi Province (廣西省) and Jining City (濟寧市). CPP will assist each of these local government procurement centers to establish their electronic public procurement platforms and related third party services, such as supplier authentication, and electronic payment services, which are anticipated to generate a steady source of revenue for the Group next year.

During the period from 2 November to 4 November 2012 the Group facilitated the Global Public Procurement Forum and Sourcing Fair in Wuhan, which was organised by the China Federation of Logistics and Purchasing (中國物流與採購聯合會), the People's Government of Hubei Province (湖北省人民政府) and the Wuhan Municipal People's Government (武漢市人民政府). The Company facilitated the event, along with governmental organisations and associations under the guidance of the Ministry of Commerce and the Development Research Centre of the State Council (中國商務部及國務院發展研究中心). Over a thousand guests attended the Forum, including investment institutes, experts, scholars and suppliers from the US, EU, Canada, PRC, Taiwan and Hong Kong, along with procurement officials of the respective governments. Our participation in the organisation of the first large-scale global public procurement forum in the PRC, honored the Group and demonstrated the PRC's public procurement market's recognition of the Group. This facilitation has enhanced CPP's industry position and strengthens the Group's corporate image in the global public procurement market.

At the Global Public Procurement Forum and Sourcing Fair in Wuhan, CPP's advance into its normal phase of development was established as it signed numerous letters of intent with procurement centers and official institutes from different countries which might develop into business agreements. With the PRC public procurement market continuing to open to the international market, the Company anticipates steadfast growth for its future business.

REORGANISATION OF THE BOARD

During the period under review, the Company Board reorganised. Mr. Chen Shulin (陳樹林先生) was invited to be an executive director of the Company, and was appointed as the joint chairman of the Board along with Mr. Cheng Yuanzhong (程遠忠先生). They will work in close solidarity, taking responsibility for strategic business development and promotion in the overseas and PRC markets.

* *The English name is for identification purpose only*

CHAIRMAN'S STATEMENT

A number of industry professionals were also appointed by the Company as Directors to assist the development of our public procurement business with their professional knowledge. These appointments will significantly enhance the expertise of the Board and the corporate governance of the Company. The Company warmly welcomes each of the newly appointed Directors, expecting they will breathe new life into the Company, complementing CPP's future development.

APPOINTMENT OF AUDITOR

SHINEWING (HK) CPA Limited ("SHINEWING") was duly appointed by the Company as the Group's auditor to perform the audit of the financial statements of the Group for the year ended 31 December 2012. SHINEWING is well recognised by the market for its reputation and professionalism. Its appointment as the auditor of the Company shall be beneficial to the corporate governance and transparency of the Company.

FINANCIAL POSITION

Over the past few years the Group has been actively developing its public procurement business, for which resources have been deployed to the preliminary work. The acquisition of the Wuhan (武漢) headquarters will create a solid foundation for future development. The success of our preliminary work is reflected in the 2012 annual results which reveal our turnaround from loss to profit in the annual results before taxation. As the public procurement business progressively matures, our internal growth will correspondingly generate a stable flow of income for the Group.

PROSPECTS

We have full confidence in our electronic public procurement transaction management service and energy management contracting services (the "EMC"). Procurement by the PRC government has been expanding over the past 10 years, increasing from RMB100.9 billion in 2002 to RMB1,133.2 billion in 2011. This, in conjunction with the PRC's active negotiations to enter the WTO Agreement on Government Procurement, shows a huge potential for the future of the PRC public procurement industry. Looking forward, diversify the Group's sources of revenue, we will grasp any opportunities ahead, and plan to maintain constant focus on the development of our core businesses while expanding our public procurement activities to cover more provinces and cities in the PRC.

In conclusion, we would like to take this opportunity to express our most sincere appreciation for the endeavors and loyal service of all our employees, as well as for the continuous support of all our shareholders. In the future we will continue to optimise the development of the Company's business to encourage sustainable long-term growth in order to provide maximum return for our shareholders.

Yours faithfully,

For and on behalf of the Board

Cheng Yuanzhong	**Chen Shulin**	**Ho Wai Kong**
Joint Chairman	*Joint Chairman*	*Honorary Chairman*

Hong Kong, 28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2012, the Company maintained stable business growth. Turnover in 2012 amounted to approximately HK$277,123,000 (2011: HK$5,353,000), marking a substantial increase. Results before tax turned over from loss to a profit of approximately HK$11,361,000 (2011: loss before tax HK$20,863,000), representing an increase of 154% deriving mainly from EMC business and royalty fees received for professional services related to the electronic transaction platform known as the China Public Procurement Online Platform (中國公共採購網) (the "Platform").

The Company entered into cooperation agreements with numerous enterprises to develop third party professional services for the Platform, including (i) legal authentication services of the suppliers; (ii) third party electronic payment services; and (iii) the metals trading platform during the fourth quarter of 2012.

During the year, Group shareholders incurred a loss of HK$0.16 cents per share (2011: HK$0.71 cents per share). The Board recommends that no dividend be paid for the year ended 31 December 2012.

In summary, 2012 was a year in which we achieved solid development in our business, with a turnaround from loss to profit in the annual results before taxation.

Establishment of Electronic Public Procurement Platforms

During the period under review, the Company was authorised by Guocai Science & Technology Company Limited* (國採科技股份有限公司) ("PRC Partner"), to enter into cooperation agreements with the procurement centers of the local governments in Nanhai, Qinghai, Hainan, Hebei, Hubei, Shenyang, Chongqing, Guangxi and Jining. Under these agreements we will establish electronic public procurement platforms and provide technical support. The Company will help to provide the necessary software and hardware for improvement and establishment of electronic public procurement platforms as well as their connections to the Platform. The Company will also provide professional services for the service system on the platform, including procurement transaction services, digital certification services, credit search services, supply chain management services, financial services, insurance agency services and training and conference services, among others, for which the PRC Partner may charge a service fee in accordance with PRC government regulations.

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MANAGEMENT DISCUSSION AND ANALYSIS

Global Public Procurement Forum

Furthermore, in November 2012, the Group had facilitated the Global Public Procurement (Wuhan • China) Forum and Sourcing Fair 2012 in Wuhan City, which was organised by China Federation of Logistics and Purchasing, People's Government of Hubei Province and Wuhan Municipal People's Government, under the guidance of Ministry of Commerce and the Development Research Centre of the State Council. Over a thousand of guests, including procurement officials of the government, investment institutes, professionals, scholars and suppliers from the USA, EU, Canada, PRC, Taiwan and Hong Kong, were present at the Forum.

Several agreements, a letter of intent and a memorandum of understanding were signed by the Group with procurement centres and official institutes from different countries at the Forum.

Acquisition of Headquarters Building

On 4 July 2012, the Company entered into a sale and purchase agreement with Wuhan Optics Valley Union Company Limited*, (武漢光谷聯合股份有限公司), (the "Vendor"), an independent, third party not connected to the Company and its related parties and a limited liability company established in the PRC, to acquire an 11 floor building (the "Building") and its basement (the "Basement") located at Block B6, Phase II, Optics Valley Financial Harbour, No. 77 Optics Valley Road, Donghu New Technology Development Zone, Wuhan, the PRC, for approximately HK$165,667,000 (equivalent to RMB135,000,000). The Building will function as the PRC operating headquarters of the Group providing our base from which we will establish our public procurement centre and provide, among others, our electronic public procurement transaction platform, data center services, and other third party services.

Professional Service Contracts

In the period, the Company entered into cooperation agreements with a number of enterprises to cooperatively develop professional third party services for the Platform. Due to the Company's ownership of the operating rights of certain services in the PRC, these cooperation agreements generated royalty income for the Company. The scope of services includes:

On 26 November 2012, these arrangements included a payment service development agreement enforced into between Gongcai Network Technology Company Limited (公採網絡有限公司) (the "CPP subsidiary"), the PRC Partner and Shenzhen Tiantianfu Technology Limited ("Shenzhen Tiantianfu") (深圳天天付科技有限公司) pursuant to which Shenzhen Tiantianfu was authorised to develop and operate third party payment services for the Platform for RMB30,000,000. Shenzhen Tiantianfu contractually stipulated to provide: (i) payment services for users of the Platform; (ii) the interface and upgrade services for the payment system of the Platform; (iii) online payment routing services to the commercial banks of the PRC; and (iv) services relating to the access software of the Platform to users.

Meanwhile, on 27 November 2012, the CPP subsidiary, the PRC Partner and Harbin Huaqiang entered into an authentication services cooperation agreement to establish a joint venture company which will be authorised to develop and operate authentication services for the Platform. For this the Company received a consideration of RMB30,000,000. The joint venture company will be responsible for (i) gathering and collating

MANAGEMENT DISCUSSION AND ANALYSIS

suppliers' information, such as their qualifications, capabilities, credibility, lawfulness and reputation, and for building a database for this information while establishing standards for authentication and credit search services; and (ii) cooperating with a qualified law firm to issue legal authentication and credit search reports.

PROSPECTS

Apart from focusing on the development of the PRC market, the Group will actively explore mergers and acquisitions opportunities to expand into the international public procurement market.

In the future, the Group will adopt a mode of progressive development by both internal growth and mergers and acquisitions aiming to become the leader of the electronic public procurement industry in China. The Group will grasp business opportunities arising from the active pursuit of a resource-conserving society as envisioned by the PRC government, striving to expand its EMC business in order to create value for the Company.

Wang Dingbo
Chief Executive

28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group maintained cash, fixed deposits and bank balances of approximately HK$113,670,000 (2011: HK$97,033,000) with secured bank loans of approximately HK$64,059,000 (2011: nil). As at 31 December 2012, the Group's working capital and current ratio were net current assets of approximately HK$113,824,000 (2011: net current liabilities of HK$5,172,065,000) and 2.14 (31 December 2011: 0.07) respectively. In April 2012, the Company had completed the exercise of issuing corresponding preferred shares, which had cleared up the debt effects of this consideration payable. When the consideration payable is excluded, the existing available cash and bank balances are considered sufficient for the Group's operating requirements.

GEARING RATIOS

As at 31 December 2012, the Group's gearing ratios, calculated as total liabilities divided by total assets was 8.77% (31 December 2011: 94.04%).

PLEDGE OF ASSETS

As at 31 December 2012, certain interests in leasehold land and buildings with a net carrying amount of HK$150,295,000 (31 December 2011: nil) were pledged to secure specific banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in Hong Kong dollars, US dollars and Renminbi. Exchange rates among those currencies were relatively stable during the year 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 and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. For the year ended 31 December 2012, the Group employed approximately 116 employees and the total remuneration of the employees (including directors) was approximately HK$43,526,000 (2011: HK$15,789,000). The Company maintains a share option scheme (the "Share Option Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group.

BIOGRAPHY OF DIRECTORS

DIRECTORS

Executive Directors

Mr. Cheng Yuanzhong, aged 55, is an Executive Director, Joint Chairman of the Board and chairman of the Nomination Committee. Mr. Cheng is a director of several subsidiaries of the Company. He holds a bachelor degree in philosophy from Wuhan University.

He commenced his career at the Development Research Centre of the State Council (國務院發展研究中心) (the "DRC"), the PRC where he was engaged in various research activities in macroeconomics, international economics and foreign trade policy with particular emphasis on the issues related to the General Agreement on Tariffs and Trade ("GATT").

He has made extensive efforts on the research of public management as well as e-government and its application. In 2002, he liaised with United Nations Economic and Social Council (ECOSOC) and other organisations to hold an international conference in Beijing in relation to e-government and public administration.

Since 2006, Mr. Cheng has been the chief researcher of the Oriental Comprehensive Research Institute of Public Administration (東方公共管理綜合研究所) of the DRC and the chief coordinator of the Government Procurement Management Reformation Research Team (政府採購管理體制改革研究課題組) of the DRC. With the support from various PRC government offices, he implemented and arranged the public e-procurement pilot programme in China.

Prior to joining the Company, Mr. Cheng was the section head of the Government Office Administration of the State Council, the PRC (中國國務院機關事務管理局), the deputy officer of the Service Centre (機關服務中心) of the DRC and the deputy managing director of the Oriental Comprehensive Research Institute of Public Administration of the DRC. Mr. Cheng has also published several writings on the issues between GATT and the PRC and he was the chief editor of The Guideline for Small and Medium Enterprises in the PRC to List Overseas (《中國中小企業海外上市指南》).

He is currently a director and the chairman of the board of directors of 國採（北京）技術有限公司 (Guocai (Beijing) Technology Company Limited*) and also the vice president of the China Federation of Logistics and Purchasing.

Mr. Chen Shulin, aged 58, is an Executive Director and Joint Chairman of the Board. He graduated with a bachelor's degree from the English department of Beijing Foreign Languages Institute, China in 1975 and studied business administration at Victoria University, New Zealand. He has extensive experience in management and operation of the PRC and foreign listed companies and is familiar with the PRC, Hong Kong and international capital market. From 1979 to 1988, he had been a business diplomat of the Chinese Embassy and an official in the Ministry of Commerce of the PRC. Before joining the Company, he had been an executive director of China Resources Enterprise Limited (stock code on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"): 291) from 7 December 1998 to 16 January 2009 and was appointed as its managing director and chief executive officer in March 2005. He was also the director and vice president of China Resources (Holdings) Company Limited and China Resources National Corporation, the director of China

BIOGRAPHY OF DIRECTORS

Resources Snow Breweries Co., Limited, China Resources Textiles (Holdings) Co., Limited, China Resources Retail (Group) Co., Limited, China Resources Logistics (Group) Limited and Tak Son Hong Limited and chairman of Ng Fung Hong Limited and China Resources Vanguard Company Limited.

Mr. Ho Wai Kong, aged 57, is an Executive Director, Honorary Chairman of the Board and a member of the Nomination Committee, as well as a director of several subsidiaries of the Company. Mr. Ho is an entrepreneur who for the last 30 years has been actively involved in China/Hong Kong cross border business development. Mr. Ho's extensive experience, far-reaching network and business acumen will be invaluable for the Company in its business development in the PRC.

Mr. Wang Dingbo, aged 50, is an Executive Director and Chief Executive. He graduated with a bachelor degree in Economics from Beijing Technology and Business University (北京工商大學) in 1983. In 1985, he was employed by China National Offshore Oil Corporation (中國海洋石油總公司) engaging in financial work. In 1989, he served as the general manager of the financial department of China Ocean Oilfields Services (Hong Kong) Limited (中國近海石油（香港）有限公司). Mr. Wang possesses significant experience in investment, market operation and promotion. In 1992, he was the general manager of Bestat Investments Limited, which has assisted Compaq Computer Corporation in its entry to the market of the PRC and has invested in the pharmaceutical industry and the property market in the PRC since 1994. Since 2008, Mr. Wang is a director of several subsidiaries of the Company.

Mr. Lau Kin Shing, Charles, aged 57, is an Executive Director, Chief Investment Officer and Company Secretary. He holds a Doctorate degree in Business Administration from the Newcastle University of Australia, Master degree in Information System Management from the National University of Ireland, and a Bachelor Degree in Accounting from the Curtin University of Technology, Australia. He is also the holder of the following professional certifications, namely: Chartered Accountant (New Zealand), CPA (Hong Kong and Australia), Certified Information System Auditor, Certified Internal Auditor (USA), Chartered Certified Accountant (England), Certified General Accountant (Canada) and fellow member of the Hong Kong Institute of Directors. He possesses over 25-years executive experiences in corporate control, and financial management, risk management, and internal control as well gained from international listed companies. Before joining the Company, Mr. Lau held key corporate executive position in various conglomerates, namely: vice president of the China Resources Enterprise, deputy head of internal audit for Hutchison Whampoa, and his last position was the chief financial officer and company secretary of the Miramar Group.

Mr. Li Kening, aged 57, is an Executive Director and Chief Financial Officer. He graduated with a bachelor's degree in accounting from the accounting and statistics department of Jilin University (吉林財經大學) in 1982 and completed an accounting and auditing training course for the PRC from Kwan, Wong, Tan and Fong in 1984. He was the vice accounting director of finance division of Ministry of Foreign Trade and Economic Cooperation, the PRC (中國對外經濟貿易部) and held senior management positions at various enterprises, including, among others, deputy general manager and managing director of China Resources (Holdings) Company Limited in the Hong Kong office, manager of finance department and vice president of China Resources (Holdings) Company Limited in the PRC office, director of CCIC Finance Limited, China Resources Enterprise Limited (stock code on the Stock Exchange: 291) and Hong Kong International Terminals Limited and general manager of Shanghai Huitong Energy Co., Limited (stock code on the Shanghai Stock Exchange: 600605).

BIOGRAPHY OF DIRECTORS

Mr. Peng Zhiyong, aged 50, is an Executive Director and Head of Internal Audit. He graduated with a bachelor's degree in economics from Jiangxi University of Finance and Economics (江西財經大學) in 1983 and obtained a Master of Business Administration degree from City University of Seattle, the United States in 2001. In 2001, Mr. Peng was granted the qualification of Senior Accountant by 北京市高級專業技術職務評審委員會 (Beijing Evaluation Committee for the Qualifications of Senior Professional and Technical Positions*). Mr. Peng has over 29 years of experience in corporate financial management, strategic planning and development, and corporate investment and finance and also accumulated over 29 years of administrative experience in a government authority in the PRC private enterprises and multinational corporations. He has held senior financial management positions at various enterprises, including, among others, 北京用友財務軟件有限公司 (Beijing UFSoft Financial Software System Limited*), the Beijing office of Nortel Networks Corporation, AsiaInfo Holdings, Inc. and 和訊信息科技有限公司 (Hexun Information Technology Co., Ltd.*). Since 2010, Mr. Peng has served as the chief financial officer of 國採科技股份有限公司 (Guocai Science & Technology Company Limited*), a substantial shareholder of an indirect non-wholly-owned subsidiary of the Company in the PRC.

