



**CHINA PUBLIC PROCUREMENT LIMITED**

**中國公共採購有限公司**

*(incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

**Interim Report**

**2013**

The board of directors (the “Board”) of China Public Procurement Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 (the “Period”) with comparative figures for the corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited and restated)
REVENUE	5	84,146	—
Cost of sales		(2,615)	—
Gross profit		81,531	—
Other income	6	814	351
Gain on disposal of a subsidiary	4	—	2,109
Share of loss of an associate		(149)	—
Administrative expenses		(48,552)	(51,364)
Finance costs	7	—	—
PROFIT (LOSS) BEFORE TAX		33,644	(48,904)
Income tax expense	8	—	—
PROFIT (LOSS) FOR THE PERIOD	9	33,644	(48,904)
Profit (loss) for the period attributable to:			
Owners of the Company		34,452	(47,830)
Non-controlling interests		(808)	(1,074)
		33,644	(48,904)
Earnings (loss) per share			
Basic and diluted (HK cents)	10	0.30	(0.67)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2013*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited and restated)
Profit (loss) for the period	<b>33,644</b>	(48,904)
Other comprehensive income		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on retranslation of foreign operations	<b>49,076</b>	1,997
Total comprehensive income (expenses) for the period	<b>82,720</b>	(46,907)
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	<b>83,061</b>	(45,788)
Non-controlling interests	<b>(341)</b>	(1,119)
	<b>82,720</b>	(46,907)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2013*

		<b>30 June 2013</b>	31 December 2012
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	12	<b>10,747</b>	10,999
Goodwill	13	<b>1,402,563</b>	1,362,223
Intangible assets		<b>110,688</b>	103,825
Interest in an associate		<b>1,616</b>	1,715
Prepayment for property, plant and equipment		<b>156,965</b>	150,295
Prepayment for intangible assets		<b>12,193</b>	11,842
Deposit paid for potential acquisition of a subsidiary		<b>19,000</b>	19,000
Deferred tax asset		<b>917</b>	890
		<b>1,714,689</b>	1,660,789
<b>CURRENT ASSETS</b>			
Trade receivables	14	<b>85,035</b>	1,748
Prepayments, deposits and other receivables		<b>111,655</b>	98,589
Tax recoverable		<b>2,625</b>	—
Bank balances and cash		<b>53,552</b>	113,670
		<b>252,867</b>	214,007
<b>CURRENT LIABILITIES</b>			
Accruals and other payables	16	<b>61,539</b>	51,881
Amount due to a substantial shareholder	15	<b>—</b>	1,839
Tax payable		<b>37,082</b>	39,893
Secured bank loans	17	<b>6,765</b>	6,570
		<b>105,386</b>	100,183
<b>NET CURRENT ASSETS</b>		<b>147,481</b>	113,824
<b>Total assets less current liabilities</b>		<b>1,862,170</b>	1,774,613

	<i>Notes</i>	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Secured bank loans	17	<b>55,809</b>	57,489
Deferred income		<b>6,317</b>	—
Deferred tax liability		<b>6,953</b>	6,753
		<b>69,079</b>	64,242
		<b>1,793,091</b>	1,710,371
<b>CAPITAL AND RESERVES</b>			
Share capital	18	<b>111,242</b>	33,163
Convertible preferred shares	19	<b>2,460</b>	80,539
Reserves		<b>1,664,154</b>	1,581,093
Equity attributable to owners of the Company		<b>1,777,856</b>	1,694,795
Non-controlling interests		<b>15,235</b>	15,576
		<b>1,793,091</b>	1,710,371

