CHINA PUBLIC PROCUREMENT LIMITED

中國公共採購有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

2013 Annual Report

Contents

Corporate Information

DIRECTORS

Chairman
Mr. Cheng Yuanzhong, *B.Phil.*

Honorary Chairman
Mr. Ho Wai Kong

Executive Directors
Mr. Yan Wei, *EMBA, LLB*
(Chief Executive and Chief Operating Officer)
Mr. Zhang Wanjun, *MBA, BEng*
(Chief Financial Officer)
Mr. Zhao Peilai, *BCA*
Mr. Peng Zhiyong, *MBA, BEcon*
(Head of Internal Audit)
Mr. Peng Ru Chuan, *MA, MSc*

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

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

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

COMPANY SECRETARY AND HEAD OF LEGAL

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

SHARE REGISTRARS

Bermuda
MUFG Fund Services (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 ended 31 December 2013.

PUBLIC PROCUREMENT BUSINESS

In 2013, the Company was in full operation and remained active in developing public procurement businesses, commencing the establishment of local and industry-level procurement platforms. The main electronic public procurement platform and its 22 branch platforms, which are funded and operated by us, were in continual construction. During the period under review, trading platforms were established and their trial operation commenced in Hubei Province, Inner Mongolia Autonomous Region and Panjin City, and the government procurement platforms and bulk commodity trading platforms in Qinghai Province and Jining City began to turn profitable. Certification and preliminary preparation in the initial stage were completed for our military resources and advanced education institutions procurement platforms.

The Company reached consensus with Guocai Science & Technology Company Limited* (國採科技股份有限公司), our PRC Partner, in June 2013 over the Global Public Procurement Transaction Service Centre project. We also signed the exclusive licensing cooperation agreement in relation to it.

In addition, the Company organised "National Public Resources Trading Summit 2013"* (2013全國公共資源交易高峰論壇) and "Global Public Procurement Forum and Sourcing Fair 2013" in August and October this year, respectively. Experts and related institutions in the public procurement sector from the United Nations, the European Union, the U.S. and China were invited, reinforcing our collaboration with organisations in the sector. During the events, the Company entered into a number of cooperation agreements with relevant cooperative partners in connection to the establishment of a global public procurement trading services centre and Qatar World Cup Project, among others. In addition, the Company has reached agreements with the government of France and Paraguay respectively, to commence their local public procurement projects jointly, making the first steps of the global strategic plan of CPP. It was the third year for the Company to facilitate the organisation of the Global Public Procurement Forum and Sourcing Fair, proving our industry position and helping to boost our corporate image.

DEVELOPMENTS 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. As at the end of 2013, cooperation agreements were entered into between the Company and the provincial governments of Hubei and Inner Mongolia, and joint development of financial services with CITIC Bank was secured as part of our strategic partnership.

* *for illustration purposes only*

OPTIMISATION OF BUSINESS STRUCTURE

In line with our business development, the Group was devoted to the optimisation of our business structure during the year, reorganising our human resources into different business divisions, which include Public Procurement Business Division, Wuhan Headquarter Business Division, Tendering Agency Business Division, Financial Services Business Division, Bulk Commodity Trading Business Division and Global Procurement Business Division. They are responsible for a variety of key projects.