Mr. Peng Ru Chuan, aged 64, is an Executive Director. He currently serves as a director of Brescia International Ltd., Brescia International (Hong Kong) Ltd. and Artemis International Group Ltd. Mr. Peng had been a non-executive director of China Resources and Transportation Group Limited (stock code on the Stock Exchange: 269)) from 19 November 2010 to 17 December 2010 and an independent non-executive director of China Coal Energy Company Limited (stock code on the Stock Exchange: 1898) from 23 August 2006 to 23 December 2010 and the independent non-executive director of China Galaxy Asset Management Co., Ltd.. He has a Master of Arts degree in statistics and a Master of Science degree in biostatistics from the University of California, the United States. He served as a senior adviser of the Nomura International (Hong Kong), a director of The Stock Exchange of Hong Kong (China), a senior vice president of the China and International Development Department of the Stock Exchange, and has engaged in investment and research work in entities such as China National Aviation Corporation in China and the Los Amigos Research and Education Institute in the United States.

Non-executive Directors

Mr. Wang Ning, aged 57, is a Non-executive Director. He obtained his bachelor degree in political economics from the First Branch College of the Renmin University of China* (中國人民大學第一分校).

Mr. Wang has substantial experience in the field of electronics information industry and has a deep understanding of sales, marketing, network, conferences and exhibitions and the development of consumer electronics. He was formerly the deputy director of the Office of the Bureau of Sales of the Ministry of Electronics Industry (電子工業部銷售局辦公室) of the PRC and the director of the Management Division of the National Household Appliances Repair and Management Centre (全國家電維修管理中心). He is currently a senior economist.

Since 1993, Mr. Wang has been the vice president and secretary general of China Electronics Chambers of Commerce (中國電子商會). He is currently an independent director of Jilin Sino-Microelectronics Co., Ltd. (SSE Stock Code: 600360), a Shanghai listed company and a member of the supervisory board of Vtion Wireless Technology AG (Stock Code: V33), a Frankfurt listed company. He is also the president of the Consumer Electronics Magazine (《消費電子》).

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BIOGRAPHY OF DIRECTORS

Ms. Liu Jie, aged 26, is a Non-executive Director. She graduated with a bachelor degree in Computer Science from PLA University of Science and Technology (中國人民解放軍理工大學) in 2008 and obtained a Master of Science degree in International Marketing from University of Newcastle upon Tyne in 2011. After graduation, she has served as the chairman's assistant and the vice president of 上海無戒空間信息技術有限公司 (Shanghai Blackspace Information Technology Co., Ltd.*), where she developed a good understanding of the next-generation software platform and application environment which integrate personal computer, network and wireless mobile technologies. Ms. Liu also has substantial experience in investment and project management. In late 2009, Ms. Liu acted as the chairman of 阿拉善盟三江創業投資有限責任公司 (Alashan League Sanjiang Venture Capital Limited*), where she was principally engaged in the provision of investment services, investment advisory services and consultancy service for small and medium enterprises, agencies and individuals. Since November 2011, Ms. Liu has served as the vice president of the organising committee of 中國物流與採購聯合會公共採購專業委員會 (Public Procurement Professional Committee of the China Federation of Logistics and Purchasing*). She has also participated in the research activities of the task group on the application of e-receipt in e-business under 中央財經領導小組辦公室 (Office of the Central Leading Group on Financial and Economic Affairs*) as a member of the task group.

Independent Non-executive Directors

Mr. Wu Fred Fong, aged 65, is an Independent Non-executive Director since 26 June 2009, chairman of the Audit Committee and Remuneration Committee since 28 September 2009 and a member of the Nomination Committee since 29 March 2012. Previously, Mr. Wu had been an executive director of a company listed on the Main Board of the Stock Exchange for eight years. Mr. Wu has considerable experience in auditing, corporate planning, corporate finance, investment and consulting with public companies in Canada and Hong Kong. Mr. Wu holds a master's degree in Business Administration in the Schulich School of Business, York University, Canada. He is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu is currently an independent non-executive director of Minth Group Limited, a company listed on the Main Board of the Stock Exchange (stock code on the Stock Exchange: 425).

Mr. Chan Tze See, Kevin, aged 55, is an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He graduated with a Bachelor degree of Science in Computer Science and a MBA degree from the University of Illinois, USA, and has over 30 years of technical and management experience in the IT industry in Hong Kong, USA, and China. Mr. Chan is a director of Beijing Jolon Digital Media Broadcasting Co., Limited since 2005 till present. Before that, he was Greater-China regional director of Commerce One Inc, USA.

Mr. Chen Bojie, aged 44, is an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He obtained his Bachelor degree in Dongbei University of Finance and Economics with major in Investment and Economic Management, and has extensive experience in the field of finance and management. Mr. Chen had been the senior management of several state-owned and private enterprises where he had been the assistant general manager and group financial director of China Aviation Construction Corporation, the chief investment officer and deputy general manager of Beijing China Media Networks Company. Currently, Mr. Chen is an executive director of a technology company in the PRC.

BIOGRAPHY OF DIRECTORS

Mr. Xu Haigen, aged 64, is an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He graduated with a bachelor degree in Economics from Shanghai University of Finance and Economics (上海財經大學) and obtained a master degree in Economics from Shanghai University of Finance and Economics and a doctoral degree in Economics from Graduate School, the Chinese Academy of Social Sciences (中國社會科學院研究生院). Mr. Xu is currently a registered accountant at 上海宏大東亞會計師事務所 (Shanghai Hongda Certified Public Accountants Co., Ltd.*) and a part-time postgraduate tutor at Shanghai University of Finance and Economics. Prior to joining the Company, he has been an associate professor at Shanghai University of Finance and Economics, a part-time registered accountant at 上海長信會計師事務所 (Shanghai Changxin Certified Public Accountants Co., Ltd.*), a part-time Shanghai agent of 中國經濟技術諮詢公司 (China Economic and Technical Consulting Co., Ltd.*), the director of 上海中創會計師事務所 (Shanghai Zhongchuang CPA Co., Ltd.*), the general manager of 上海中申投資管理諮詢有限公司 (Shanghai Zhongshen Investment Management Consulting Co., Ltd.*), the vice president of Banco Delta Asia S.A.R.L. (澳門匯業銀行) of Delta Asia Financial Group (匯業財經集團), an independent director (part-time) of China Television Media Ltd. (中視傳媒股份有限公司), the deputy director of the Shanghai representative office of China Cinda Asset Management Corporation (中國信達資產管理公司), the director and the general manager of the Beijing branch of Deloitte Consulting (Shanghai) Co., Ltd. (德勤諮詢（上海）有限公司) and the general manager (Shanghai) of the China market division of Ernst & Young (安永會計師事務所).

Mr. Ying Wei, aged 46, is an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee. He holds a master degree of Business Administration from the University of San Francisco and a bachelor degree of Economics from 浙江工商大學 (the Zhejiang Gongshang University) (formerly known as 杭州商學院 (Hangzhou Institute of Commerce)) and is a non-practicing member of 中國註冊會計師協會 (the China Institute of Certified Public Accountants). Mr. Ying had worked for 華潤紡織（集團）有限公司 (China Resources Textiles (Holdings) Company Limited) as executive director and vice president for 18 years during the period from 1989 to 2007. Mr. Ying had also worked for China Water Affairs Group Limited (stock code on the Stock Exchange: 855) as vice president responsible for merger and acquisition activities and financial management during the period from 2007 to 2009, and worked for China Botanic Development Holdings Limited (now re-named as China Water Property Group Limited) (stock code on the Stock Exchange: 2349) as an executive director and president during the period from 21 July 2008 to 30 July 2009. Currently, Mr. Ying is the operating partner of CDH Investments and independent non-executive director of Fong's Industries Company Limited (stock code on the Stock Exchange: 641).

Mr. Shen Shaoji, aged 50, is an Independent Non-executive Director. He is also a rotating chairman of International Federation of Warehousing and Logistics Associations (IFWLA) from 2012 to 2013. He graduated from Beijing Technology and Business University (formerly known as Beijing Business School) in 1983 and obtained a bachelor's degree in economics. He then worked in former Ministry of Commerce and former Ministry of Domestic Trade. In 1998, he obtained the qualification of Senior Economist. From 1998 to 2006, he was engaged in operating and managing logistics enterprises. In particular, he worked as general manager of Hua Yun Tong Logistics Co., Ltd (China Express Logistics Co., Ltd.), an affiliated company under former Ministry of Domestic Trade, and then as general manager (also the legal representative) of Hua Yun Logistics Industrial Corporation, thus accumulating extensive experience in operation and management of logistics enterprises. Since 2006, he has been the full-time president of China Association of Warehouses and Storage, and vice-president of China Society of Logistics. In 1992, he presided over the argumentation of the pilot

BIOGRAPHY OF DIRECTORS

plan for the construction of China's first batch of logistics distribution centers. Hua Yun Tong Logistics Co., Ltd, a company he founded, was one of the 34 modern logistics enterprises which were the key business contacts of the State Economic Trade Commission. From 1999 to 2001, he had been presiding over the preparation and the publication of "the Supply and Demand Analysis Reports of China Logistic Market" for three consecutive years. Also, he has been presiding over the preparation and the publication of "China Warehousing Industry Development Report" for seven consecutive years since 2006.

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the public procurement related businesses, such as the development and operation of electronic public procurement platforms, EMC and provision of other added value services to users of the procurement platforms. Services include such as the supplier authentication, financial services, and supply chain management, etc.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in Note 8 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 51.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124.

PLANT AND EQUIPMENT

Details of the movements in the plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company, share capital and share option during the year are set out in Notes 25 and 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 37 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company did not redeem any of its securities during the year and neither the Company nor any of its subsidiaries purchased or sold any of the Company's securities during the year.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme pursuant to the ordinary resolution passed by the shareholders of the Company on 12 June 2002.

The purpose of the Share Option Scheme is to attract and retain quality personnel and provide them with incentive to contribute to the business and operation of the Group.

Participants under the Share Option Scheme include directors and employees of the Group.

The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 12 June 2002 and was due to expire on 11 June 2012.

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

(i) The nominal value of the shares;

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

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

Under the Share Option Scheme, the total number of shares which may be allotted and issued upon exercise of all share 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 share options may be allotted and issued upon exercise of all outstanding share 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 issue from time to time. As at the date of this report, a total of 314,800,000 share options have been

DIRECTORS' REPORT

granted under the General Scheme Limit and the total number of shares available for issue under the aforesaid 10% limit of the Share Option Scheme is 196,400,000, representing approximately 5.92% of the issued share capital of the Company.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each grantee under the Share Option Scheme (including both exercised and outstanding share options) in any 12-month period shall not exceed 1% of the share of the Company in issue. Any further grant of share options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approval by its shareholders in accordance with the Share Option Scheme.

Details of the share options movements during the year under the Share Option Scheme are as follows:

		Number of share options								
Name of category	**Date of grant of share options**	**Outstanding as at 01.01.2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31.12.2012**	**Vesting period**	**Validity period of share options**	**Exercise price** *(HK$)*
Directors										
Ho Wai Kong	26.03.2009	23,000,000	—	—	(23,000,000)	—	—	—	26.03.2009 to 25.03.2012	0.50
Wu Xiaodong (retired on	26.03.2009	5,000,000	—	—	(5,000,000)	—	—	—	26.03.2009 to 25.03.2012	0.50
28 June 2012)	28.05.2012 *(Note 5)*	—	30,000,000 *(Note 4)*	—	—	—	30,000,000	—	28.05.2012 to 27.05.2015	0.76
Lu Xing (retired on	26.03.2009	35,000,000	—	—	(35,000,000)	—	—	—	26.03.2009 to 25.03.2012	0.50
28 June 2012)	28.05.2012 *(Note 6)*	—	15,000,000 *(Note 4)*	—	—	—	15,000,000	—	28.05.2012 to 27.05.2015	0.76
Cheng Zhuo (resigned on 8 May 2012)	14.08.2009	3,000,000	—	—	(3,000,000)	—	—	*(Note 1)*	14.08.2009 to 13.08.2012	1.00
Wu Fred Fong	14.08.2009	2,000,000	—	—	(2,000,000)	—	—	*(Note 1)*	14.08.2009 to 13.08.2012	1.00
	28.05.2012	—	3,300,000 *(Note 4)*	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.76
Chan Tze See, Kevin	05.01.2010	1,000,000	—	—	—	—	1,000,000	—	05.01.2010 to 04.01.2013	0.78
	28.05.2012	—	3,300,000 *(Note 4)*	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.76
Chen Bojie	05.01.2010	1,000,000	—	—	—	—	1,000,000	—	05.01.2010 to 04.01.2013	0.78
	28.05.2012	—	3,300,000 *(Note 4)*	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.76
Cheng Yuanzhong	28.05.2012	—	15,000,000 *(Note 4)*	—	—	—	15,000,000	—	28.05.2012 to 27.05.2015	0.76
Wang Dingbo	28.05.2012	—	15,000,000 *(Note 4)*	—	—	—	15,000,000	—	28.05.2012 to 27.05.2015	0.76
Peng Ru Chuan	28.05.2012	—	12,000,000 *(Note 4)*	—	—	—	12,000,000	—	28.05.2012 to 27.05.2015	0.76

DIRECTORS' REPORT

Name of category	Date of grant of share options	Number of share options						Vesting period	Validity period of share options	Exercise price
		Outstanding as at 01.01.2012	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2012			*(HK$)*
Wang Ning	28.05.2012	—	10,000,000 *(Note 4)*	—	—	—	10,000,000	—	28.05.2012 to 27.05.2015	0.76
Liu Jie	28.05.2012	—	12,000,000 *(Note 4)*	—	—	—	12,000,000	—	28.05.2012 to 27.05.2015	0.76
Xu Haigen	28.05.2012	—	3,300,000 *(Note 4)*	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.76
Subtotal		70,000,000	122,200,000	—	(68,000,000)	—	124,200,000			
Other Employees	14.08.2009	400,000	—	—	(400,000)	—	—	*(Note 1)*	14.08.2009 to 13.08.2012	1.00
	09.11.2009	100,000	—	—	(100,000)	—	—	*(Note 2, 3)*	09.11.2009 to 08.11.2012	0.77
	05.01.2010	1,600,000	—	—	—	—	1,600,000	—	05.01.2010 to 04.01.2013	0.78
	09.02.2010	60,000,000	—	—	(30,000,000)	—	30,000,000	—	09.02.2010 to 08.02.2013	1.07
	28.05.2012	—	74,200,000 *(Note 4)*	—	—	—	74,200,000	—	28.05.2012 to 27.05.2015	0.76
Subtotal		62,100,000	74,200,000	—	(30,500,000)	—	105,800,000			
Total		**132,100,000**	**196,400,000**	**–**	**(98,500,000)**	**–**	**230,000,000**			

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 vested 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 stated from 9 November 2009 to 8 November 2012.

4. Closing price of the shares on the last trading day prior to the date of grant was HK$0.68 per share.

5. Mr. Wu Xiaodong, who was an executive director of the Company, retired on 28 June 2012, but continued to be an employee of a subsidiary of the Company, therefore, the share options are still valid.

6. Mr. Lu Xing, who was an executive director of the Company, retired on 28 June 2012, but continued to be a director of a subsidiary of the Company, therefore, the share options are still valid.

DIRECTORS' REPORT

Information on the accounting policy for share options granted and the weighted average value per share is provided in Note 28 to the consolidated financial statements.

DIRECTORS

The directors during the year and up to the date of this report were:

Joint Chairman	
Mr. Cheng Yuanzhong, *B.Phil.*	
Mr. Chen Shulin, *BEngl*	(appointed on 17 October 2012)
Honorary Chairman	
Mr. Ho Wai Kong	
Executive Directors	
Mr. Wang Dingbo, *BEcon (Chief Executive)*	
Mr. Lau Kin Shing, Charles, *DBA, CA, CPA (Chief Investment Officer)*	(appointed on 13 December 2012)
Mr. Li Kening, *BAcc (Chief Financial Officer)*	(appointed on 17 October 2012)
Mr. Peng Zhiyong, *MBA, BEcon (Head of Internal Audit)*	(appointed as Chief Financial Officer on 28 May 2012 and appointed as Executive Director and re-designated from Chief Financial Officer to Head of Internal Audit on 17 October 2012)
Mr. Peng Ru Chuan, *MA, MSc*	
Mr. Wu Xiaodong, *MAcc*	(retired on 28 June 2012)
Mr. Lu Xing	(retired on 28 June 2012)
Non-executive Directors	
Mr. Wang Ning, *BEcon*	
Ms. Liu Jie, *MSc*	(re-designated from Executive Director to Non-executive Director on 17 October 2012)
Ms. Cheng Zhuo, *DComm, MComm*	(resigned on 8 May 2012)

DIRECTORS' REPORT

Independent Non-executive Directors

Mr. Wu Fred Fong, *MBA, CA*	
Mr. Chan Tze See, Kevin, *MBA, BSc*	
Mr. Chen Bojie, *BEcon*	
Mr. Xu Haigen, *DEcon, MSc, BEcon*	
Mr. Ying Wei, *CPA(PRC), MBA, BEcon*	(appointed on 28 December 2012)
Mr. Shen Shaoji, *BEcon*	(appointed on 28 December 2012)

Pursuant to Bye-law 86(2) of the Bye-laws, any director appointed to fill a causal vacancy on the Board shall hold office only until the next following general meeting of the Company, and any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company. Such directors shall then be eligible for re-election at the next following general meeting or annual general meeting.