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2013

	Preferred			Share-based			Statutory reserve	Translation reserve	Accumulated losses	Non- controlling interests	Total
	Share capital	share capital	Share premium	Merger reserve	compensation reserve	Total					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (audited)	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
Profit (loss) for the period	–	–	–	–	–	–	–	34,452	34,452	(808)	33,644
Other comprehensive income for the period											
Item that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation	–	–	–	–	–	–	48,609	–	48,609	467	49,076
Total comprehensive income (expense) for the period	–	–	–	–	–	–	48,609	34,452	83,061	(341)	82,720
Share options lapsed	–	–	–	–	(17,552)	–	–	17,552	–	–	–
Conversion of preferred shares	78,079	(78,079)	–	–	–	–	–	–	–	–	–
<b>At 30 June 2013 (unaudited)</b>	<b>111,242</b>	<b>2,460</b>	<b>6,663,376</b>	<b>8,390</b>	<b>18,338</b>	<b>8,953</b>	<b>241,279</b>	<b>(5,276,182)</b>	<b>1,777,856</b>	<b>15,235</b>	<b>1,793,091</b>
At 1 January 2012 (audited)	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 period (restated)	–	–	–	–	–	–	–	(47,830)	(47,830)	(1,074)	(48,904)
Other comprehensive income for the period											
Item that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation (restated)	–	–	–	–	–	–	2,042	–	2,042	(45)	1,997
Total comprehensive income (expense) for the period (unaudited and restated)	–	–	–	–	–	–	2,042	(47,830)	(45,788)	(1,119)	(46,907)
Issuance of preferred shares (restated)	–	80,539	5,396,123	–	–	–	–	–	5,476,662	–	5,476,662
Share options granted	–	–	–	–	18,378	–	–	–	18,378	–	18,378
Share options lapsed (restated)	–	–	–	–	(9,363)	–	–	9,363	–	–	–
At 30 June 2012 (unaudited and restated)	33,163	80,539	6,663,376	8,390	53,291	–	186,492	(5,369,889)	1,655,362	6,110	1,661,472

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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2013*

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash (used in) from operating activities</b>	<b>(61,574)</b>	213,871
<b>Net cash used in investing activities</b>	<b>(1,491)</b>	(39,405)
<b>Net cash from (used in) financing activities</b>	<b>747</b>	(54,859)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(62,318)</b>	119,607
<b>Cash and cash equivalents at 1 January</b>	<b>113,670</b>	97,033
<b>Effect of foreign exchange rate changes</b>	<b>2,200</b>	607
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE, REPRESENTING BANK BALANCES AND CASH</b>	<b>53,552</b>	217,247



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*For the six months ended 30 June 2013*

### **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 Company acts as an investment holding company and is also engaged in the provision of procurement services. The subsidiaries of the Company are principally engaged in provision of public procurement, corporate IT solution services, trading business and energy management contracting (“EMC”).

The condensed consolidated interim financial information are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### **2. BASIS OF PREPARATION**

The condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

### **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial information has been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation adopted in the condensed consolidated interim financial information for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2012.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

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

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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **3. PRINCIPAL ACCOUNTING POLICIES (Continued)**

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee but does not result in any change in the control conclusions.

Except as described above, the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial information.

#### 4. RESTATEMENTS OF PRIOR PERIOD FIGURES

(a) **Restatements of the condensed consolidated interim financial information for the six months ended 30 June 2012**

(1) *Measurement and retranslation of the goodwill*

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") by the Group in April 2009 (the "Acquisition") and identified certain necessary adjustments in recording the Acquisition. Details of the prior year adjustments in respect of the Acquisition had been set out in the annual report of the Company for the year ended 31 December 2012. As a result, the carrying amount of goodwill as at 1 January 2012 had been decreased by approximately HK\$4,025,664,000, while the share premium, translation reserve and accumulated losses as at 1 January 2012 had been increased by approximately HK\$119,694,000, HK\$181,325,000 and HK\$4,326,683,000 respectively. As a result of the restatement to the goodwill, the directors of the Company had performed retranslation of the carrying amount of goodwill as at 30 June 2012 and resulted in a further increase in the goodwill and translation reserve by approximately HK\$1,541,000.