REORGANISATION OF THE BOARD

The Board of the Company will continue to undergo reorganisation. Mr. Chen Shulin resigned as Executive Director and Joint Chairman of the Company. Mr. Li Kening resigned as Executive Director and Chief Financial Officer. Mr. Lau Kin Shing, Charles resigned as Executive Director, Chief Investment Officer, Company Secretary and Authorised Representative. Mr. Wang Dingbo was redesignated from Executive to Non-executive Director, and stepped down as Chief Executive Officer. In the meantime, CPP appointed Mr. Zhang Wanjun as Executive Director and Chief Financial Officer, Mr. Zhao Peilai as Executive Director, and Mr. Yan Wei as Executive Director, Chief Executive Officer and Chief Operation Officer. The Board would like to take this opportunity to extend its appreciation to Mr. Chen, Mr. Li and Mr. Lau for their past contribution to the Company and express its warmest welcome to Mr. Zhang, Mr. Zhao and Mr. Yan in joining the Company. Mr. Zhang Wanjun has over 10 years' work experience in foreign and Chinese banks and 10 years' experience in senior management of industrial and commercial enterprises. Mr. Zhao has over 18 years' experience in banking, foreign exchange and accounting services. Mr. Yan is experienced in legal and financial sectors as well as business management, having been involved in the establishment and operation of the third-party service system on China Public Procurement Online Platform. We hope that our new members will complement CPP's future development, breathing new life into the Company.

PROSPECT

We are confident in the future of electronic public procurement businesses. Across the globe, the public procurement sector is accounting for increasing shares in the GDP of developed economies. In China, the size of the public procurement sector is expected to expand rapidly as the government continues to increase its procurement of public services, with the benefit of opportunities presented by government policies in the wake of economic globalisation and GPA negotiations.

On 26 March 2014, the service product "公採通" (CPPThru*) was launched to promote cross-platform procurement by suppliers on a nationwide basis, while providing third-party services such as collated information customization, safety authentication, credit check, electronic bills, payment and financing. Its scope of service will gradually be expanded to facilitate inter-connection with the government procurements centres of 22 provinces, cities or districts including Hubei, Qinghai, Hebei, Shandong, Shenzhen and Shenyang.

For our financial service business, the Company has since the beginning of 2014 entered into partnerships with Everbright Bank, Minsheng Bank and China Merchants Bank, and will continue to identify and sign up new partner banks in future. Hubei Province and Inner Mongolia Autonomous Region will represent important

Chairman's Statement

regions for trial operation, while expanding the business to other regions. In the meantime, the Company will improve its business processing platform and continue to introduce guarantee, credit check and payment as three value-adding businesses.

Aided by new trends in information technology, the electronic trading services platform for public procurement owned by the Company will be gradually connected to different public procurement platforms for procurements of the government, state-owned enterprises, the military force, advanced education institutions, platforms for bulk commodity purchases and global public procurement trading. We will also establish an e-mall specialised to serve public procurement organisations, building a nation-wide unified platform supported by the market service system with electronic transactions as its core activities conducted through CPPThru and the e-mall. With stable business and strong financial power, the Company will continue to explore development opportunities based on its rootedness in China and its global vision. We remain cautiously optimistic as to the overall prospect of public procurement business. The Company is determined to make continual endeavors as it sets sail towards the blue ocean of global public procurement industry.

In conclusion, I would like to take this opportunity to express our most sincere appreciation for the endeavours and loyal service of all our employees, as well as for the continuous support of all our shareholders for the Company. 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	**Ho Wai Kong**
Chairman	*Honorary Chairman*

Hong Kong, 31 March 2014

Management Discussion and Analysis

China Public Procurement Limited (referred to hereafter as "The Company") is mainly engaged in the construction and operation of electronic public procurement projects in the PRC. As an independent facilitating platform, the Company takes systematic reform and institutional renovation of the public procurement sector as its own responsibility, taking full advantage of its mixed ownership model with Guocai Science & Technology Company Limited (國採科技股份有限公司), our PRC Partner, straddling between the public and private sector. Full openness and transparency are our principle of procurement as we strive to construct a unified platform for public procurement throughout the nation.

ANNUAL RESULTS

Revenue during the year ended 31 December 2013 was HK$90,003,000 (2012: HK$277,123,000), which is mainly attributable to the income generated from the professional services offered in the electronic transaction platform of China Public Procurement Online Platform and our EMC services. A turnaround to profit was achieved as our profit of the year was HK$36,745,000 (2012: loss of HK$16,870,000).