In accordance with Bye-law 86(2) of the Bye-laws, Mr. Chen Shulin, Mr. Lau Kin Shing, Charles, Mr. Li Kening and Mr. Peng Zhiyong shall retire from their offices, being eligible, offer themselves for election as Executive Directors and Mr. Ying Wei and Mr. Shen Shaoji shall retire from their offices, being eligible, offer themselves for re-election as Independent Non-executive Directors. At the next annual general meeting, ordinary resolutions will be proposed to re-elect the abovementioned directors as Executive Directors and Independent Non-Executive Directors respectively.

Further, pursuant to Bye-law 87 of the Bye-laws, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting provided that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring director shall be eligible for re-election.

In accordance with Bye-law 87 of the Bye-laws, Mr. Cheng Yuanzhong, Mr. Ho Wai Kong, Mr. Wang Dingbo, Mr. Peng Ru Chuan, Mr. Wang Ning, Ms. Liu Jie, Mr. Wu Fred Fong, Mr. Chan Tsz See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen will retire from their offices by rotation, and will offer themselves for re-election.

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

None of the directors who are proposed for re-election at the forthcoming annual general meeting have a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on directors are as follows:

Name of Directors	**Details of changes**
Mr. Cheng Yuanzhong *(Executive Director, Joint Chairman of the Board)*	His director's fee as an Executive Director is increased from HK$150,000 per month to HK$200,000 per month with effect from 1 November 2012.
Mr. Wang Dingbo *(Executive Director, Chief Executive)*	He has resigned as Chief Operating Officer of the Company with effect from 1 October 2012. His director's fee as an Executive Director is increased from HK$120,000 per month to HK$150,000 per month with effect from 1 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 31 December 2012, 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 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 31 December 2012
Cheng Yuanzhong	Beneficial interest	—	15,000,000 *(Note 1)*	0.45%
Chen Shulin	Corporate interest	—	600,000,000 *(Note 2)*	18.09%
Ho Wai Kong	Corporate interest	237,388,901 *(Note 3)*	914,284,725 *(Note 3)*	34.72%
	Beneficial interest	14,800,000	—	0.45%
	Spousal interest	29,348,000 *(Note 4)*	250,000,000 *(Note 4)*	8.42%
Wang Dingbo	Corporate interest	—	371,425,910 *(Note 5)*	11.20%
	Beneficial interest	1,000,000	15,000,000 *(Note 1)*	0.48%
	Spousal interest	1,100,000 *(Note 6)*	—	0.03%
Peng Zhiyong	Beneficial interest	—	12,000,000 *(Note 1)*	0.36%
Peng Ru Chuan	Beneficial interest	—	12,000,000 *(Note 1)*	0.36%
Wang Ning	Beneficial interest	—	10,000,000 *(Note 1)*	0.30%
Liu Jie	Beneficial interest	—	12,000,000 *(Note 1)*	0.36%
Wu Fred Fong	Beneficial interest	—	3,300,000 *(Note 1)*	0.09%

DIRECTORS' REPORT

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 31 December 2012
Chan Tze See, Kevin	Beneficial interest	—	4,300,000 *(Note 1)*	0.13%
	Spousal interest	352,000 *(Note 7)*	—	0.01%
Chen Bojie	Beneficial interest	—	4,300,000 *(Note 1)*	0.12%
Xu Haigen	Beneficial interest	—	3,300,000 *(Note 1)*	0.09%

Notes:

1. These share options were granted by the Company under the Share Option Scheme.

2. Mr. Chen Shulin is interested in 600,000,000 preferred shares of the Company (the "Preferred Shares"). Under controlled corporation, 600,000,000 shares are held by Metro Factor Limited.

3. Mr. Ho Wai Kong is interested in 1,151,673,626 shares under controlled corporation, of which 1,151,173,626 shares are held by Master Top Investments Limited, an associated corporate of the Company, and 500,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong. Master Top Investments Limited is also entitled to a maximum of 914,284,725 Preferred Shares.

4. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 29,348,000 shares and 250,000,000 Preferred Shares held by Ms. Guo Binni under the SFO.

5. Mr. Wang Dingbo is interested in 371,425,910 Preferred Shares under controlled corporation, Favor Mind Holdings Limited, which is wholly and beneficially owned by Mr. Wang Dingbo.

6. Mr. Wang Dingbo is the spouse of Ms. Cheung Leng Chau and is therefore deemed to be interested in 1,100,000 shares held by Ms. Cheung Leng Chau under the SFO.

7. 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 31 December 2012, 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 31 December 2012, 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 preferred shares interested	Number of shares interested	Percentage of the issued share capital as at 31 December 2012
Metro Factor Limited ("Metro Factor") *(Note 1)*	Beneficial interest	600,000,000	—	18.09%
Tian Xinhua *(Note 2)*	Spousal interest	600,000,000	—	18.09%
Luo Jianjun *(Note 3)*	Spousal interest	—	15,000,000	0.45%
Chen Min	Beneficial interest	310,000,000	—	9.35%
Gao Yongzhi *(Note 4)*	Corporate interest	350,000,000	—	10.55%
Smart Chant Limited ("Smart Chant") *(Note 4)*	Corporate interest	350,000,000	—	10.55%
King Lion Group Limited ("King Lion") *(Note 4)*	Beneficial interest	350,000,000	—	10.55%
Siu Fung *(Note 5)*	Corporate interest	262,715,687	—	7.92%
Top Access Overseas Limited ("Top Access") *(Note 5)*	Corporate interest	262,715,687	—	7.92%
Magical Power Investments Limited ("Magical Power") *(Note 5)*	Beneficial interest	262,715,687	—	7.92%
Liu Rose *(Note 6)*	Corporate interest	460,000,000	—	13.87%
Global Vector Limited ("Global Vector") *(Note 6)*	Beneficial interest	460,000,000	—	13.87%
Chen Jack *(Note 7)*	Spousal interest	460,000,000	—	13.87%
Favor Mind Holdings Limited ("Favor Mind") *(Note 8)*	Beneficial interest	371,425,910	—	11.19%
Cheung Leng Chau *(Note 9)*	Beneficial interest	—	1,100,000	0.03%
	Spousal interest	371,425,910	16,000,000	11.68%
Master Top Investments Limited ("Master Top") *(Note 10)*	Beneficial interest	914,284,725	236,888,901	34.72%
Guo Binni *(Note 11)*	Beneficial interest	250,000,000	29,348,000	8.42%
	Spousal interest	914,284,725	252,188,901	35.17%
Lu Xing *(Note 12)*	Corporate interest	347,770,828	68,806,980	12.56%
	Beneficial interest	—	25,296,000	0.76%

DIRECTORS' REPORT

Name of shareholders	Capacity	Number of preferred shares interested	Number of shares interested	Percentage of the issued share capital as at 31 December 2012
Mega Step Investments Limited ("Mega Step") *(Note 13)*	Beneficial interest	347,770,828	36,806,980	11.60%
Top Blast Limited ("Top Blast") *(Note 14)*	Beneficial interest	2,004,280,000	—	60.43%
China Public Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") *(Note 14)*	Corporate interest	2,004,280,000	—	60.43%
Guocai Science & Technology Company Limited ("Guocai Science") *(Note 14)*	Corporate interest	2,004,280,000	—	60.43%
Wen Xingquan *(Note 15)*	Corporate Interest	2,900,000,000	—	87.44%
Wang Meirong *(Note 16)*	Spousal Interest	2,900,000,000	—	87.44%
Tung Yau Tai *(Note 15)*	Corporate Interest	249,400,000	—	7.52%
Expert Talent Holdings Limited *(Note 15)* ("Expert Talent")	Corporate Interest	249,400,000	—	7.52%
ACME Insight Limited ("ACME") *(Note 15)*	Beneficial interest	2,900,000,000	—	87.44%

Notes:

1. Metro Factor is directly, wholly and beneficially owned by Mr. Chen Shulin.

2. Ms. Tian Xinhua is the spouse of Mr. Chen Shulin and is therefore deemed to be interested in 600,000,000 Preferred Shares held by Mr. Chen Shulin under the SFO.

3. Ms. Luo Jianjun is the spouse of Mr. Cheng Yuanzhong and is therefore deemed to be interested in 15,000,000 share options held by Mr. Cheng Yuanzhong under the SFO.

4. King Lion is directly, wholly and beneficially owned by Smart Chant which is directly, wholly and beneficially owned by Mr. Gao Yongzhi. Therefore, King Lion is indirectly, wholly and beneficially owned by Mr. Gao Yongzhi.

5. Magical Power is directly, wholly and beneficially owned by Top Access which is directly, wholly and beneficially owned by Ms. Siu Fung. Therefore, Magical Power is indirectly, wholly and beneficially owned by Ms. Siu Fung.

6. Global Vector is directly, wholly and beneficially owned by Ms. Liu Rose.

7. Mr. Chen Jack is the spouse of Ms. Liu Rose and is therefore deemed to be interested in 460,000,000 shares held by Ms. Liu Rose under the SFO.

8. Favor Mind is directly, wholly and beneficially owned by Mr. Wang Dingbo.

9. Ms. Cheung Leng Chau is the spouse of Mr. Wang Dingbo and is therefore deemed to be interested in 371,425,910 Preferred Shares, 1,000,000 shares and 15,000,000 share options held by Mr. Wang Dingbo under SFO.

10. Master Top is directly, wholly and beneficially owned by Mr. Ho Wai Kong.

11. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 914,284,725 Preferred Shares and 252,188,901 shares held by Mr. Ho Wai Kong under SFO.

12. Mr. Lu Xing is interested in 416,577,808 shares under controlled corporation, of which 384,577,808 shares are held by Mega Step Investments Limited and 32,000,000 shares are held by Ascher Group Limited. Both companies are beneficially owned by Mr. Lu Xing. Mega Step Investments Limited is also entitled to maximum of 347,770,828 Preferred Shares. Mr. Lu Xing is interested in 15,000,000 share options granted by the Company under the Share Option Scheme in the capacity of director. Mr. Lu Xing retired on 28 June 2012.

13. Mega Step is directly, wholly and beneficially owned by Mr. Lu Xing.

14. Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.

15. Mr. Wen Xingquan and Expert Talent beneficially own 91.4% and 8.6% of ACME respectively. Expert Talent is directly, wholly and beneficially owned by Ms. Tung Yau Tai.

16. Ms. Wang Meirong is the spouse of Mr. Wen Xingquan and is therefore deemed to be interested in 2,900,000,000 Preferred Shares held by Mr. Wen Xingquan 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 31 December 2012.

COMPETING INTERESTS

As at 31 December 2012, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 100% of the total sales for the year, in which sales to the largest customer represented approximately 81% of the total sales for the year.

Purchases from the Group's five largest suppliers amounted to approximately 97% of the total purchases for the year while total purchases from the largest supplier represented approximately 36% of the total purchases for the year.

DIRECTORS' REPORT

None of the directors, their associates or any substantial shareholder had an interest in the major suppliers or customers noted above.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the Listing Rules for the year ended 31 December 2012 and up to the date of this report.

CONNECTED TRANSACTIONS

(1) On 21 December 2010, Public Procurement Limited (the "Subsidiary") and the transferee, an independent third party (the "Transferee"), entered into the disposal agreement in relation to the transfer of the ownership of the right and obligations under certain energy performance contracting projects (合同能源管理項目) that the PRC Partner entered into with government entities in certain provinces in the PRC (the "EMC Projects") (the "Disposal Agreement"), pursuant to which the Transferee should pay HK$400 million to the Subsidiary by installments provided that such amount should be fully paid by 31 December 2011.

On 23 December 2010, the PRC Partner, 國採（北京）技術有限公司 (Guocai (Beijing) Technology Company Limited*) (the "EJV") and the Subsidiary entered into a 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.

On 29 December 2011, it was announced that HK$120 million had been received in aggregate from the Transferee and on 29 December 2011, the Subsidiary and the Transferee entered into a supplemental agreement to the Disposal Agreement (the "Disposal Supplemental Agreement"), agreeing that the remaining balance of the total consideration of HK$280 million shall be settled as to HK$240 million by 22 January 2012 and as to HK$40 million by 30 June 2012.

On 26 January 2012, it was announced that, as at 30 December 2011, HK$20 million out of the remaining balance of the total consideration were received in aggregate from the Transferee and as at 26 January 2012, HK$140 million in aggregate had been received from the Transferee. On 20 January 2012, the Subsidiary and the Transferee entered into another supplemental agreement to the Disposal

** The English names are for identification purpose only*

DIRECTORS' REPORT

Agreement (the "Second Disposal Supplemental Agreement"), pursuant to which the remaining balance of the HK$220 million to be settled by 22 January 2012 pursuant to the Disposal Supplemental Agreement should be settled by 31 March 2012 and HK$40 million by 30 June 2012. Pursuant to the Second Disposal Supplemental Agreement, the Transferee also agreed to pay to the Subsidiary, starting from 23 January 2012, interest at the rate of 5% per annum which shall be calculated on a daily basis in respect of the outstanding balance of the HK$220 million payable to the Subsidiary until such amount was settled in full. Pursuant to the Second Disposal Supplemental Agreement, the aggregate amount of such interest shall be fully paid on or before 31 March 2012.

On 2 April 2012, it was announced that HK$220 million of the remaining balance of the total consideration and approximately HK$2,049,315 (being interest in respect of the outstanding balance of the HK$220 million payable to the Subsidiary) were received from the Transferee. As at 2 April 2012, HK$360 million in aggregate of the total consideration had been received from the Transferee.

On 10 July 2012, it was announced that HK$3.8 million of the remaining balance of the total consideration were received from the Transferee. As at 10 July 2012, HK$363.8 million in aggregate had been received from the Transferee and the outstanding balance of the total consideration payable by the Transferee was HK$36.2 million. On 10 July 2012, the Subsidiary and the Transferee entered into another supplemental agreement to the Disposal Agreement (the "Third Disposal Supplemental Agreement") and agreed that HK$40 million of the total consideration, which were to be settled by 30 June 2012 pursuant to the Second Disposal Supplemental Agreement, shall be settled by 31 December 2012. Pursuant to the Third Disposal Supplemental Agreement, the Transferee also agreed to pay to the Subsidiary, starting from 1 July 2012, interest at the rate of 3% per annum which shall be calculated on a daily basis in respect of the outstanding balance of the HK$40 million payable to the Subsidiary until such amount was settled in full. Pursuant to the Third Disposal Supplemental Agreement, the aggregate amount of such interest shall be fully paid on or before 31 December 2012.

On 25 October 2012, it was announced that HK$36.2 million of the remaining balance of the total consideration, together with the interest payable by the Transferee in accordance with the Third Disposal Supplemental Agreement amounting to approximately HK$363,000 in total, were received from the Transferee. As at 25 October 2012, the full amount of the total consideration of HK$400 million had been received from the Transferee.

Details of the above transactions were published in the Company's announcements dated 25 November 2010, 9 March 2011, 28 April 2011, 16 June 2011, 28 July 2011, 29 December 2011, 26 January 2012, 2 April 2012, 10 July 2012 and 25 October 2012 and the Company's circular dated 24 August 2011.

(2) China Public Procurement (Hong Kong) Technology Co., Ltd. (the "PRC Partner Subsidiary"), the Subsidiary 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").

DIRECTORS' REPORT

In accordance with the Project Agreement, the consideration should be paid in two installments. The first installment, comprising 60% of the consideration of a total amount of HK$18 million, including HK$6 million as consultancy fee and HK$12 million as the consideration, should be paid by the transferee to a consultancy company and the PRC Partner Subsidiary or any account it may direct respectively on or before 25 July 2011. The second installment, comprising 40% of the consideration of a total amount of HK$12 million, should be paid by the transferee to the PRC Partner Subsidiary or any account it may direct, within one month upon completion of the implementation of the EMC Project and relevant testing on the trial section of the highway in Wuhan, the PRC.

As at 29 December 2011, the first installment had been settled by the transferee. Since the implementation of the EMC Project and relevant testing on the trial section of the highway in Wuhan, the PRC was completed on 20 December 2011, the second installment should be settled by the transferee by 20 January 2012 in accordance with the Project Agreement. As the transferee had a need to reallocate its financial resources in the end of its financial year, the transferee expects that more time would be required by it to arrange for settlement of the second installment. Therefore, on 29 December 2011, the PRC Partner Subsidiary, the Subsidiary and the transferee entered into a supplemental agreement to the Project Agreement and agreed that the second installment of an amount of HK$12 million, should be settled by the transferee on or before 31 March 2012 notwithstanding that the implementation of the Wuhan EMC Project and relevant statistical testing on the trail section of the highway in Wuhan, the PRC had been completed.

On 2 May 2012, it was announced that, on 27 April 2012, the PRC Partner Subsidiary, the Subsidiary and the transferee entered into another supplemental agreement to the Project Agreement and agreed that the second installment should be settled by the transferee on or before 31 May 2012 notwithstanding that the implementation of the Wuhan EMC Project and relevant statistical testing on the trial section of the highway in Wuhan, the PRC had been completed. Pursuant to such supplemental agreement, the transferee also agreed to pay to the PRC Partner Subsidiary, starting from 1 April 2012, interest at the rate of 5% per annum which shall be calculated on a daily basis in respect of the outstanding balance of HK$12 million payable to the PRC Partner Subsidiary until such amount was settled in full. Pursuant to such supplemental agreement, the aggregate amount of such interest shall be fully paid on or before 31 May 2012.

On 1 June 2012, it was announced that, the second installment (i.e. HK$12 million) and approximately HK$100,000 (being interest in respect of the outstanding balance of HK$12 million payable to the PRC Partner Subsidiary) were received from the transferee. Out of the HK$12 million received by the PRC Partner Subsidiary, 90% of which, being approximately HK$10.8 million, had been received by the Subsidiary. Out of the amount of interest of approximately HK$100,000, 90% of which, being approximately HK$90,000, had been received by the Subsidiary. The total consideration (i.e. HK$30 million) under the Project Agreement had been received from the transferee.