(2) *Gain on 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 RMB10,000 (equivalent to approximately HK\$12,000) to Mr. Li Yang, an independent third party.

In preparing the consolidated financial statements of the Group for the year ended 31 December 2012, the directors of the Company discovered certain errors in relation to the computation of the gain on disposal of Wuxuan Tiejian. The correction of such errors had resulted in increase in the gain on disposal of a subsidiary and translation reserve of approximately HK\$1,083,000 and HK\$550,000 respectively.

\* *The English name is for identification purpose only.*

#### 4. RESTATEMENTS OF PRIOR PERIOD FIGURES (Continued)

(a) **Restatements of the condensed consolidated interim financial information for the six months ended 30 June 2012 (Continued)**

(3) *Share options lapsed*

During the six months ended 30 June 2012, 66,000,000 share options were lapsed but not recorded in the condensed consolidated statement of changes in equity for the six months ended 30 June 2012. As a result, the carrying amounts of share-based compensation reserve and accumulated loss as at 30 June 2012 were decreased by approximately HK\$9,363,000.

(b) **Summary of the effect of restatements to prior period figures for the six months ended 30 June 2012:**

	<b>As previously reported</b>	<b>Adjustment 4a (1)</b>	<b>Adjustment 4a (2)</b>	<b>As restated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset				
Goodwill	5,369,545	(4,024,123)	—	1,345,422
Capital and reserves				
Reserves	5,564,149	(4,024,123)	1,633	1,541,659
Equity attributable to owners of the Company	5,677,852	(4,024,123)	1,633	1,655,362
Loss per share (basic and diluted) HK cents	(0.68)	—	0.01	(0.67)

## 5. REVENUE AND SEGMENT INFORMATION

During the six months ended 30 June 2013, the Group has identified a new operating segment, the EMC. It has no effect on the Group's segment revenue and results for the six months ended 30 June 2012. The comparative segment assets have been restated to incorporate the changes.

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 services to the users of the online platform;
- (2) Trading business segment engages in trading of different products;
- (3) Provision of corporate IT solution segment engages in the development of software and provision of maintenance services to the customers; and
- (4) EMC segment engages in sales and management of EMC framework agreements.

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

## 5. 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.

*For the six months ended 30 June 2013*

	Public procurement	Trading business	Provision of corporate IT solution	EMC	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	—	—	4,146	80,000	84,146
Segment profit	—	—	1,531	79,362	80,893
Unallocated income					814
Unallocated expenses					(47,914)
Share of loss of an associate					(149)
Profit before tax					33,644

*For the six months ended 30 June 2012*

No operating segment information was presented for the six months ended 30 June 2012 as the Group did not generate any revenue from any of the segments during that period.

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

#### Segment assets

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited and restated)
Public procurement	<b>1,687,697</b>	1,668,798
Trading business	<b>2,905</b>	1,692
Provision of corporate IT solution	<b>45,895</b>	42,126
EMC	<b>89,865</b>	38,774
<b>Total segment assets</b>	<b>1,826,362</b>	1,751,390

#### Segment liabilities

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Public procurement	<b>94,400</b>	78,749
Trading business	<b>3,460</b>	8,566
Provision of corporate IT solution	<b>644</b>	778
EMC	<b>—</b>	—
<b>Total segment liabilities</b>	<b>98,504</b>	88,093



**6. OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>161</b>	251
Sundry income	<b>653</b>	100
	<b>814</b>	351

**7. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank loans not wholly repayable within five years	<b>2,207</b>	—
Less: Amount capitalised	<b>(2,207)</b>	—
	<b>—</b>	—

**8. INCOME TAX EXPENSE**

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2013 as the assessable profits are offset by the tax losses brought forward in prior years.

No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2012 as the Group did not have any assessable profits arising in Hong Kong.

No provision for PRC Corporate Income Tax has been made for the six months ended 30 June 2013 (2012: nil) as the Group did not have any assessable profits.

## 9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation and depreciation	3,288	2,154
Exchange difference, net	113	(2)

## 10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	34,452	(47,830)

### Number of shares

	Six months ended 30 June	
	2013	2012
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares and preferred shares for the purpose of basic earnings (loss) per share	11,370,247	7,166,281

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the six months ended 30 June 2013 as the exercise price of those options is higher than the average market price of the Company's shares.

**10. EARNINGS (LOSS) PER SHARE (Continued)**

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 six months ended 30 June 2012 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 computation of diluted loss per share for the six months ended 30 June 2012 did not assume the exercise of the Company's outstanding share options during the six months ended 30 June 2012.

**11. DIVIDEND**

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: nil).

**12. PLANT AND EQUIPMENT**

During the six months ended 30 June 2013, additions to the Group's plant and equipment were approximately HK\$1,652,000 (2012: HK\$1,513,000).

**13. GOODWILL**

	<i>HK\$'000</i>
Net book value as at 1 January 2013 (audited)	1,362,223
Exchange realignment	40,340
Net book value as at 30 June 2013 (unaudited)	1,402,563

#### 14. TRADE RECEIVABLES

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:

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 90 days	<b>83,325</b>	629
91 days to 180 days	<b>570</b>	648
181 days to 365 days	<b>787</b>	283
Over 365 days	<b>353</b>	188
	<b>85,035</b>	1,748

#### 15. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount is unsecured, interest free and repayable on demand.

#### 16. ACCRUALS AND OTHER PAYABLES

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Accruals	<b>500</b>	261
Receipt in advance	<b>11,920</b>	—
Other payables	<b>49,119</b>	51,620
	<b>61,539</b>	51,881

**17. SECURED BANK LOANS**

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Secured	<b>62,574</b>	64,059
Carrying amount repayable:		
Within one year	<b>6,765</b>	6,570
More than one year but not exceeding two years	<b>6,765</b>	6,570
More than two years but not exceeding five years	<b>20,295</b>	19,710
More than five years	<b>28,749</b>	31,209
	<b>62,574</b>	64,059
Less: Amounts due within one year shown under current liabilities	<b>(6,765)</b>	(6,570)
Amount shown under non-current liabilities	<b>55,809</b>	57,489

The Group's bank loans are interest-bearing at variable-rate. The effective interest rate per annum on the Group's bank loans during the reporting periods are as follow:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
Variable-rate bank loans	<b>6.91%</b>	N/A

The bank loans are denominated in RMB and are secured by the prepayment for property, plant and equipment as disclosed in Note 21 and guaranteed by an independent third party of the Group.

## 18. SHARE CAPITAL

	Number of shares	Nominal value of Ordinary shares
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2012 (audited)	10,000,000	100,000
Increase in authorised capital ( <i>Note</i> )	10,000,000	100,000
At 30 June 2012 (unaudited), 1 January 2013 (audited) and 30 June 2013 (unaudited)	20,000,000	200,000
<b>Issued and fully paid:</b>		
At 1 January 2012 (audited), 30 June 2012 (unaudited) and 1 January 2013 (audited)	3,316,332	33,163
Conversion of preferred shares	7,807,935	78,079
At 30 June 2013 (unaudited)	11,124,267	111,242

Note: Pursuant to a general meeting 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.

## 19. CONVERTIBLE PREFERRED SHARES

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

	Number of shares	Nominal value of preferred shares
	'000	HK\$'000
At 1 January 2012 (audited)	—	—
Issued during the period	8,053,915	80,539
At 30 June 2012 (unaudited) and 1 January 2013 (audited)	8,053,915	80,539
Conversion of preferred shares	(7,807,935)	(78,079)
At 30 June 2013 (unaudited)	245,980	2,460

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

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

- (i) The convertible preferred shareholders has the right, exercisable at any time perpetual as from the date of issue, to convert the preferred shares into fully paid ordinary shares, provided that (1) any conversion of the convertible preferred 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 preferred shares holders and their concert parties who exercise the conversion rights; (2) the public float of the shares shall not be less than 25%.
- (ii) The convertible preferred shares are transferable and do not carry the right to vote at the Company's general meetings. The convertible preferred shareholders are entitled to the dividend declared by the Company.
- (iii) The convertible preferred shares shall rank pari passu with any and all current and future preferred equity securities of the Company.
- (iv) The convertible preferred shares are non-redeemable.