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.

DIRECTORS' REPORT

Details of the above transactions were published in the Company's announcements dated 25 July 2011, 29 December 2011, 4 January 2012, 2 May 2012 and 1 June 2012 and the Company's circular dated 24 August 2011.

(3) Preferred Shares

On 15 September 2011, three purchasers (Metro Factor, Top Blast and Global Vector) (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.

On 5 April 2012, it was announced that the audited financial statements of the Hero Joy, its subsidiary and the EJV, for the year ended 31 December 2010 prepared by auditors appointed by Positive Rise Holdings Limited ("Positive Rise"), a wholly owned subsidiary of the Company, based on the generally accepted accounting principles in Hong Kong and other relevant principles (the "2010 Audited Accounts") showed that the net profit (after tax and extraordinary expenses) as shown in the 2010 Audited Accounts was approximately HK$265 million. The earn-out amounts to approximately HK$5,370 million and 8,053,914,537 preferred shares would be allotted and issued by the Company at HK$0.6667 for settlement of the Earn-out for the 2008 VSA.

The Preferred Shares allotted and issued by the Company have been held by the holders of the Preferred Shares in the following manner: (i) 1,954,284,725 preferred shares for Master Top; (ii) 592,370,828 preferred shares for Mega Step; (iii) 801,118,210 preferred shares for Favor Mind; (iv) 922,715,687 preferred shares for Magical Power; (v) 236,785,087 preferred shares for Huge Ally Group Limited; (vi) 1,200,000,000 preferred shares for Metro Factor; (vii) 1,754,280,000 preferred shares for Top Blast and (viii) 592,360,000 preferred shares for Global Vector.

Details for the above transactions were published in the Company's announcements dated 15 September 2011, 25 October 2011 and 5 April 2012 and the Company's circular dated 7 October 2011.

(4) On 3 November 2012, it was announced that 佛山市能興金屬倉儲物流有限公司 (Foshan Nengxing Metals Storage and Logistics Company Limited*) ("Foshan Nengxing"), the two equity holders of Foshan Nengxing (the "Existing Shareholders"), the PRC Partner and the CPP Subsidiary, an indirect wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement")

DIRECTORS' REPORT

in relation to, among others, the establishment of the metals trading market of 中國公共採購網華南金屬交易平台 (Southern China of the Platform*) (the "Proposed Project"). Pursuant to the Investment Agreement, the Existing Shareholders agreed to increase their aggregate capital contribution to Foshan Nengxing from RMB0.98 million to RMB75 million and the PRC Partner and the CPP Subsidiary agreed to make capital contribution to Foshan Nengxing by injecting RMB3.5 million (equivalent to approximately HK$4.3 million) and RMB21.5 million (equivalent to approximately HK$26.5 million) respectively.

Details for the above transactions were published in the Company's announcement dated 5 November 2012.

(5) On 22 August 2008, the EJV and the PRC Partner entered into the exclusive promotion and consultation services agreement (the "Promotion Agreement") (as supplemented by a supplemental agreement dated 17 October 2008). On 22 August 2008, the EJV and the PRC Partner entered into the exploration, construction and exclusive know-how services agreement (the "Service Agreement") (as supplemented by a supplemented agreement dated 17 October 2008).

On 29 November 2012, it was announced that the PRC Partner, the EJV and the CPP Subsidiary entered into a supplemental agreement to each of the Promotion Agreement and the Service Agreement (each of the Promotion Agreement and the Service Agreement as supplemented by such supplemental agreement is referred to as the "2012 Promotion Agreement" and the "2012 Service Agreement" respectively).

Pursuant to the Promotion Agreement, the PRC Partner agreed to appoint the EJV and the EJV agreed to act as the exclusive agent of the PRC Partner to recruit suppliers for the Platform and provide necessary services to the suppliers on the Platform. Pursuant to the Service Agreement, the PRC Partner agreed to engage the EJV and the EJV agreed to provide (i) all necessary capital, know-how, equipment and human resources in relation to the building and setting up of the Platform; and (ii) technical support in relation to the operation of the Platform. Pursuant to the Promotion Agreement and the Service Agreement, the EJV is entitled to receive a service fee which equals to in aggregate 100% of the gross revenue received by the PRC Partner from its business in relation to the platform.

Pursuant to the 2012 Promotion Agreement and the 2012 Service Agreement, in addition to the EJV, being a service provider under the Promotion Agreement and the Service Agreement, the CPP Subsidiary agreed to act as a service provider to the Platform. Further, it was agreed that the PRC Partner will be entitled to 10% of the service fee payable to or revenue derived by the CPP Subsidiary under the 2012 Promotion Agreement and the 2012 Service Agreement or 10% of the total revenue of the CPP Subsidiary arising from the business of the Platform. Save as disclosed herein, the other terms of the Promotion Agreement and the Service Agreement remain unchanged.

On 4 February 2013, it was announced that the CPP Subsidiary advanced RMB30 million (equivalent to approximately HKD37.3 million) to the PRC Partner in performance of the 2012 Service Agreement, pursuant to which the CPP Subsidiary agreed to provide, among others, all necessary capital in relation to the construction and setting up of the Platform. The advance of RMB30 million made by the CPP Subsidiary to the PRC Partner on 4 February 2013 was made to the PRC Partner for the construction and setting up of the Platform.

DIRECTORS' REPORT

Details for the above transaction were published in the Company's announcements dated 30 November 2012, 5 February 2013 and the Company's circular dated 16 January 2009.

(6) Proposed Acquisition

On 21 November 2012, a conditional sale and purchase agreement (the "Acquisition Agreement") was entered into between a wholly owned subsidiary of the Company (the "Purchaser") as purchaser, ACME Insight Limited as vendor and an individual (being the beneficial owner of 91.4% interest of the Target) as guarantor in relation to the proposed acquisition (the "Acquisition") by the Purchaser of 70% of the equity interest in a company (the "Target") (the "Proposed Acquisition"). The Target will hold interests in certain subsidiaries which were principally engaged in the procurement, manufacturing and developing of water pumps and providing pump station solutions in the PRC and the Middle East. The proposed Acquisition will constitute a very substantial acquisition and connected transaction for the Company under the Listing Rules. A draft announcement in relation to the proposed Acquisition had been submitted to the Stock Exchange for pre-vetting.

On 6 February 2013, the Company received a letter ("Letter") from the Stock Exchange that they concluded that the Proposed Acquisition would constitute a reverse takeover under Rule 14.06(6) of the Listing Rules and the Proposed Acquisition may not proceed. After careful consideration of all the circumstances surrounding the Proposed Acquisition, the Board decided not to proceed with the Proposed Acquisition at that moment.

On 20 February 2013, after arm's length negotiations, the parties to the Acquisition Agreement entered into a termination agreement to terminate the Acquisition Agreement with effect from 20 February 2013. Nevertheless, the Company may revisit the terms of the proposed Acquisition when it considers appropriate in the future.

The Board considers that the termination of the Acquisition Agreement is in the interest of the Company and the shareholders of the Company as a whole and has no material adverse impact on the existing business and/or the financial position of the Group.

Details for the above transaction were published in the Company's announcements dated 7 December 2012, 7 January 2013, 8 February 2013 and 21 February 2013.

DIRECTORS' REPORT

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN ZHONGCAI INFORMATION TECHNOLOGY COMPANY LIMITED

On 11 April 2012, it was announced that Victory Group Ltd (the "Purchaser"), an investment holding company and a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the "Acquisition Agreement 2") with three PRC individuals, two of whom being the vendors, pursuant to which the Purchaser had conditionally agreed to acquire, and the vendors had conditionally agreed to sell, 69% of the equity interest in 深圳市中採信息技術有限公司 (Shenzhen Zhongcai Information Technology Company Limited*) ("Shenzhen Zhongcai") held by one of the vendors and 1% of the equity interest in Shenzhen Zhongcai held by another vendor respectively, being in aggregate 70% of the equity interest of Shenzhen Zhongcai at a consideration of RMB30 million (equivalent to approximately HK$37 million), with a PRC individual being the ultimate controller of Shenzhen Zhongcai.

On 17 July 2012 and 27 July 2012, it was announced that the parties to the Acquisition Agreement 2 and the PRC Partner entered into a supplemental agreement on 17 July 2012 (the "Supplemental Agreement"), pursuant to which, among others, (i) the manner of payment of the consideration was amended; (ii) the sharing arrangement regarding profits generated by Shenzhen Zhongcai was added; and (iii) the PRC Partner agreed to substitute the Purchaser and act as the purchaser in the acquisition in the event that condition (e) as set out in the paragraph headed "Conditions precedent of the Acquisition Agreement 2" (i.e. "the acquisition having complied with requirements of the Listing Rules, including but not limited to, the obtaining of the approval regarding the acquisition at the special general meeting of the Company (if required)") in the Company's announcement dated 11 April 2012 was not fulfilled on or before 31 October 2012.

On 15 October 2012, the Circular was despatched to the shareholders. On 31 October 2012, it was announced at the special general meeting of the Company that the ordinary resolution of Acquisition Agreement 2 and the transactions contemplated thereunder was duly passed.

Details of the above transactions were published in the Company's announcements dated 11 April 2012, 17 July 2012, 27 July 2012 and 30 August 2012 and the Company's circular dated 15 October 2012.

* *The English name is for identification purpose only*

DISCLOSEABLE TRANSACTION IN RELATION TO THE PURCHASE OF THE PRC HEADQUARTER

On 4 July 2012, it was announced that the CPP subsidiary entered into the sale and purchase agreements in relation to the purchase of the Building and its Basement by the CPP subsidiary from the Vendor, at an aggregate consideration of approximately RMB135.0 million (equivalent to approximately HK$165.7 million). The Building and the Basement will function as the headquarter of the Group for future development of its public procurement services.

Details of the above transaction were published in the Company's announcement dated 4 July 2012.

DIRECTORS' REPORT

AUDITOR

The financial statements of the Group for the year ended 31 December 2011 were audited by Morison Heng, Certified Public Accountants.

The financial statements of the Group for the year ended 31 December 2012 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

SHINEWING will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

For and on behalf of the Board

Cheng Yuanzhong	**Chen Shulin**	**Ho Wai Kong**
Joint Chairman	*Joint Chairman*	*Honorary Chairman*

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the corporate governance code (the "CG Code") as set out in Appendix 14 of the Listing Rules, which provides code provisions (the "Code Provision(s)") and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the requirements of the Code Provisions. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate. The Company has complied throughout the year with the CG Code. As at the date of this report, the roles of the chairman and the chief executive were separate. Mr. Cheng Yuanzhong and Mr. Chen Shulin were the joint chairmen while Mr. Ho Wai Kong was the honorary chairman. The role of the chief executive was performed by Mr. Wang Dingbo. The Board updated the Company's corporate governance on 29 March 2012 to bring it in closer alignment with the amendments to the CG Code as set out in Appendix 14 of the Listing Rules that has taken effect from 1 April 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by directors and relevant employees of the Group. All the directors have confirmed that they have complied with the required standards set out in the Model Code. The Company has engaged external professional parties to review and update its code of conduct with a view to upholding the high standard of corporate governance of the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

For the year ended 31 December 2012 and as at the date of this report, the Board consists of 8 Executive Directors, 2 Non-executive Directors and 6 Independent Non-executive Directors:

Executive Directors

Joint Chairman

Mr. Cheng Yuanzhong, *B.Phil.*	
Mr. Chen Shulin, *BEngl*	(appointed on 17 October 2012)

Honorary Chairman

Mr. Ho Wai Kong

Executive Directors

Mr. Wang Dingbo, BEcon *(Chief Executive)*	
Mr. Lau Kin Shing, Charles, *DBA, CA, CPA* *(Chief Investment Officer)*	(appointed on 13 December 2012)
Mr. Li Kening, *BAcc* *(Chief Financial Officer)*	(appointed on 17 October 2012)
Mr. Peng Zhiyong, *MBA, BEcon* *(Head of Internal Audit)*	(appointed as Chief Financial Officer on 28 May 2012 and appointed as Executive Director and re-designated from Chief Financial Officer to Head of Internal Audit on 17 October 2012)
Mr. Peng Ru Chuan, *MA, MSc*	
Mr. Wu Xiaodong, *MAcc*	(retired on 28 June 2012)
Mr. Lu Xing	(retired on 28 June 2012)

Non-executive Directors

Mr. Wang Ning, *BEcon*	
Ms. Liu Jie, *MSc*	(re-designated from Executive Director to Non-executive Director on 17 October 2012)
Ms. Cheng Zhuo, *DComm, MComm*	(resigned on 8 May 2012)

Independent Non-executive Directors

Mr. Wu Fred Fong, *MBA, CA*	
Mr. Chan Tze See, Kevin, *MBA, BSc*	
Mr. Chen Bojie, *BEcon*	
Mr. Xu Haigen, *DEcon, MSc, BEcon*	
Mr. Ying Wei, *CPA(PRC), MBA, BEcon*	(appointed on 28 December 2012)
Mr. Shen Shaoji, *BEcon*	(appointed on 28 December 2012)

CORPORATE GOVERNANCE REPORT

Attendance of the Directors at the Board and general meetings

For the year ended 31 December 2012, 45 Board meetings and 2 general meetings have been held. Details of the attendance of the Directors are as follows:

	Number of meetings attended/ Number of meetings held	
Board members	**Board meetings**	**General meetings**
Executive Directors		
Mr. Cheng Yuanzhong	38/45	1/2
Mr. Chen Shulin (appointed on 17 October 2012)	10/11	0/1
Mr. Ho Wai Kong	39/45	2/2
Mr. Wang Dingbo	40/45	2/2
Mr. Lau Kin Shing, Charles (appointed on 13 December 2012)	2/2	0/0
Mr. Li Kening (appointed on 17 October 2012)	11/11	0/1
Mr. Peng Zhiyong (appointed on 17 October 2012)	11/11	0/1
Mr. Peng Ru Chuan	25/45	1/2
Ms. Liu Jie (re-designated from Executive Director to Non-executive Director on 17 October 2012)	30/34	1/1
Mr. Wu Xiaodong (retired on 28 June 2012)	18/20	0/1
Mr. Lu Xing (retired on 28 June 2012)	14/20	1/1
Non-executive Directors		
Mr. Wang Ning	12/45	1/2
Ms. Liu Jie (re-designated from Executive Director to Non-executive Director on 17 October 2012)	10/11	0/1
Ms. Cheng Zhuo (resigned on 8 May 2012)	3/14	0/0
Independent Non-executive Directors		
Mr. Wu Fred Fong	36/45	2/2
Mr. Chan Tze See, Kevin	35/45	1/2
Mr. Chen Bojie	37/45	0/2
Mr. Xu Haigen	35/45	1/2
Mr. Ying Wei (appointed on 28 December 2012)	0/0	0/0
Mr. Shen Shaoji (appointed on 28 December 2012)	0/0	0/0

Responsibilities of the Board and management

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

Save as disclosed in the section of "BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT", there is no financial, business, family or other material/relevant relationship between the chairman and the chief executive and among the members of the Board.

Directors' training

According to the Code Provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the directors.

For the year ended 31 December 2012 and as at the date of this report, the Company has arranged to provide all directors with the professional training namely "Regulatory and Disclosure Obligations of Listed Companies in Hong Kong" to update their knowledge of the changes on the relevant Listing Rules and SFO. The Company has received from each of the directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE

According to code A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As at the date of this report, the roles of the chairman and the chief executive were separate. Mr. Cheng Yuanzhong and Mr. Chen Shulin were the joint chairmen while Mr. Ho Wai Kong was the honorary chairman. The role of the chief executive was performed by Mr. Wang Dingbo.

NON-EXECUTIVE DIRECTORS

The term of office of Non-executive Directors (including Independent Non-executive Directors) is 3 years and subject to retirement by rotation in accordance with the Bye-laws.

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

Audit Committee

Role and function

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants, and have been updated on terms no less exacting those set out in the Code Provisions. Audit Committee must meet, at least twice a year, with the Company's auditors.

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

- Considering and reviewing the appointment, resignation and removal of external auditors and their fees;
- Reviewing the interim and annual results of the Group; and
- Discussing with the external auditors problems and issues of significance during the annual audit of the Group.

Composition

The Audit Committee comprises five members as follows:

Mr. Wu Fred Fong *(Chairman)*
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen
Mr. Ying Wei (appointed on 28 December 2012)

All five members are Independent Non-executive Directors, two of whom possess recognised professional qualification in accounting and have proven experience in audit and accounting.

Attendance record

For the year ended 31 December 2012, 4 Audit Committee meetings have been held. Details of the attendance of the Audit Committee members are as follows:

Audit Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Wu Fred Fong *(Chairman)*	4/4
Mr. Chan Tze See, Kevin	4/4
Mr. Chen Bojie	4/4
Mr. Xu Haigen	4/4
Mr. Ying Wei (appointed on 28 December 2012)	0/0

CORPORATE GOVERNANCE REPORT

Summary of the work

The work done by the Audit Committee for the year ended 31 December 2012 included:

- Reviewed the 2012 interim results and 2011 annual results of the Group;
- Discussed with the management of the Company over the completeness, fairness, adequacy and compliance of accounting standards and policies of the Group in the preparation of the 2012 interim and 2011 annual financial statements;
- Reviewed and discussed with the external auditors over the financial reporting of the Company; and
- Reviewed adequacy and effectiveness of internal control system maintained within the Group.

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

The audited consolidated financial statements for the year ended 31 December 2012 have been reviewed by the Audit Committee.