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

## 20. 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:

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>2,301</b>	4,398
In the second to fifth years inclusive	<b>701</b>	961
	<b>3,002</b>	5,359

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial term of 1-2 years (2012: 1 to 2 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:

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of		
– acquisition of intangible assets	<b>9,931</b>	14,469
– acquisition of property, plant and equipment	<b>25,806</b>	16,562
– further capital injection to an associate	<b>21,732</b>	21,107
	<b>57,469</b>	52,138



## 21. PLEDGE OF ASSET

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

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Prepayment for acquisition of property, plant and equipment	<b>156,965</b>	150,295

## 22. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2013, the Group has entered into the following transaction with a substantial shareholder:

	<b>30 June 2013</b>	30 June 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Service fee paid	<b>6,637</b>	—

### (b) Key management compensation

The remuneration of directors and other members of key management during the period are as follow:

	<b>30 June 2013</b>	30 June 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>12,396</b>	6,306
Equity-settled share-based payment expense	—	13,678
Pension scheme contribution	<b>12</b>	36
	<b>12,408</b>	20,020

## **23. EVENTS AFTER THE END OF THE REPORTING PERIOD**

### **a) Issuance of share options**

A share option scheme was adopted by the Company pursuant to a resolution of the shareholders of the Company passed on 13 June 2013. A total of 295,000,000 share options were granted on 2 July 2013 to the Company's eligible participants with exercise price ranged from HK\$0.64 to HK\$0.762 and exercisable period from 2 July 2013 to 1 July 2016.

### **b) Proposed acquisition of the entire issued share capital of Fortress Paradise Limited and its subsidiaries**

On 22 July 2013, a wholly-owned subsidiary of the Company entered into a memorandum of understanding (the "MOU") with an independent third party (the "Vendor") in relation to the proposed acquisition (the "Proposed Acquisition") of the entire issued share capital of Fortress Paradise Limited and its subsidiaries.

As at the date of approval of this interim financial information, no formal agreement had been entered into between the Group and the Vendor in respect of the Proposed Acquisition. Details of the MOU were set out in the Company's announcement dated 22 July 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

For the six months ended 30 June 2013, the Group recorded a profit of approximately HK\$33.6 million (for the six months ended 30 June 2012: a loss of approximately HK\$48.9 million), mainly due to an increase in revenue. The details are contained in the condensed consolidated financial information. The profit attributable to shareholders was HK0.30 cents per share (for the six months ended 30 June 2012: a loss of HK0.67 cents per share).

### **Prospects**

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

In the future, the Group will adopt the 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 the 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 addition to developing its other businesses in order to create value for the Company.

### **Electronic Public Procurement Platforms**

The China Public Procurement Online Platform (中國公共採購網) primarily targets the large-scale public procurement market in China, with a core focus on electronic transactions of governmental procurements. The electronic public service platform serves as the major nexus by virtue of which an international public procurement electronic service system is built.

### **Development in Qianhai**

In April this year, the Company was approved by the Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) to establish a subsidiary in Qianhai, which will provide financial information services for the users of the financial service platform, and integrated financial solutions for small and medium enterprises involved in governmental procurements. The Company will

leverage on the favourable financial policies provided by Qianhai, Shenzhen to offer a platform of quick fundraising services to all financial institutions and small and medium suppliers of governmental procurements.

### **Proposed acquisitions of electronic trading platforms for bulk commodities exchanges of coal and others**

In July of this year, the Company proposed to acquire an electronic platform for coal trading operations in the PRC, which provides trading, clearing, financing, asset management and logistics services for suppliers and customers in coal transactions. Should the acquisition be successful, the Board expects this electronic coal trading platform to become one of the Group's bulk commodities exchange platforms and to create a synergistic effect with the businesses of the Company.

### **Energy Management Contracting Services (the "EMC")**

The PRC government outsources the investment, renovation, management, operation and maintenance of urban public lightings as a whole to professional energy-conserving service providers, and pays the contracted service providers for the costs of renovations of energy efficiency enhancement and gains on managing operations by attributing shares of energy fees on energy conservation and emission reduction. The Company has been participating in the public lighting renovation services in various cities and is actively expanding into other new markets as well.

### **Facilitation of Global Public Procurement Forum**

In October, the Group will facilitate the 2013 Global Public Procurement Forum and Sourcing Fair in Wuhan, China, which is 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) under the guidance of the Ministry of Commerce (中國商務部) and the Development Research Centre of the State Council (國務院發展研究中心). Over a thousand guests will attend the Forum, including investment institutes, experts, scholars and suppliers from the UN, EU, US, Canada, PRC, Taiwan and Hong Kong, along with procurement officials of the respective governments.

### **Liquidity and Financial Resources**

As at 30 June 2013, the Group maintained cash and bank balances of HK\$53.6 million (31 December 2012: HK\$113.7 million) with a secured bank loan of approximately HK\$62.6 million (31 December 2012: a secured bank loan of approximately HK\$64.1 million). As at 30 June 2013, the Group's working capital (net current assets) and current ratio were of HK\$147.5 million (31 December 2012: HK\$113.8 million) and 2.40 (31 December 2012: 2.14) respectively. The existing available cash and bank balances are considered sufficient for the Group's operating requirements.

### **Gearing Ratios**

As at 30 June 2013, the Group's gearing ratios, calculated as total liabilities divided by total assets was 8.87% (31 December 2012: 8.77%).

### **Pledge of Assets**

As at 30 June 2013, assets of approximately HK\$157.0 million were pledged by the Company (31 December 2012: HK\$150.3 million).

### **Contingent Liabilities**

As at 30 June 2013, the Company 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 HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the Period. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

### **Staff and Remuneration Policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2013, the Group

had approximately 165 employees, and total remuneration of employees (including directors of the company (the “Director(s)”) was approximately HK\$21.1 million. The Company maintains a share option scheme, pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

## SHARE OPTION SCHEME

Details of the share options movements during the six months ended 30 June 2013 under the share option scheme adopted by the Company on 12 June 2002 (the “Share Option Scheme”) are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2013	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2013	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
<b>Directors</b>										
Chan Tze See, Kevin	05.01.2010	1,000,000	–	–	(1,000,000)	–	–	– 05.01.2010 to 04.01.2013	0.780	
	28.05.2012	3,300,000	–	–	–	3,300,000	–	– 28.05.2012 to 27.05.2015	0.762	
Chen Bojie	05.01.2010	1,000,000	–	–	(1,000,000)	–	–	– 05.01.2010 to 04.01.2013	0.780	
	28.05.2012	3,300,000	–	–	–	3,300,000	–	– 28.05.2012 to 27.05.2015	0.762	
Cheng Yuanzhong	28.05.2012	15,000,000	–	–	–	15,000,000	–	– 28.05.2012 to 27.05.2015	0.762	
Wang Dingbo	28.05.2012	15,000,000	–	–	–	15,000,000	–	– 28.05.2012 to 27.05.2015	0.762	
Peng Zhiyong	28.05.2012	12,000,000	–	–	–	12,000,000	–	– 28.05.2012 to 27.05.2015	0.762	
Peng Ru Chuan	28.05.2012	12,000,000	–	–	–	12,000,000	–	– 28.05.2012 to 27.05.2015	0.762	
Wang Ning	28.05.2012	10,000,000	–	–	–	10,000,000	–	– 28.05.2012 to 27.05.2015	0.762	
Liu Jie	28.05.2012	12,000,000	–	–	–	12,000,000	–	– 28.05.2012 to 27.05.2015	0.762	