Remuneration Committee

Role and function

The terms of reference of the Remuneration Committee follow the Code Provisions. The Remuneration Committee shall meet at least once a year.

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

- Establishing and applying a formal and transparent procedure for setting policy on remuneration for executive directors and senior management;
- Fixing the remuneration packages for all directors and senior management; and
- Ensuring levels of remuneration of directors commensurate with their qualifications and competencies, and that such remuneration is sufficient to attract and retain directors and senior management.

CORPORATE GOVERNANCE REPORT

Composition

The Remuneration Committee comprises five members who are Independent Non-executive Directors as follows:

Mr. Wu Fred Fong *(Chairman)*
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen
Mr. Ying Wei (appointed on 28 December 2012)

Attendance record

For the year ended 31 December 2012, 8 Remuneration Committee meetings have been held. Details of the attendance of the Remuneration Committee members are as follows:

Remuneration Committee members	**Number of meetings attended/ Number of meetings held**
Mr. Wu Fred Fong *(Chairman)*	8/8
Mr. Chan Tze See, Kevin	7/8
Mr. Chen Bojie	6/8
Mr. Xu Haigen	4/8
Mr. Ying Wei (appointed on 28 December 2012)	0/0

Summary of the work

The work done by the Remuneration Committee for the year ended 31 December 2012 included:

- Reviewed and approved the current remuneration policy and structure for all directors' and senior management remuneration by reference to the prevailing rate with companies listed on the Main Board of the Stock Exchange in Hong Kong;

- Reviewed the remuneration package of the Executive Directors, Non-executive Directors and senior management;

- Made recommendations of the above remuneration policy and remuneration packages to the Board; and

- Assessed performance of Executive Directors and approved the terms of Executive Directors' service contracts.

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

Role and function

The Nomination Committee was established on 29 March 2012. The terms of reference of the Remuneration Committee follow the Code Provisions. The Nomination Committee shall meet at least once a year.

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

- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually;
- Identifying and nominating for the approval of the Board candidates to fill Board vacancies; and
- Identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Composition

The Nomination Committee comprises seven members as follows:

Mr. Cheng Yuanzhong *(Chairman)*
Mr. Ho Wai Kong
Mr. Wu Fred Fong
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen
Mr. Ying Wei (appointed on 28 December 2012)

Mr. Cheng Yuanzhong and Mr. Ho Wai Kong are Executive Directors whereas Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie, Mr. Xu Haigen and Mr. Ying Wei are independent Non-executive Directors.

CORPORATE GOVERNANCE REPORT

Attendance record

For the year ended 31 December 2012, 8 Nomination Committee meetings have been held. Details of the attendance of the Nomination Committee members are as follows:

Nomination Committee members	Number of meetings attended/ Number of meetings held
Mr. Cheng Yuanzhong *(Chairman)*	8/8
Mr. Ho Wai Kong	6/8
Mr. Wu Fred Fong	8/8
Mr. Chan Tze See, Kevin	7/8
Mr. Chen Bojie	6/8
Mr. Xu Haigen	4/8
Mr. Ying Wei (appointed on 28 December 2012)	0/0

Summary of the work

The work done by the Nomination Committee for the year ended 31 December 2012 included:

- Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; and

- Identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships.

Corporate Governance Functions

Role and function

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

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

- Developing and reviewing the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and making recommendations; and

- Reviewing and monitoring the training and continuous professional development of directors and senior management.

CORPORATE GOVERNANCE REPORT

Summary of the work

The work done by the Corporate Governance Functions for the year ended 31 December 2012 included:

- Developed and reviewed the policies and practices of the Group on corporate governance and compliance with legal and regulatory requirements and made recommendations;

- Reviewed and monitored the training and continuous professional development of directors and senior management; and

- Reviewed the Group's compliance with the CG Code and disclosure in the "Corporate Governance Report" of the Company.

Investment Committee

Role and function

The Investment Committee was established on 1 October 2012 pursuant to the Board resolution of the Company passed on 28 September 2012. The Investment Committee shall meet at least once a year.

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

- Considering, assessing and reviewing the major investments, acquisitions and disposals of the Company, and making recommendations to the Board of the Company;

- Making subsequent assessments of investments; and

- Reviewing and considering the overall investment direction and business development of the Company.

Composition

The Investment Committee comprises eight members as follows:

Mr. Chen Shulin *(Chairman)*
Mr. Ho Wai Kong
Mr. Wang Dingbo
Mr. Li Kening
Mr. Peng Zhiyong
Mr. Xu Haigen
Mr. Yi Haitao
Ms. Ma Wai Sze, Aceya (resigned on 13 December 2012)
Mr. Lau Kin Shing, Charles (appointed on 13 December 2012)

CORPORATE GOVERNANCE REPORT

Mr. Chen Shulin, Mr. Ho Wai Kong, Mr. Wang Dingbo, Mr. Li Kening and Mr. Peng Zhiyong are Executive Directors. Mr. Xu Haigen is Independent Non-executive Director and Mr. Yi Haitao is Chief Operating Officer of the Company. Ms. Ma Wai Sze, Aceya, the former Company Secretary, resigned as the Investment Committee member on 13 December 2012. Mr. Lau Kin Shing, Charles is the current Company Secretary appointed on 13 December 2012.

Attendance record

For the year ended 31 December 2012, one Investment Committee meeting has been held. Details of the attendance of the Investment Committee members are as follows:

Investment Committee members	Number of meetings attended/ Number of meetings held
Mr. Chen Shulin *(Chairman)*	1/1
Mr. Ho Wai Kong	1/1
Mr. Wang Dingbo	1/1
Mr. Li Kening	1/1
Mr. Peng Zhiyong	1/1
Mr. Xu Haigen	1/1
Mr. Yi Haitao	1/1
Ms. Ma Wai Sze, Aceya	1/1

Summary of the work

The work done by the Investment Committee for the year ended 31 December 2012 included:

- Reviewed the investment strategy and objectives of the Company and supervised the implementation;
- Reviewed the investment risk management strategy;
- Examined and pre-approved on the prospective major investments, including very substantial acquisitions within the authorities delegated by the Board; and
- Reviewed the progress report on investment projects.

AUDITOR'S REMUNERATION

Remuneration paid to the Group's external auditor for audit services and non-audit services provided for the year ended 31 December 2012 was HK$1,880,000 and HK$1,068,000 respectively.

Financial reporting

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

CORPORATE GOVERNANCE REPORT

The statement of the auditor regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 49 to 50.

Internal control

The Board is responsible for ensuring that an adequate system of internal control is maintained within the Group. The internal control system is to help to safeguard the Group's assets, to ensure the maintenance of accounting records and to ensure the compliance with the relevant legislations and regulations.

According to the Code Provision C.2.1 of the CG Code, the directors should at least annually conduct a review of the effectiveness of the Company's and its subsidiaries' internal control systems and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

For the year ended 31 December 2012 and as at the date of this report, the Board has delegated chief internal auditor of the Company (the "Chief Internal Auditor") and the Audit Committee to review the effectiveness of the Company's and its subsidiaries' internal control systems. The Board has also engaged an independent external professional firm to perform an annual internal control review. The Chief Internal Auditor, the Audit Committee and the external professional firm believed the internal control system could be more effective and adequate after fine-tuning measures. After such measures were taken by the Company, the review results have been considered satisfactory that all aspects required, including financial, operational and compliance controls and risk management functions have been in compliance with the CG Code.

COMPANY SECRETARY

Ms. Ma Wai Sze, Aceya ("Ms. Ma") resigned as the Company Secretary on 13 December 2012 and remains as the Head of Legal of the Company. Mr. Lau Kin Shing, Charles ("Mr. Lau") was appointed as Company Secretary on 13 December 2012. According to Rule 3.29 of the Listing Rules, Ms. Ma has taken no less than 15 hours of relevant professional training for the year ended 31 December 2012 whereas Mr. Lau will take no less than 15 hours of relevant professional training for the year ending 31 December 2013.

SHAREHOLDERS' RIGHTS

Convening an special general meeting

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

CORPORATE GOVERNANCE REPORT

Putting enquiries to the Board

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

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

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

INVESTOR RELATIONS

The Board announced at the special general meeting of the Company held on 5 March 2013 that two Bye-laws were amended as follows:

(1) A new paragraph is added as Bye-law 3(4) of Bye-law 3 of the original Bye-laws:

''Bye-law 3(4): No share shall be issued to bearer.''

(2) Original Bye-law 76 shall be renumbered as Bye-law 76(1) accordingly and a new paragraph is added as Bye-law 76(2) of Bye-law 76 of the original Bye-laws:

''Bye-law 76(2): Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.''

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINA PUBLIC PROCUREMENT LIMITED
中國公共採購有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Public Procurement Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 123, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

As part of our audit of 2012 consolidated financial statements, we also audited the adjustments described in Note 3 to the consolidated financial statements that were applied to amend the 2011 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2011 consolidated financial statements of the Group other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the 2011 consolidated financial statements taken as a whole.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who expressed a disclaimer of opinion on those statements on 27 April 2012 as a result of scope limitations on the recoverability of goodwill and trade and other receivables.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
28 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	8	277,123	5,353
Cost of sales		(277,155)	(5,106)
Gross (loss) profit		(32)	247
Other income	9	132,106	23,728
Gain on disposal of a subsidiary	30	2,109	—
Share of loss of an associate	20	(3,547)	—
Administrative expenses		(119,275)	(44,838)
Finance costs	10	—	—
Profit (loss) before tax		11,361	(20,863)
Income tax expense	11	(28,231)	(3,442)
Loss for the year	12	(16,870)	(24,305)
Loss for the year attributable to:			
Owners of the Company		(14,575)	(23,438)
Non-controlling interests		(2,295)	(867)
		(16,870)	(24,305)
Loss per share	16		
— Basic and diluted		HK(0.16) cents	HK(0.71) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000 (Restated)
Loss for the year	(16,870)	(24,305)
Other comprehensive income		
Exchange differences on translating foreign operations	7,860	49,761
Total comprehensive (expenses) income for the year	(9,010)	25,456
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(6,355)	26,171
Non-controlling interests	(2,655)	(715)
	(9,010)	25,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
Non-current assets				
Plant and equipment	17	10,999	10,954	8,875
Goodwill	18	1,362,223	1,344,234	1,296,241
Intangible assets	19	103,825	18,426	17,729
Interest in an associate	20	1,715	—	—
Prepayment for property, plant and equipment	33	150,295	—	—
Prepayment for intangible assets		11,842	11,790	—
Deposit paid for potential acquisition of a subsidiary	35	19,000	—	—
Deferred tax asset	27	890	—	—
		1,660,789	1,385,404	1,322,845
Current assets				
Trade and other receivables	21	100,337	289,604	428,413
Amount due from a substantial shareholder/ non-controlling interest of a subsidiary	35	—	9,774	3,610
Pledged bank deposits		—	—	7,062
Bank balances and cash	22	113,670	97,033	48,771
		214,007	396,411	487,856
Current liabilities				
Trade and bills payables		—	—	7,126
Accruals and other payables	23	51,881	26,302	24,657
Consideration payable	26	—	5,476,662	5,476,662
Amount due to a substantial shareholder/ non-controlling interest of a subsidiary	35	1,839	52,135	40,000
Amount due to a related company	35	—	2,724	11,429
Tax payable		39,893	10,653	66,609
Secured bank loans	24	6,570	—	—
		100,183	5,568,476	5,626,483
Net current assets (liabilities)		113,824	(5,172,065)	(5,138,627)
Total assets less current liabilities		1,774,613	(3,786,661)	(3,815,782)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
Non-current liabilities				
Secured bank loans	24	57,489	—	—
Deferred tax liability	27	6,753	—	—
		64,242	—	—
		1,710,371	(3,786,661)	(3,815,782)
Capital and reserves				
Share capital	25	33,163	33,163	33,163
Convertible preference shares	26	80,539	—	—
Reserves		1,581,093	(3,827,053)	(3,853,224)
Equity attributable to owners of the Company		1,694,795	(3,793,890)	(3,820,061)
Non-controlling interests		15,576	7,229	4,279
		1,710,371	(3,786,661)	(3,815,782)

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 28 March 2013 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Preference share capital	Share premium	Merger reserve	Share-based compensation reserve	Statutory reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (Note i)	HK$'000	HK$'000 (Note ii)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011 (as originally stated)	33,163	—	1,254,676	8,390	55,691	—	1,509	(992,716)	360,713	4,279	364,992
Effect of changes in prior year adjustments	—	—	12,577	—	—	—	133,332	(4,326,683)	(4,180,774)	—	(4,180,774)
At 1 January 2011 (as restated)	33,163	—	1,267,253	8,390	55,691	—	134,841	(5,319,399)	(3,820,061)	4,279	(3,815,782)
Loss for the year	—	—	—	—	—	—	—	(23,438)	(23,438)	(867)	(24,305)
Other comprehensive income for the year:											
Exchange differences arising on translation	—	—	—	—	—	—	49,609	—	49,609	152	49,761
Total comprehensive income (expense) for the year	—	—	—	—	—	—	49,609	(23,438)	26,171	(715)	25,456
Contribution from a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	3,665	3,665
Effect of share options lapsed	—	—	—	—	(11,415)	—	—	11,415	—	—	—
At 31 December 2011 (as restated)	33,163	—	1,267,253	8,390	44,276	—	184,450	(5,331,422)	(3,793,890)	7,229	(3,786,661)
At 1 January 2012 (as originally stated)	33,163	—	1,254,676	8,390	44,276	—	3,125	(1,004,739)	338,891	7,229	346,120
Effect of changes in prior year adjustments	—	—	12,577	—	—	—	181,325	(4,326,683)	(4,132,781)	—	(4,132,781)
At 1 January 2012 (as restated)	33,163	—	1,267,253	8,390	44,276	—	184,450	(5,331,422)	(3,793,890)	7,229	(3,786,661)
Loss for the year	—	—	—	—	—	—	—	(14,575)	(14,575)	(2,295)	(16,870)
Other comprehensive income (expense) for the year:											
Exchange differences arising on translation	—	—	—	—	—	—	8,220	—	8,220	(360)	7,860
Total comprehensive income (expense) for the year	—	—	—	—	—	—	8,220	(14,575)	(6,355)	(2,655)	(9,010)
Issuance of preference shares	—	80,539	5,396,123	—	—	—	—	—	5,476,662	—	5,476,662
Transfers to statutory reserve	—	—	—	—	—	8,953	—	(8,953)	—	—	—
Acquisition of a subsidiary (Note 29)	—	—	—	—	—	—	—	—	—	11,048	11,048
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(46)	(46)
Share options granted	—	—	—	—	18,378	—	—	—	18,378	—	18,378
Share options lapsed	—	—	—	—	(26,764)	—	—	26,764	—	—	—
At 31 December 2012	33,163	80,539	6,663,376	8,390	35,890	8,953	192,670	(5,328,186)	1,694,795	15,576	1,710,371

Note i: The merger reserve of the Group represents the difference between the aggregate of the nominal value of the ordinary shares of the subsidiaries acquired and the nominal value of the ordinary shares of the Company issued pursuant to the Group reorganisation.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	11,361	(20,863)
Adjustments for:		
Depreciation of plant and equipment	3,619	4,097
Written off of plant and equipment	1	—
Amortisation of intangible assets	838	10
Written off of other receivables	1,136	—
Reversal of impairment of other receivables	—	(2,036)
Gain on disposal of a subsidiary	(2,109)	—
Equity-settled share-based payment expenses	18,378	—
Interest income	(2,763)	(31)
Share of loss of an associate	3,547	—
Operating cash flows before movements in working capital	34,008	(18,823)
Decrease in trade and other receivables	192,703	140,845
Increase in accruals and other payables	16,094	1,645
Decrease in trade and bills payables	—	(7,126)
(Decrease) increase in amount due to a substantial shareholder/ non-controlling interest of a subsidiary	(50,557)	12,135
Cash generated from operations	192,248	128,676
Tax paid	—	(59,398)
NET CASH FROM OPERATING ACTIVITIES	192,248	69,278

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000 (Restated)
INVESTING ACTIVITIES		
Interest received	2,763	31
Investment in an associate	(5,277)	—
Prepayment for acquisition of property, plant and equipment	(148,686)	—
Prepayment for acquisition of intangible assets	—	(11,790)
Deposit paid for potential acquisition of a subsidiary	(19,000)	—
Withdrawal of pledged bank deposits	—	7,062
Net cash outflow on disposal of a subsidiary	(365)	—
Net cash outflow on acquisition of a subsidiary	(27,369)	—
Purchase of intangible assets	(45,606)	(31)
Purchase of plant and equipment	(2,182)	(5,989)
Repayment from a substantial shareholder/ non-controlling interest of a subsidiary	9,774	—
Advance to a substantial shareholder/ non-controlling interest of a subsidiary	—	(6,164)
NET CASH USED IN INVESTING ACTIVITIES	(235,948)	(16,881)
FINANCING ACTIVITIES		
Interest paid	(1,234)	—
Bank loans raised	65,918	—
Repayment of bank loans	(2,179)	—
Contribution from non-controlling interest of a subsidiary	—	3,665
Repayment of loan from a related company	(2,738)	(8,705)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	59,767	(5,040)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,067	47,357
CASH AND CASH EQUIVALENTS AT 1 JANUARY	97,033	48,771
Effect of foreign exchange rate changes	570	905
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	113,670	97,033

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. GENERAL

China Public Procurement Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in Note 36.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standard ("HKAS") 1	As part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013). HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012) (Continued)

The application of the other new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(International Financial Reporting Interpretation Committee) — Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipates that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) — Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards will not have significant impact on amounts reported in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of the new standard has no affect on the amounts currently reported on the consolidated financial statements as the Group does not have assets/liabilities that were measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements of the Group for the year ended 31 December 2012, the directors of the Company had revisited the facts and circumstances associated with the acquisition of the entire equity interest of Hero Joy International Limited ("Hero Joy") and its subsidiaries (collectively the "Hero Joy Group") by the Group in April 2009 (the "Acquisition") and identified certain necessary adjustments in recording the Acquisition in previous years' consolidated financial statements. The details are as follows:

i) Measurement of shares consideration;

ii) Timing and measurement of contingent consideration; and

iii) Impairment assessment and retranslation of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. PRIOR YEAR ADJUSTMENTS (Continued)

(i) Measurement of shares consideration

According to the terms of the Acquisition, the consideration for the Acquisition consisted of basic consideration in the form of ordinary shares of the Company and contingent consideration in the form of preference shares of the Company. The Company issued 945,635,485 ordinary shares of the Company of HK$0.01 each for settlement of the basic consideration. As stated in the Group's consolidated financial statements for the year ended 31 December 2009, these ordinary shares were valued using the agreed price of HK$0.6667 instead of the fair value of the shares at the date of acquisition. At the completion date of the Acquisition, the market close price of the Company's share was HK$0.68 per share and resulted in an increase in share premium of HK$12,577,000 with a corresponding increase in the gross carrying amount of goodwill arising from the Acquisition.

(ii) Timing and measurement of the contingent consideration

As part of the consideration for the Acquisition, the Company is required to issue variable number of preference shares of HK$0.01 each if the Hero Joy Group recorded profit after tax and extraordinary expenses for the year ended 31 December 2009 or for the year ended 31 December 2010. As stated in the Group's consolidated financial statements for the year ended 31 December 2009, the directors of the Company considered that the payment of the contingent consideration was not probable. As further detailed in the Group's consolidated financial statements for the year ended 31 December 2010, despite that the Hero Joy Group had met the profit trigger, no contingent consideration was recognised as at 31 December 2010 as the Group received a written consent from the vendors of Hero Joy that the settlement of the contingent consideration will be dependent on the receipt of not less than HK$200 million by the Hero Joy Group.

The Group only recorded a contingent consideration payable of 8,053,914,537 preference shares during the year ended 31 December 2011 at an agreed price of HK$0.6667 per share when the Group received funds of more than HK$200 million prior to the approval of the Group's consolidated financial statements for the year ended 31 December 2011.

As the written consent was only received during the year ended 31 December 2011 while the profit trigger had been fulfilled as at 31 December 2010, the contingent consideration had become probable as at 31 December 2010. Thus, the 8,053,914,537 preference shares due to be issued for settlement of the contingent consideration should be recorded as at 31 December 2010. In addition, the preference shares should be measured at its fair value at the completion date of the Acquisition.

As a result, prior year adjustments were made to record consideration payable as at 1 January 2011 at HK$0.68 per share, being the unit fair value of the preference shares based on a valuation performed by an independent professional qualified valuer, with a corresponding adjustment to the gross carrying amount of goodwill of HK$5,476,662,000 as at 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. PRIOR YEAR ADJUSTMENTS (Continued)

(ii) Timing and measurement of the contingent consideration (Continued)

As the Group had already recorded a consideration payable of approximately HK$5,369,898,000 as at 31 December 2011, the above restatement had resulted in an increase in consideration payable by HK$107,117,000 and a corresponding increase in the gross carrying amount of goodwill as at 31 December 2011.

(iii) Impairment assessment and retranslation of goodwill

In addition to the above adjustments, in response to the restated gross carrying amount of goodwill as at 31 December 2010 and 2011, the directors of the Company had performed an impairment assessment on the restated gross carrying amount of goodwill based on a valuation performed by an independent professional qualified valuer as at 31 December 2010 and 2011. Based on the results of the valuations, the directors of the Company considered that an impairment of HK$4,326,683,000 should have been made to the goodwill as at 1 January 2011, with no further impairment on the goodwill as at 31 December 2011. Furthermore, the directors of the Company had also performed retranslation on the carrying amount of goodwill as at 1 January 2011 and 31 December 2011 and resulted in an increase in the translation reserve by HK$133,332,000 and HK$181,325,000 respectively.

The above restatements did not have any material impact on the consolidated income statements of the Group for the year ended 31 December 2011 and 2012.

The effect of the above restatements on the consolidated statement of financial position of the Group as at 1 January 2011 and 31 December 2011 are summarised below:

As at 1 January 2011

	As previously reported	Adjustment (i)	Adjustment (ii)	Adjustment (iii)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Goodwill	353	12,577	5,476,662	(4,193,351)	1,296,241
Current liabilities					
Consideration payable	—	—	5,476,662	—	5,476,662
Capital and reserves					
Reserves	327,550	12,577	—	(4,193,351)	(3,853,224)
Equity attributable to the owners of the Company	360,713	12,577	—	(4,193,351)	(3,820,061)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. PRIOR YEAR ADJUSTMENTS (Continued)

As at 31 December 2011

	As previously reported	Adjustment (i)	Adjustment (ii)	Adjustment (iii)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Goodwill	5,369,898	12,577	107,117	(4,145,358)	1,344,234
Current liabilities					
Consideration payable	5,369,545	—	107,117	—	5,476,662
Capital and reserves					
Reserves	305,728	12,577	—	(4,145,358)	(3,827,053)
Equity attributable to the owners of the Company	338,891	12,577	—	(4,145,358)	(3,793,890)

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognises as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets.

Business combinations

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place prior to 1 January 2010 (Continued)

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations that took place after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 Income Taxes.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place after 1 January 2010 (Continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill combination is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised as so as to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid for potential acquisition of a subsidiary, trade and other receivables, amount due from a substantial shareholder/non-controlling interest of a subsidiary, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, consideration payable, accruals and other payables, amounts due to a substantial shareholder/non-controlling interest of a subsidiary and a related company, and secured bank loans, are subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Convertible preference shares

Convertible preference shares are classified as equity if it is non-redeemable and any dividends are discretionary.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economics benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

License fee income is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and mandatory provident fund schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payment transactions

Equity settled share-based payment transactions

Share options granted to employees

The fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Equity settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in consolidated financial statements.

Useful life of the intangible assets

The Group's acquired software technology knowhow, online platform promotion right, and online platform development and technical support right are classified as an indefinite-lived intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that there were no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Under HKAS 38, the Group re-evaluates the useful life of the software technology knowhow at the end of each reporting period to determine whether events and circumstances continue to support the view of indefinite useful life for the assets. At 31 December 2012, the carrying amount of software technology knowhow, online platform promotion right, and online platform development and technical support right of the Group are approximately HK$57,614,000, HK$9,817,000 and HK$8,591,000 respectively (2011: nil, HK$9,774,000 and HK$8,553,000 respectively).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual value of plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated.

Estimated impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2012, the carrying amount of goodwill is approximately HK$1,362,223,000 (2011: HK$1,344,234,000), net of accumulated impairment of approximately HK$5,400,975,000 (2011: HK$5,372,101,000). Details of impairment testing on goodwill are set out in Note 18.

Estimated impairment loss on intangible assets

Determining whether intangible assets are impaired requires an estimation of the value-in-use of the intangible assets. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the patents and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment loss had been recognised as at 31 December 2012 (2011: nil). At 31 December 2012, the carrying amount of intangible assets of the Group is approximately HK$103,825,000 (2011: HK$18,426,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment loss on trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor, Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. At 31 December 2012, the carrying amount of trade and other receivables is approximately HK$100,337,000 (2011: HK$289,604,000).

Equity settled share-based payments

The Group measures the costs of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the options, volatility and dividend yield and making assumptions about them. The assumptions and models used for the estimation of the fair value for share-based payments are disclosed in Note 28 to the consolidated financial statements. At 31 December 2012, the balance of share-based compensation reserve of the Group is approximately HK$35,890,000 (2011: HK$44,276,000).

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt which includes secured bank loans disclosed in Note 24, amounts due to a substantial shareholder/non-controlling interest of a subsidiary and a related company disclosed in Note 35, net of cash and cash equivalent and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated thereto. The Group will balance its overall capital structure through the payment of dividends, new share issues and the issue or redemption of borrowings.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	227,587	390,244
Financial liabilities		
Amortised cost	117,779	5,557,823

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit paid for potential acquisition of a subsidiary, trade and other receivables, pledged bank deposits, bank balances and cash, trade and bills payables, consideration payable, accruals and other payables, amounts due from (to) a substantial shareholder/non-controlling interest of a subsidiary/a related company, and secured bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's exposure relating to financial instruments or the manner in which it manages and measures the risks.

Market risk

The Group's activities expose it primarily to the market risks of foreign currency risk and interest rate risk. Market risk exposures are further measured by sensitivity analysis. Details of each type of market risks are described as follows:

Currency risk

The Group undertakes certain transactions denominated in foreign currencies which are different from HK$ and Renminbi ("RMB"), the functional currency of the respective group entities. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities at the end of the reporting period that are denominated in currencies other than the functional currency of the respective entity are as follows:

	Assets		Liabilities	
	2012	**2011**	**2012**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
HK$	—	2,511	—	—
USD	8,275	598	—	—
RMB	6,253	—	—	—

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2011: 5%) change in respective functional currencies against the relevant foreign currencies. 5% (2011: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates a increase in loss after tax for the year where respective functional currencies strengthen 5% (2011: 5%) against the relevant currencies. For a 5% (2011: 5%) weakening of respective functional currencies against the relevant currencies, there would be an equal and opposite impact on the loss after tax for the year and the balances below would be negative.

	2012	**2011**
	HK$'000	**HK$'000**
HK$	—	94
USD	288	—
RMB	261	—

Since HK$ is pegged to US dollars under the Linked Exchange Rate System, the directors of the Company do not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and US dollars for group entities having HK$ as functional currency.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances and secured bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. During the year ended 31 December 2012, a 100 basis point (2011: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point (2011: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss would decrease/increase by approximately HK$570,000 for the year ended 31 December 2012 (2011: HK$944,000).

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2011: 100%) of the total trade receivable as at 31 December 2012. The Group has concentration of credit risk as 35% (2011: 0%) of the total other receivables was due from the Group's largest license partner which contributed license fee income to the Group.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of secured bank loans and other source of fundings and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Less than 1 year	1 year to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012					
Accruals and other payables	51,881	—	—	51,881	51,881
Amount due to a substantial shareholder/non-controlling interest of a subsidiary	1,839	—	—	1,839	1,839
Secured bank loans	10,731	38,406	36,216	85,353	64,059
	64,451	38,406	36,216	139,073	117,779
2011					
Accruals and other payables	26,302	—	—	26,302	26,302
Consideration payable	5,476,662	—	—	5,476,662	5,476,662
Amount due to a substantial shareholder/non-controlling interest of a subsidiary	52,135	—	—	52,135	52,135
Amount due to a related company	2,724	—	—	2,724	2,724
	5,557,823	—	—	5,557,823	5,557,823

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

The directors of the Company consider that the carrying amounts of secured bank loans approximate its fair value as the interest is determined with reference to market interest rate.

8. REVENUE AND SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker, being the Board of directors of the Company, for the purpose of resource allocation and performance assessment are as follows:

(1) Public procurement segment engages in the provision of public procurement businesses to the users of the online platform;

(2) Trading business segment engages in trading of different products*; and

(3) Provision of corporate IT solution segment engages in the development of software and provision of maintenance services to the customers.

* *Trading business segment was previously named as energy trading.*

The chief operating decision maker assesses the performance of the operating segments based on types of goods delivered or services provided.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

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

	Segment revenue		Segment results	
	2012	**2011**	**2012**	**2011**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Public procurement	—	—	84,918	—
Trading business	276,107	5,353	(135)	247
Provision of corporate IT solution	1,016	—	103	—
	277,123	5,353	84,886	247
Unallocated income			47,188	23,728
Unallocated expenses			(119,275)	(44,838)
Gain on disposal of a subsidiary			2,109	—
Share of loss of an associate			(3,547)	—
Finance costs			—	—
Profit (loss) before tax			11,361	(20,863)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, share of loss of an associate, reversal of impairment loss on other receivables, written off of other receivables and gain on disposal of a subsidiary. This is the measure reported to the chief operating decision maker, the chief executive officer, for the purposes of resource allocation and performance assessment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	Public procurement	Trading business	Provision of corporate IT solution	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2012				
ASSETS				
Segment assets	1,668,798	1,692	42,126	1,712,616
Unallocated corporate assets				162,180
Total assets				1,874,796
LIABILITIES				
Segment liabilities	78,749	8,566	778	88,093
Unallocated corporate liabilities				76,332
Total liabilities				164,425

	Public procurement	Trading business	Provision of corporate IT solution	Total
	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
At 31 December 2011				
ASSETS				
Segment assets	1,387,767	6,260	—	1,394,027
Unallocated corporate assets				387,788
Total assets				1,781,815
LIABILITIES				
Segment liabilities	5,478,870	78	—	5,478,948
Unallocated corporate liabilities				89,528
Total liabilities				5,568,476

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in an associate, plant and equipment, deferred tax asset, other receivables, amount due from a substantial shareholder/non-controlling interest of a subsidiary, and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to operating segments other than certain accruals and other payables, tax payable, amounts due to a substantial shareholder/non-controlling interest of a subsidiary and a related company and deferred tax liability as these liabilities are managed on a group basis.

(c) Other segment information

Year ended 31 December 2012

	Public procurement	Trading business	Provision of corporate IT solution	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	—	—	826	12	838
Additions to non-current assets (Note)	207,828	1,847	41,152	5,470	256,297
Depreciation of plant and equipment	1,053	164	24	2,378	3,619
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest expense	—	—	—	—	—
Bank interest income	641	48	25	—	714
Interest income	2,049	—	—	—	2,049
Interest in an associate	1,715	—	—	—	1,715
Share of loss of an associate	3,547	—	—	—	3,547
Gain on disposal of a subsidiary	—	2,109	—	—	2,109
Written off of other receivables	—	—	—	1,136	1,136

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

Year ended 31 December 2011

	Public procurement	Trading business	Provision of corporate IT solution	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	—	—	—	10	10
Additions to non-current assets (Note)	12,363	—	—	5,447	17,810
Depreciation of plant and equipment	1,767	1	—	2,329	4,097
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	—	—	—	31	31
Reversal of impairment loss on other receivables	—	—	—	2,036	2,036

Note: Non-current assets excluded deposit paid for potential acquisition of a subsidiary and deferred tax asset.

(d) Geographical information

The Group operates in a principal geographical area — the PRC.

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

	Revenue from external customer		Carrying amounts of non-current assets (Note)	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
PRC	277,123	5,353	1,636,748	1,379,073
Hong Kong	—	—	4,151	6,331
	277,123	5,353	1,640,899	1,385,404

Note: Non-current assets excluded deposit paid for potential acquisition of a subsidiary and deferred tax asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

8. REVENUE AND SEGMENT INFORMATION (Continued)

(e) Information about major customers

Revenue from customers of the Group's trading business of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	HK$'000	HK$'000
— Customer A	242,100	—
— Customer B	—	5,353

9. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Income from transfer of Energy Management Contracting ("EMC") framework agreements	43,861	21,600
License fee income	84,918	—
Reversal of impairment of other receivables for previous year	—	2,036
Consultancy income	367	—
Bank interest income	714	31
Interest income (Note)	2,049	—
Sundry income	197	61
	132,106	23,728

Note: Represented interest charged to an independent third party for the late settlement of other receivables.

10. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on bank loans not wholly repayable within five years	1,234	—
Less: Amount capitalised	(1,234)	—
	—	—

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

11. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax ("HK Profits Tax")	—	3,442
PRC Enterprise Income Tax ("EIT")	29,949	—
Over-provision in prior years — HK Profits Tax	(831)	—
	29,118	3,442
Deferred taxation (Note 27)	(887)	—
	28,231	3,442

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

HK Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2011.

No provision for HK Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to HK Profits Tax for the year ended 31 December 2012.