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2013	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2013	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Wu Fred Fong	28.05.2012	3,300,000	–	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.762
Xu Haigen	28.05.2012	3,300,000	–	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.762
Subtotal		91,200,000	–	–	(2,000,000)	–	89,200,000			
<b>Other Employees</b>	05.01.2010	1,600,000	–	–	(1,600,000)	–	–	–	05.01.2010 to 04.01.2013	0.780
	09.02.2010	30,000,000	–	–	(30,000,000)	–	–	–	09.02.2010 to 08.02.2013	1.070
	28.05.2012	107,200,000	–	–	–	–	107,200,000	–	28.05.2012 to 27.05.2015	0.762
Subtotal		138,800,000	–	–	(31,600,000)	–	107,200,000			
<b>Total</b>		<b>230,000,000</b>	<b>–</b>	<b>–</b>	<b>(33,600,000)</b>	<b>–</b>	<b>196,400,000</b>			

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

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 30 June 2013
Cheng Yuanzhong	Beneficial interest	—	15,000,000 (Note 1)	0.13%
Chen Shulin	Corporate interest	600,000,000 (Note 2)	—	5.39%
Ho Wai Kong	Corporate interest	637,388,901 (Note 3)	4,284,725 (Note 3)	5.77%
	Beneficial interest	14,800,000	70,000,000 (Note 4)	0.76%
	Spousal interest	279,348,000 (Note 5)	—	2.51%
Wang Dingbo	Corporate interest	51,425,910	—	0.46%
	Beneficial interest	1,000,000	15,000,000 (Note 1)	0.14%
	Spousal interest	1,100,000 (Note 6)	—	0.01%



<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Number of underlying shares held</b>	<b>Percentage of the issued share capital as at 30 June 2013</b>
Peng Zhiyong	Beneficial interest	—	12,000,000 (Note 1)	0.11%
Peng Ru Chuan	Beneficial interest	—	12,000,000 (Note 1)	0.11%
Wang Ning	Beneficial interest	—	10,000,000 (Note 1)	0.09%
Liu Jie	Beneficial interest	—	12,000,000 (Note 1)	0.11%
Wu Fred Fong	Beneficial interest	15,000,000	3,300,000 (Note 1)	0.16%
Chan Tze See, Kevin	Beneficial interest	—	3,300,000 (Note 1)	0.03%
	Spousal interest	352,000 (Note 7)	—	0.00%
Chen Bojie	Beneficial interest	—	3,300,000 (Note 1)	0.03%
Xu Haigen	Beneficial interest	—	3,300,000 (Note 1)	0.03%

## Notes:

- These share options were granted by the Company under the Share Option Scheme.
- Mr. Chen Shulin is interested in 600,000,000 shares under controlled corporation, Metro Factor Limited.
- Mr. Ho Wai Kong is interested in 641,673,626 shares under controlled corporation, of which 641,173,626 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 4,284,725 convertible preferred shares of the Company (the "Preferred Shares").
- Mr. Ho Wai Kong is interested in these Preferred Shares.

5. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 279,348,000 shares held by Ms. Guo Binni under the SFO.
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 30 June 2013, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2013, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Long positions in ordinary shares of 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 30 June 2013
Metro Factor Limited ("Metro Factor") (Note 1)	Beneficial interest	—	600,000,000	5.39%
Tian Xinhua (Note 2)	Spousal interest	—	600,000,000	5.39%
Master Top Investments Limited ("Master Top") (Note 3)	Beneficial interest	4,284,725	636,888,901	5.76%
Guo Binni (Note 4)	Beneficial interest	—	279,348,000	2.51%
	Spousal interest	74,284,725	652,188,901	6.53%
Top Blast Limited ("Top Blast") (Note 5)	Beneficial interest	—	1,937,280,000	17.41%
China Public Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") (Note 5)	Corporate interest	—	1,937,280,000	17.41%
	Beneficial interest	—	20,000,000	0.18%
Guocai Science & Technology Company Limited ("Guocai Science") (Note 5)	Corporate interest	—	1,957,280,000	17.59%

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 shares under controlled corporation, Metro Factor held by Mr. Chen Shulin under the SFO.
3. Master Top is directly, wholly and beneficially owned by Mr. Ho Wai Kong.
4. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 641,673,626 shares under his controlled corporation, including 74,284,725 Preferred Shares. She is also deemed to be interested in 84,800,000 shares held by Mr. Ho Wai Kong under SFO.
5. Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2013.

## **PRE-EMPTIVE RIGHTS**

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

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

## **CONVERTIBLE PREFERRED SHARES**

During the Period, the Company issued a total of 7,807,934,424 fully paid ordinary shares upon conversion of the Preferred Shares.

Save as disclosed above, the Company did not issue any shares during the Period.

## **CONNECTED TRANSACTION**

- (1) 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.

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.

(2) 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.

## **MEMORANDUM OF UNDERSTANDING**

On 22 July 2013, a wholly-owned subsidiary of the Company entered into a memorandum of understanding (the “MOU”) with an independent third party (the “Vendor”) in relation to the proposed acquisition (the “Proposed Acquisition 2”) of the entire issued share capital of Fortress Paradise Limited and its subsidiaries.

As at the date of approval of this interim financial information, no formal agreement had been entered into between the Group and the Vendor in respect of the Proposed Acquisition 2. Details of the MOU were set out in the Company’s announcement dated 22 July 2013.

## **CORPORATE GOVERNANCE**

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

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the Period.

The Board and the audit committee of the Company (the “Audit Committee”) have reviewed the effectiveness of the Group’s internal control systems and considered that the Group’s internal control systems are reasonably implemented and the Group has fully complied with the CG Code regarding internal control systems in general.

### **Audit Committee**

The Audit Committee comprises five members namely, Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin, Mr. Chen Bojie, Mr. Xu Haigen and Mr. Ying Wei. All of them are the independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2013, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

### **Remuneration Committee**

The remuneration committee of the Company (the “Remuneration Committee”) comprises five members namely Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin, Mr. Chen Bojie, Mr. Xu Haigen and Mr. Ying Wei. All of them are the independent non-executive Directors. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.



### **Nomination Committee**

The nomination committee of the Company (the “Nomination Committee”) comprises seven members namely Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong, Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie, Mr. Xu Haigen and Mr. Ying Wei. Mr. Cheng Yuanzhong and Mr. Ho Wai Kong are executive Directors whereas the other five are the independent non-executive Directors. The Nomination Committee made recommendations to the Board on appointment of the Directors, having regard to the candidates’ qualification and competence, so as to ensure that all nominations are fair and transparent.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2013.

By order of the Board

**CHINA PUBLIC PROCUREMENT LIMITED**



**Cheng Yuanzhong**

*Joint Chairman*

Hong Kong, 19 August 2013

*At the date of this report, the Board comprises eight executive Directors, namely Mr. Cheng Yuanzhong (Joint Chairman), Mr. Chen Shulin (Joint Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Wang Dingbo (Chief Executive), Mr. Lau Kin Shing, Charles, Mr. Li Kening, Mr. Peng Zhiyong and Mr. Peng Ru Chuan; two non-executive Directors, namely Mr. Wang Ning and Ms. Liu Jie; and six independent non-executive Directors, namely Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie, Mr. Xu Haigen, Mr. Ying Wei and Mr. Shen Shaoji.*