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The tax charge for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2012	2011
	HK$'000	HK$'000
Profit (loss) before tax	11,361	(20,863)
Tax at the domestic income tax rate of 25% (2011:25%)	2,841	(5,216)
Tax effect of income not taxable for tax purpose	(874)	(509)
Tax effect of expenses not deductible for tax purpose	24,370	7,934
Tax effect of losses not recognised	1,213	814
Tax effect of share of loss of an associate	887	—
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	625	419
Over-provision in respect of prior years	(831)	—
Income tax expense for the year	28,231	3,442

Details of deferred taxation are set out in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

12. LOSS FOR THE YEAR

Loss for the year has arrived at after charging:

	2012	2011
	HK$'000	HK$'000
Staff costs		
— Directors' emoluments (Note 13)	26,307	9,185
— Other staff costs	10,121	6,067
— Retirement scheme contributions	1,277	537
— Equity-settled share-based payment expenses	5,821	—
Total staff costs	43,526	15,789
Auditor's remuneration	1,948	800
Written off of other receivables	1,136	—
Written off of plant and equipment	1	—
Cost of inventories recognised as expense	276,242	5,106
Depreciation of plant and equipment	3,619	4,097
Amortisation of intangible assets	838	10
Minimum lease payments under operating lease charges	9,295	8,300

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 19 (2011: 17) directors and the chief executive were as follows:

For the year ended 31 December 2012

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Cheng Yuanzhong	—	1,950	—	1,403	3,353
Mr. Chen Shulin[1]	—	600	—	—	600
Mr. Ho Wai Kong	—	2,774	14	—	2,788
Mr. Wang Dingbo *(Chief executive)*	—	1,357	—	1,403	2,760
Mr. Lau Kin Shing, Charles[2]	—	104	—	—	104
Mr. Li Kening[1]	—	322	—	—	322
Mr. Peng Zhiyong[1]	—	631	—	1,123	1,754
Mr. Peng Ru Chuan	—	1,440	—	1,123	2,563
Mr. Lu Xing[4]	—	1,565	6	1,403	2,974
Mr. Wu Xiaodong[4]	—	727	12	2,807	3,546
	—	11,470	32	9,262	20,764
Non-executive directors					
Mr. Wang Ning	600	—	—	936	1,536
Ms. Liu Jie[3]	603	—	—	1,123	1,726
Ms. Cheng Zhuo[6]	127	—	—	—	127
	1,330	—	—	2,059	3,389
Independent non-executive directors					
Mr. Chan Tze See, Kevin	200	—	—	309	509
Mr. Chen Bojie	198	—	—	309	507
Mr. Wu Fred Fong	320	—	—	309	629
Mr. Xu Haigen	200	—	—	309	509
Mr. Ying Wei[5]	—	—	—	—	—
Mr. Shen Shaoji[5]	—	—	—	—	—
	918	—	—	1,236	2,154
	2,248	11,470	32	12,557	26,307

1 Appointed on 17 October 2012

2 Appointed on 13 December 2012

3 Re-designated from Executive Director to Non-executive Director on 17 October 2012

4 Retired on 28 June 2012

5 Appointed on 28 December 2012

6 Resigned on 8 May 2012

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

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

For the year ended 31 December 2011

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Equity-settled share-based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Cheng Yuanzhong[1]	—	529	—	—	529
Mr. Ho Wai Kong	—	2,772	12	—	2,784
Mr. Jiang Haoye[2]	—	400	—	—	400
Mr. Li Junjie[3]	—	353	—	—	353
Ms. Liu Jie[4]	—	—	—	—	—
Mr. Lu Xing	—	1,572	12	—	1,584
Mr. Peng Ru Chuan[4]	—	8	—	—	8
Mr. Song Lianzhong[2]	—	1,200	—	—	1,200
Mr. Wang Dingbo[4]	—	—	—	—	—
Mr. Wu Xiaodong	—	789	9	—	798
Mr. Zhang Guisheng[5]	—	389	—	—	389
	—	8,012	33	—	8,045
Non-executive directors					
Ms. Cheng Zhuo	360	—	—	—	360
Mr. Wang Ning[1]	176	—	—	—	176
	536	—	—	—	536
Independent non-executive directors					
Mr. Chan Tze See, Kevin	120	—	—	—	120
Mr. Chen Bojie	243	—	—	—	243
Mr. Wu Fred Fong	240	—	—	—	240
Mr. Xu Haigen[4]	1	—	—	—	1
	604	—	—	—	604
	1,140	8,012	33	—	9,185

1 Appointed on 15 September 2011

2 Resigned on 1 September 2011

3 Appointed on 15 September 2011 and resigned on 22 December 2011

4 Appointed on 30 December 2011

5 Retired on 17 June 2011

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2012 and 2011. No emoluments were paid by the Group to any directors and the chief executive as an incentive payment for joining the Group or as compensation for loss of office in the year ended 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group for 2012 and 2011 were all directors and the chief executive of the Company and details of their emoluments are included in Note 13 above.

15. DIVIDENDS

No dividend was paid or proposed during both years ended 31 December 2012 and 2011, nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	(14,575)	(23,438)

Number of shares

	2012	2011
	'000	'000
Weighted average number of ordinary shares and preference shares for the purpose of basic and diluted loss per share	9,274,023	3,316,332

Trading in the shares of the Company was suspended since 5 July 2010 and no information of the average market price per share for the year is available. As the exercise price of the outstanding share options is higher than the market price for shares immediately before the suspension of trading in the Company's shares, the computations of diluted loss per share for the year ended 31 December 2012 and 2011 do not assume the exercise of the Company's outstanding share options.

The computation of diluted loss per share for the year ended 31 December 2012 and 2011 did not assume the issuance of preference shares as such issuance would result in a decrease in loss per share.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2011	5,176	4,574	4,158	13,908
Additions	108	5,881	—	5,989
Exchange realignment	167	29	96	292
At 31 December 2011 and 1 January 2012	5,451	10,484	4,254	20,189
Additions	2,114	—	68	2,182
Written-off	(2)	—	—	(2)
Acquired on acquisition of a subsidiary	1,458	—	—	1,458
Derecognised on disposal of a subsidiary	(4)	—	—	(4)
Exchange realignment	36	6	—	42
At 31 December 2012	9,053	10,490	4,322	23,865
ACCUMULATED DEPRECIATION				
At 1 January 2011	1,093	2,198	1,742	5,033
Charge for the year	1,019	1,795	1,283	4,097
Exchange realignment	44	4	57	105
At 31 December 2011 and 1 January 2012	2,156	3,997	3,082	9,235
Charge for the year	1,246	2,006	367	3,619
Eliminated on written off	(1)	—	—	(1)
Eliminated on disposal of a subsidiary	(1)	—	—	(1)
Exchange realignment	13	1	—	14
At 31 December 2012	3,413	6,004	3,449	12,866
CARRYING VALUES				
At 31 December 2012	5,640	4,486	873	10,999
At 31 December 2011	3,295	6,487	1,172	10,954

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. PLANT AND EQUIPMENT (Continued)

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	20%
Leasehold improvements	Over the term of the lease or 25%, whichever is the shorter

18. GOODWILL

	HK$'000
COST	
At 1 January 2011, as originally reported	744,828
Prior year adjustment (Note 3)	5,731,666
At 1 January 2011, as restated	6,476,494
Exchange realignment	239,841
At 31 December 2011 and 1 January 2012	6,716,335
Exchange realignment	36,059
Arising on acquisition of a subsidiary	11,157
Eliminated on disposal of a subsidiary	(353)
At 31 December 2012	6,763,198
ACCUMULATED IMPAIRMENT	
At 1 January 2011, as originally reported	744,475
Prior year adjustment (Note 3)	4,435,778
At 1 January 2011, as restated	5,180,253
Exchange realignment	191,848
At 31 December 2011 and 1 January 2012	5,372,101
Exchange realignment	28,874
At 31 December 2012	5,400,975
CARRYING VALUES	
At 31 December 2012	1,362,223
At 31 December 2011	1,344,234

18. GOODWILL (Continued)

Goodwill acquired through business combination was allocated to the Group's cash generating units ("CGU") of provision of corporate IT solution and public procurement for impairment testing.

The carrying amount of goodwill (net of accumulated impairment) attributable to the CGU of provision of corporate IT solution and CGU of public procurement amounted to approximately HK$11,120,000 (2011: nil) and approximately HK$1,351,103,000 (2011: HK$1,344,234,000) respectively.

The basis of the recoverable amount of the CGUs and the major underlying assumptions are summarised below:

Provision of corporate IT solution

The recoverable amount of this CGU has been determined on the basis of value-in-use calculation with reference to a valuation performed by an independent professional qualified valuers not connected to the Group. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5 years period and discount rate of 18.95%. Cash flow beyond the 5 years period has been extrapolated using a steady 3% growth rate. This growth rate is based on industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The directors of the Company were of the opinion that the recoverable amount exceeded its respective carrying amount as at 31 December 2012, and no impairment loss of goodwill was necessary.

Public procurement

The recoverable amount of this CGU has been determined on the basis of value-in-use calculation with reference to a valuation preformed by an independent professional qualified valuers not connected to the Group. The calculation uses cash flow projections based on financial budgets approved by management of the Group covering a 5 years period and discount rate of 21%. Cash flow beyond the 5 years period has been extrapolated using a steady 4% growth rate. The directors of the Company were of the opinion that the recoverable amount exceeded its respective carrying amount as at 31 December 2012, and no further impairment loss of goodwill was necessary.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

19. INTANGIBLE ASSETS

	Computer software	Online platform promotion right	Online platform development and technical support right	Software technology knowhow	Software copyrights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2011	86	9,415	8,239	—	—	17,740
Additions	31	—	—	—	—	31
Exchange realignment	3	359	314	—	—	676
At 31 December 2011 and 1 January 2012	120	9,774	8,553	—	—	18,447
Additions	6	—	—	57,380	—	57,386
Acquired on acquisition of a subsidiary	—	—	—	—	28,542	28,542
Exchange realignment	1	43	38	234	(5)	311
At 31 December 2012	127	9,817	8,591	57,614	28,537	104,686
ACCUMULATED AMORTISATION						
At 1 January 2011	11	—	—	—	—	11
Charge for the year	10	—	—	—	—	10
At 31 December 2011 and 1 January 2012	21	—	—	—	—	21
Charge for the year	12	—	—	—	826	838
Exchange realignment	1	—	—	—	1	2
At 31 December 2012	34	—	—	—	827	861
CARRYING VALUES						
At 31 December 2012	93	9,817	8,591	57,614	27,710	103,825
At 31 December 2011	99	9,774	8,553	—	—	18,426

Computer software and software copyrights have finite useful lives. Such intangible assets are amortised on a straight-line basis over ten years. The carrying amount of the Group's intangible assets (net of accumulated amortisation and impairment) attributable to assets with finite useful lives was approximately HK$27,803,000 (2011: HK$99,000).

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Year ended 31 December 2012

19. INTANGIBLE ASSETS (Continued)

The online platform promotion right, online platform development and technical support right, and software technology knowhow are considered to have an indefinite useful life as there were no specific terms for the rights and the directors of the Company expected that the business underlying the rights can be operated perpetually. Thus, they were tested for impairment at 31 December 2012 and 2011, as described in Note 5. The recoverable amount of those intangible assets as at 31 December 2012 and 2011 were higher than their carrying amount. The carrying amounts of the Group's intangible assets (net of accumulated amortisation and impairment) attributable to assets with indefinite useful life was approximately HK$76,022,000 (2011: HK$18,327,000).

The software technology knowhow, online platform promotion right and online platform development and technical support right are considered by the management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The rights will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The intangible assets were allocated to the Group's CGU of public procurement and the details of impairment testing of this CGU was included in Note 18.

20. INTEREST IN AN ASSOCIATE

	2012	2011
	HK$'000	HK$'000
Unlisted investment in PRC, at cost	5,277	—
Share of post-acquisition result	(3,547)	—
Exchange realignment	(15)	—
	1,715	—

At the end of the reporting period, the Group had interest in the following associate:

Name	Form of entity	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group and portion of voting power held indirectly		Principal activities
				2012	2011	
Guocai South China Metal Exchange Service Limited	Incorporated	The PRC	Contributed capital	21.5%	N/A	Provision of trading consultancy and legal advisory services

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

20. INTEREST IN AN ASSOCIATE (Continued)

The summarised unaudited financial information in respect of the Group's associate is set out below:

	2012
	HK$'000
Total assets	26,383
Total liabilities	(18,407)
Net assets	7,976
Group's share of net assets of an associate	1,715
Turnover	—
Loss for the year	(16,499)
Group's share of result of an associate for the year	(3,547)

21. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Trade receivables	1,748	2,584
Prepayments	5,420	6,167
Fee receivable for transfer of EMC framework agreements	—	270,800
Deposits and other receivables	93,169	10,053
	100,337	289,604

The Group does not hold any collateral over its trade and other receivables.

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Year ended 31 December 2012

21. TRADE AND OTHER RECEIVABLES (Continued)

The Group normally grants to its customers credit periods ranging from 30 days to 90 days which are subject to periodic review by management. The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
Within 90 days	629	—
91 days to 180 days	648	—
181 days to 365 days	283	1,565
Over 365 days	188	1,019
	1,748	2,584

At the end of the reporting period, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK$1,119,000 (2011: HK$2,584,000) which were past due as at the reporting date.

The aging analysis of trade receivables that were past due but not impaired is as follow:

	2012	2011
	HK$'000	HK$'000
91 days to 180 days	648	—
181 days to 365 days	283	1,565
Over 365 days	188	1,019
	1,119	2,584

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	HK$'000
1 January	—	2,036
Amounts recovered during the year	—	(2,036)
31 December	—	—

During the year ended 31 December 2012, other receivables of approximately HK$1,136,000 (2011: nil) was written off due to its remote collectability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

22. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 1.8% (2011: 0.01% to 0.5%) per annum and have original maturity of three months or less.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable.

	2012	2011
	HK$'000	HK$'000
Amount denominated in:		
USD	7,677	2,487
RMB	74,870	7,880
	82,547	10,367

23. ACCRUALS AND OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Accruals	261	830
Other payables	39,840	25,472
Other payables for acquisition of intangible assets	11,780	—
	51,881	26,302

24. SECURED BANK LOANS

	2012	2011
	HK$'000	HK$'000
Secured	64,059	—
Carrying amount repayable:		
Within one year	6,570	—
More than one year but not exceeding two years	6,570	—
More than two years but not exceeding five years	19,710	—
More than five years	31,209	—
	64,059	—
Less: Amounts due within one year shown under current liabilities	(6,570)	—
Amount shown under non-current liabilities	57,489	—

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Year ended 31 December 2012

24. SECURED BANK LOANS (Continued)

The Group's bank loans are interest-bearing at variable-rate. The effective interest rate per annum on the Group's bank loans at the end of the reporting period are as follows:

	2012	2011
Variable-rate bank loans	6.88%	N/A

The bank loans are denominated in RMB.

The secured bank loans are secured by the prepayment for property, plant and equipment as disclosed in Note 33, and guaranteed by an independent third party of the Group.

25. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares
	'000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 1 January 2012	10,000,000	100,000
Increase in authorised capital (Note)	10,000,000	100,000
At 31 December 2012	20,000,000	200,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	3,316,332	33,163

Note: Pursuant to a board resolution dated 28 June 2012, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional of 10,000,000,000 shares of HK$0.01 each.

26. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE

Convertible preference shares at HK$0.01 each, issued and fully paid:

	Number of shares	Nominal value of preference shares
		HK'$000
At 1 January 2011, 31 December 2011 and 1 January 2012	—	—
Issued during the year	8,053,915	80,539
At 31 December 2012	8,053,915	80,539

On 5 April 2012, the Company issued 8,053,914,537 convertible preference shares of par value of HK$0.01 each as to settle the contingent consideration for the acquisition of Hero Joy Group.

The contingent consideration was determined as at below:

Contingent consideration = (2009 or 2010 NPAT * times 30) less basic consideration **

* NPAT represents net profit after tax and extraordinary expenses

** Basic consideration was settled by 945,635,485 ordinary shares of HK$0.01 each of the Company at an issue price of HK$0.6667 in 2009.

The aggregate consideration for the acquisition should not be more than HK$6,000 million.

As at 31 March 2012, the condition was fulfilled with cash receipt of aggregated amount of more than HK$200 million and accordingly, the Group has recognised a consideration payable amounted to approximately HK$5,476,662,000 as at 31 December 2011 based on the formula calculated above. The preferred shares above had been allotted and issued to settle the contingent consideration on 5 April 2012.

The initial conversion price of HK$0.6667 per ordinary share is for each convertible preference share. The conversion rate of each convertible preference share is one ordinary share. The major terms of the above-mentioned preference shares are set out below:

(i) The convertible preference shareholders has the right, exercisable at any time perpetual as from the date of issue, to convert the preference shares into fully paid ordinary shares, provided that (1) any conversion of the convertible preference shares does not trigger a mandatory offer obligation under rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the convertible preference shares holders and their concert parties who exercise the conversion rights; (2) the public float of the shares shall not be less than 25%.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

26. CONVERTIBLE PREFERENCE SHARES AND CONSIDERATION PAYABLE (Continued)

(ii) The convertible preference shares are transferable and do not carry the right to vote at the Company's general meetings. The convertible preference shareholders shall entire to the dividend declared by the Company.

(iii) The convertible preference shares shall rank pari passu with any and all current and future preferred equity securities of the Company.

(iv) The convertible preference shares are non-redeemable.

Based on their terms and conditions, the convertible preference shares have been classified as equity instrument in the consolidated statement of financial position.

27. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax asset and liability have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012	2011
	HK$'000	HK$'000
Deferred tax asset	890	—
Deferred tax liability	(6,753)	—
	(5,863)	—

The major deferred tax asset and liability recognised and movements thereof during the current year and prior year are summarised below:

	Unrealised profits	Intangible assets	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	—	—	—
Arising on acquisition of a subsidiary	—	(6,753)	(6,753)
Credited to profit or loss	887	—	887
Exchange realignment	3	—	3
At 31 December 2012	890	(6,753)	(5,863)

27. DEFERRED TAXATION (Continued)

At 31 December 2012, the Group has estimated unutilised tax losses of approximately HK$261,804,000 (2011: HK$254,452,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Such undistributed profits of the PRC subsidiaries of the Group are subject to withholding tax. As at 31 December 2012, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$17,485,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2011, the Group's subsidiaries in the PRC did not have distributable profits.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") which was adopted on 12 June 2002 for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant options to any director or employee of the Group.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the share capital of the Company (the "Limit"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant options beyond the Limit provided that the options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one participant in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

Where options are proposed to be granted to a substantial shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of options would result in the shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total issued shares for the time being and have an aggregate value (based on the closing price of a share at each date of the grant of these options) exceeding HK$5 million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting (with all connected persons abstained from voting and votes taken on poll) in accordance with the requirements of the Listing Rules. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

Option Type	**Number of instruments**	**Vesting conditions**	**Contractual life of options**
	'000		
Options granted to directors:			
— on 26 March 2010	40,000	Immediately from the date of grant	3 years
— on 14 August 2010 A	3,000	One year from the date of grant	3 years
— on 14 August 2010 B	2,000	Two year from the date of grant	3 years
— on 1 January 2011	2,000	Immediately from the date of grant	3 years
— on 28 May 2012	122,200	Immediately from the date of grant	3 years
Options granted to employees:			
— on 26 March 2010	132,200	Immediately from the date of grant	3 years
— on 14 August 2010	5,600	Immediately from the date of grant	3 years
— on 9 November 2010 A	5,600	Immediately from the date of grant	3 years
— on 9 November 2010 B	3,000	Vested on 1 October 2011	1.98 years
— on 9 November 2010 C	2,500	Vested on 1 October 2011	1.98 years
— on 5 January 2011	4,700	Immediately from the date of grant	3 years
— on 9 February 2011	60,000	Immediately from the date of grant	3 years
— on 4 May 2011	30,000	Immediately from the date of grant	3 years
— on 28 May 2012	74,200	Immediately from the date of grant	3 years
Total share options	487,000		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Weighted average exercise price	**Number of option**	**Weighted average exercise price**	**Number of option**
		'000		**'000**
Outstanding at the beginning of the year	HK$0.787	132,100	HK$0.840	172,600
Granted during the year	HK$0.762	196,400	—	—
Lapsed during the year	HK$0.701	(98,500)	HK$1.014	(40,500)
Outstanding at the end of the year	HK$0.802	230,000	HK$0.787	132,100

The options outstanding at 31 December 2012 had a weighted average exercise price of HK$0.802 (2011: HK$0.787) and a weighted average remaining contractual life of 2.066 year (2011: 0.67 years).

(c) **Fair value of share options and assumptions**

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Grant date	**28 May 2012**
Fair value at measurement date	HK$0.09
Share price	HK$0.68
Exercise price	HK$0.76
Expected volatility	37.235%
Expected life	1.5 years
Expected dividends	0%
Risk free interest rate	0.218%

The expected volatility is based on the historical volatility. Expected dividend are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

The Group recognised total expense of approximately HK$18,378,000 (2011: nil) for the year ended 31 December 2012 in relation to share options granted by the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(d) Terms of unexpired and unexercised share options at the end of the reporting period are as follows:

For the year ended 31 December 2012

	Outstanding at 1 January 2012	Granted during year	Lapsed during year	Outstanding at 31 December 2012
	'000	'000	'000	'000
Exercise period				
26 March 2010 to 25 March 2012	63,000	—	(63,000)	—
14 August 2010 to 13 August 2012	400	—	(400)	—
14 August 2011 to 13 August 2012	3,000	—	(3,000)	—
14 August 2011 to 13 August 2012	2,000	—	(2,000)	—
9 November 2010 to 8 November 2012	100	—	(100)	—
5 January 2011 to 4 January 2013	3,600	—	—	3,600
9 February 2011 to 8 February 2013	60,000	—	(30,000)	30,000
28 May 2012 to 27 May 2015	—	196,400	—	196,400
	132,100	196,400	(98,500)	230,000

For the year ended 31 December 2011

	Outstanding at 1 January 2011	Granted during year	Lapsed during year	Outstanding at 31 December 2011
	'000	'000	'000	'000
Exercise period				
26 March 2010 to 25 March 2012	63,000	—	—	63,000
4 May 2010 to 3 May 2013	30,000	—	(30,000)	—
14 August 2010 to 13 August 2012	400	—	—	400
14 August 2011 to 13 August 2012	3,000	—	—	3,000
14 August 2011 to 13 August 2012	2,000	—	—	2,000
9 November 2010 to 8 November 2012	10,600	—	(10,500)	100
5 January 2011 to 4 January 2013	3,600	—	—	3,600
9 February 2011 to 8 February 2013	60,000	—	—	60,000
	172,600	—	(40,500)	132,100

Each option entitles the holders to subscribe for one ordinary share in the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

29. ACQUISITION OF A SUBSIDIARY

On 11 April 2012, the Company entered into an agreement with two PRC individuals and the Company's substantial shareholder to acquire 70% equity interests in Shenzhen Zhongcai, a company engaged in computer software and hardware development in the PRC, for a cash consideration of approximately RMB30,000,000 (equivalent to HK$36,934,000). The above acquisition was completed on 1 November 2012.

Acquisition-related costs amounting to approximately HK$971,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2012, within the administrative expenses in the consolidated income statement.

The directors of the Company consider the acquisition of Shenzhen Zhongcai will benefit the Group through synergies and economies of scale. The acquisition of Shenzhen Zhongcai had been accounted for using the acquisition method.

The fair value identified assets acquired and liabilities assumed in the above acquisition as at the date of acquisition were as follows:

	Fair values
	HK$'000
Plant and equipment	1,458
Intangible assets	28,542
Trade and other receivables	4,347
Cash and bank balances	9,565
Accrual and other payables	(305)
Tax payables	(29)
Deferred tax liability	(6,753)
Total identifiable net assets	36,825
Less: non-controlling interests	(11,048)
Net identifiable assets acquired	25,777
Goodwill (Note 18)	11,157
Total consideration	36,934

Analysis of net cash flow of cash and cash equivalents arising on acquisition

Cash consideration paid	36,934
Less: cash and cash equivalents acquired	(9,565)
Net cash outflow arising on acquisition	27,369

The goodwill arising on the acquisition is not deductible for tax purposes.

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$4,347,000. The gross contractual amounts of these trade and other receivables acquired amounted to approximately HK$4,347,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

29. ACQUISITION OF A SUBSIDIARY (Continued)

The non-controlling interests in Shenzhen Zhongcai recognised at the acquisition date were measured by reference to the proportionate share of the fair value of the consolidated net assets of Shenzhen Zhongcai.

From the date of the above acquisition to 31 December 2012, Shenzhen Zhongcai contributed net loss and revenue of approximately HK$168,000 and approximately HK$1,016,000 respectively to the Group for the year ended 31 December 2012. Had the above acquisition been completed on 1 January 2012, the directors of the Company estimate that the consolidated turnover and consolidated net loss for the year ended 31 December 2012 would have been approximately HK$284,704,000 and approximately HK$14,432,000, respectively.

30. DISPOSAL OF A SUBSIDIARY

On 11 May 2012, the Company completed the disposal of the entire equity interests in Wuxuan Tiejian Trading Company Limited* (武宣鐵建貿易有限責任公司) ("Wuxuan Tiejian"), at a cash consideration of approximately RMB10,000 (equivalent to HK$12,000) to Mr. Li Yang, an independent third party. The net liabilities of Wuxuan Tiejian at the date of disposal were as follows:

	HK$'000
Net liabilities disposal of	
Plant and equipment	3
Trade and other receivables	26
Bank balances and cash	377
Other payable	(2,732)
Tax payables	(78)
	(2,404)
Goodwill	353
Non-controlling interest	(46)
	(2,097)
Gain on disposal	2,109
Total consideration	12
Satisfied by cash	12
Net cash outflow arising on disposal	
Cash consideration	12
Cash and cash equivalents disposed of	(377)
	(365)

During the period ended 11 May 2011, Wuxuan Tiejian contributed a loss and cash outflow from operating activities of approximately HK$7,000 and HK$7,000 to the Group's loss and net cash flows for the year ended 31 December 2012 respectively.

* The English name is for identification purpose only.

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Year ended 31 December 2012

31. MAJOR NON-CASH TRANSACTION

On 5 April 2012, the Company issued 8,053,914,537 convertible preference shares of HK$0.01 each for settlement of the consideration payable of approximately HK$5,476,662,000 as at 31 December 2011. Further details of the convertible preference shares are set out in Note 26 above.

32. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

(a) Commitment under operating lease

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012	2011
	HK$'000	HK'000
Within one year	4,398	3,778
In the second to fifth years inclusive	961	2,148
	5,359	5,926

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial year of 1–2 years (2011: 3 years), with an option to renew the lease when all terms are renegotiated and rentals are fixed over the relevant lease term.

(b) Capital commitments

Capital commitments at the end of the reporting period were as follows:

	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— acquisition of intangible assets	14,469	5,498
— acquisition of property, plant and equipment	16,562	—
— further capital injection to an associate	21,107	—
— establishment of an investee company	3,068	—
	55,206	5,498

NOTES TO THE FINANCIAL STATEMENTS

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33. PLEDGED OF ASSET

The Group had pledged the following asset to secure the Group's bank loans at the end of the reporting period. The carrying value of the asset pledged is as follows:

	2012	2011
	HK$'000	HK$'000
Prepayment for acquisition of property, plant and equipment	150,295	—

34. RETIREMENT BENEFITS SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2012, the total retirement benefit scheme contributions charged to the consolidated income statement amounted to approximately HK$1,309,000 (2011: HK$570,000).

35. RELATED PARTY TRANSACTIONS

Apart from the balances and transactions disclosed in elsewhere in the financial statements, the Group also entered into the following transactions with related parties:

(a) During the year, the Group entered into the following transactions with related parties:

	2012	2011
	HK$'000	HK$'000
Service fee income from China Public Procurement (Hong Kong) Technology Company Limited (Note (ii))	—	21,600
License fee from an associate	16,500	—
Agency fee charged by China Public Procurement Investments Limited (Note (v))	1,106	—

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35. RELATED PARTY TRANSACTIONS (Continued)

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

	2012	2011
	HK$'000	HK$'000
Amounts due from:		
Guocai Science & Technology Company Limited ("Guocai"), a substantial shareholder/non-controlling interest of a subsidiary (Notes (i) and (vi))	—	9,774
China Public Procurement (Hong Kong) Technology Company Limited (Notes (ii) and (vi))	—	10,800
Deposit paid to Guocai for potential acquisition of a subsidiary (Note (iv))	19,000	—
Amounts due to:		
Guocai (Notes (i) and (vi))	1,839	52,135
Beijing Rongxin Dentsu Science & Technology Development Limited (Notes (iii) and (vi))	—	2,724

Notes:

(i) As at 21 December 2011, Guocai is a non-controlling shareholder of a subsidiary of the Company. On 12 June 2012, Mr. Cheng Yuanzhong, an executive director of the Company, had entered into an agreement with Guocai whereby he agreed to transfer the entire issued share capital of Top Blast Limited, a substantial shareholder of the Company, to Guocai. At that date, Guocai became a substantial shareholder of the Company.

(ii) China Public Procurement (Hong Kong) Technology Company Limited ("CPPHK") is a subsidiary of Guocai. The amount was included in trade and other receivables.

(iii) Mr. Lu Xing, the director of the Company, has controlling interest over Beijing Rongxin Dentsu Science & Technology Development Limited.

(iv) On 15 November 2012, the Group entered into a memorandum of understanding with its substantial shareholder to acquire the entire issued equity interest in a private limited liability company registered in the PRC (the "Target Company") for a total cash consideration of approximately HK$70,000,000. A refundable cash deposit of approximately HK$19,000,000 had been paid in such respect. The deposit paid is only refundable when the proposed transaction is terminated.

(v) Mr. Cheng Yuanzhong, the director of the Company, has controlling interest over the above company.

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

NOTES TO THE FINANCIAL STATEMENTS

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35. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

The remuneration of directors and other members of key management during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Short-term employee benefits	13,718	9,973
Post-employment benefits	32	46
Equity-settled share-based payment expenses	11,434	—
	25,184	10,019

36. SUBSIDIARIES

Name of subsidiaries	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interests held by the Company				Principal activities
			Directly		Indirectly		
			2012	2011	2012	2011	
Hong Kong Public Procurement Limited	Hong Kong	HK$1 Ordinary share	100%	100%	—	—	Inactive
Positive Rise Holdings Limited	BVI	US$100 Ordinary shares	100%	100%	—	—	Investment holding
Skyking Holdings Limited	BVI	US$1 Ordinary share	100%	100%	—	—	Investment holding
Brilliant Station Limited	BVI	US$1 Ordinary share	100%	—	—	—	Investment holding
Ever Viger Investments Limited	BVI	US$1 Ordinary share	100%	—	—	—	Inactive
Famous Ever International Limited	Hong Kong	HK$1 Ordinary share	—	—	100%	100%	Inactive
Famous Key Holdings Limited	Hong Kong	HK$1 Ordinary share	—	—	100%	100%	Inactive
Victory Good Limited	Hong Kong	HK$1 Ordinary share	—	—	100%	—	Investment holding
Public Procurement Limited	Hong Kong	HK$34,000,000 Ordinary shares	—	—	100%	100%	Investment holding
Hero Joy International Limited	BVI	US$4,350,100 Ordinary shares	—	—	100%	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

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36. SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable equity interests held by the Company				Principal activities
			Directly		Indirectly		
			2012	2011	2012	2011	
Guocai (Beijing) Technology Company Limited#	The PRC	Registered and contributed capital RMB60,000,000	—	—	90%	90%	Provision of technological development, advisory services, business planning and public-relations activities for online procurement business
Beijing Zhongcai Century Technique Co., Ltd.#	The PRC	Registered and contributed capital RMB5,000,000	—	—	100%	100%	Inactive
Guocai (Qinghai) Technology Company Limited**	The PRC	Registered capital RMB10,000,000/ contributed capital RMB8,000,000	—	—	63%	63%	Provision of online procurement services
Guocai (Qinghai) Tendering Co. Ltd.**	The PRC	Registered and contributed capital RMB2,000,000	—	—	63%	—	Inactive
Guocai (Wubei) Technology Company Limited**	The PRC	Registered and contributed capital RMB10,000,000	—	—	90%	90%	Provision of online procurement services
Public Procurement Network Technology Company Limited#	The PRC	Registered and contributed capital US$50,000,000	—	—	100%	—	Trading business
Shenzhen Zhongcai Information Technology Company Limited**	The PRC	Registered and contributed capital RMB3,000,000	—	—	70%	—	Sale of software and provision of IT services

\# Wholly Foreign-owned Enterprise

** Domestic Invested Enterprise

None of the subsidiaries had issued any debt securities at the end of the year or any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Plant and equipment		—	1
Investments in subsidiaries		1	1
		1	2
Current assets			
Other receivables		2,682	3,805
Amounts due from subsidiaries	(a)	1,767	7,917
Bank balances and cash		832	9,045
		5,281	20,767
Current liabilities			
Other payables		25,341	24,000
Consideration payable		—	5,476,662
Amount due to a subsidiary	(a)	21,940	—
		47,281	5,500,662
Net current liabilities		(42,000)	(5,479,895)
		(41,999)	(5,479,893)
Capital and reserve			
Share capital		33,163	33,163
Convertible preference shares		80,539	—
Reserves	(b)	(155,701)	(5,513,056)
		(41,999)	(5,479,893)

Notes:

(a) Amounts due from (to) subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

37. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes: (Continued)

(b) Reserves

	Share premium	Share-based compensation reserve	Contributed surplus (Note)	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	1,267,253	55,691	332,310	(7,139,255)	(5,484,001)
Effect of share options lapsed	—	(11,415)	—	11,415	—
Loss for the year	—	—	—	(29,055)	(29,055)
At 31 December 2011 and 1 January 2012	1,267,253	44,276	332,310	(7,156,895)	(5,513,056)
Effect of share options lapsed	—	(26,764)	—	26,764	—
Issuance of preference shares	5,396,123	—	—	—	5,396,123
Effect of share options granted	—	18,378	—	—	18,378
Loss for the year	—	—	—	(57,146)	(57,146)
At 31 December 2012	6,663,376	35,890	332,310	(7,187,277)	(155,701)

Note: Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares of the Company issued in a share for share exchange and the fair value of the aggregate net assets of the subsidiaries acquired.

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

As at 31 December 2012 and 2011, no reserve of the Company was made available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

38. COMPARATIVE FIGURES

As a result of the correction of prior years' errors, certain comparative figures have been adjusted. Further details of these corrections are set out in Note 3.

Certain comparative figures have been reclassified to conform to the presentation of the current year for the purpose of better representation of the Group's activities:

(a) Other operating expenses of approximately HK$11,857,000 in the consolidated financial statements of 2011 was reclassified to "Administrative expenses".

(b) Prepayment for intangible assets of approximately HK$11,790,000 which had previously been recorded under "Trade and other receivables" in the consolidated financial statements of 2011, was reclassified to "Prepayment for intangible assets" under non-current assets.

(c) Prepayment for acquisition of intangible assets of approximately HK$11,790,000 which had previously been recorded under "Operating activities" in the consolidated statement of cash flows of 2011, was reclassified to "Investing activities".

(d) Advance to a substantial shareholder/non-controlling interest of a subsidiary of approximately HK$6,164,000 which had previously been recorded under "Operating activities" in the consolidated statement of cash flows of 2011, was reclassified to "Investing activities".

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Please refer to the auditors' reports of the respective years of annual reports regarding the audit opinions.

RESULTS

	Year ended 31 December			Period ended 31 December	Year ended 30 September
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	277,123	5,353	24,901	20,051	208,936
Profit (loss) before tax	11,361	(20,863)	261,045	(818,747)	(507,195)
Taxation	(28,231)	(3,442)	(66,433)	–	–
(Loss) profit for the year	(16,870)	(24,305)	194,612	(818,747)	(507,195)
Attributable to:					
Owners of the Company	(14,575)	(23,438)	196,450	(818,170)	(507,027)
Non-controlling interests	(2,295)	(867)	(1,838)	(577)	(168)
	(16,870)	(24,305)	194,612	(818,747)	(507,195)

ASSETS AND LIABILITIES

	At 31 December				At 30 September
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000	HK$'000
Total assets	1,874,796	1,781,815	1,810,701	81,405	165,820
Total liabilities	(164,425)	(5,568,476)	(5,626,483)	(26,375)	(18,956)
Total equity	1,710,371	(3,786,661)	(3,815,782)	55,030	146,864
Equity attributable to the owners of Company	1,694,795	(3,793,890)	(3,820,061)	52,474	146,864
Non-controlling interests	15,576	7,229	4,279	2,556	–
Total equity	1,710,371	(3,786,661)	(3,815,782)	55,030	146,864