Earnings per share was HK0.33 cent during the year (2012: loss per share of HK0.16 cent). The Board recommends that no dividend be paid for the year ended 31 December 2013.

BUSINESS REVIEW

In 2013, the Company was in full operation with a view to strengthen its foundation. As trading in the Company's shares was resumed early in the year, the Company laid out its structure which comprises the entire industry chain in public procurement, with its main electronic public procurement platform and 22 branch platforms, funded and operated by us, in continual construction, furthering its involvement in the establishment of procurement platforms on regional and industry levels. During the period under review, trading platforms will be established and will commence trial operation in Hubei Province, Inner Mongolia Autonomous Region and Panjin City, and the government procurement platforms and bulk commodity trading platforms in Qinghai Province and Jining City began to turn profitable. Initial deliberation and preliminary work were completed for our military resources and advanced education institutions procurement platforms.

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. As at the end of 2013, cooperation agreements were entered into between the Company and the provincial governments of Hubei and Inner Mongolia, and joint development of financial services with CITIC Bank was secured as part of our strategic partnership.

Consensus has been reached in June between the Company, our PRC Partner Guocai Science & Technology Company Limited, and a facilitating strategic collaborator for the project of the global public procurement services centre, for which an exclusive licensing cooperation agreement was signed. During the same year, the zoning for our headquarter project was approved by WEHDZ Committee (東湖高新區管委會), and furnishing of the office building used for our headquarter project in Wuhan, Public Procurement Building, was completed and began in use in August.

The Company organised "National Public Resources Trading Summit 2013"* (2013全國公共資源交易高峰論壇) and "Global Public Procurement Forum and Sourcing Fair 2013" in August and October this year, respectively. Experts and related institutions in the public procurement sector from the United Nations, the European Union, the U.S. and China were invited, reinforcing our collaboration with organizations in the sector and enhancing our influence in the industry. During the events, the Company entered into a number of cooperation agreements with relevant cooperative partners in connection to the establishment of a global public procurement trading services centre and Qatar World Cup Project, among others. In addition, the Company has reached agreements with the government of France and Paraguay respectively, to commence their local public procurement projects jointly, making the first steps of the global strategic plan of CPP.

In 2013, the Company continued to participate in public lighting renovation services in various cities, providing our customers with integrated services including energy efficiency design, procurement, construction, training and operational maintenance, with an aim to gain profits and achieve on-going development through energy efficiency enjoyed in consequence to the implementation of the sharing projects with customers.

During the period, the Company was devoted to the optimisation of our business structure, reorganising our human resources into different business divisions, which include Public Procurement Business Division, Wuhan Headquarter Business Division, Tendering Agency Business Division, Financial Services Business Division, Bulk Commodity Procurement Business Division, Global Public Procurement Business Division, and setting up Energy Efficiency Business Division, Supply Chain Management Business Division, Civil-Military Integration Business Division and E-mall Business Division. They are responsible for a variety of key projects, such as CCPThru, e-mall, bulk commodity trading platforms, electronic tendering and bidding platforms, regulatory platform for energy conservation by public institutions, financial services platform and the Global Public Procurement Transaction Service Centre.

Financial Service Business

Since the beginning of 2014, the Company has entered into partnerships with Everbright Bank, Minsheng Bank and China Merchants Bank to expand its business channels, and will continue to identify and sign up new partner banks in future. Hubei Province and Inner Mongolia Autonomous Region will represent important regions for trial operation, as the Company will align its best resources to ensure sound operations at the two aforesaid regions, while expanding the business to other regions. In the meantime, the Company will improve its business processing platform and continue to introduce guarantee, credit check and payment as three value-adding businesses. The guarantee measures will effectively enhance efficiency on the bank end, which will in turn enhance the overall business completion ratio. As the business expands, insurance premium is also expected to become a major source of the Company's business revenue. Meanwhile, credit check will help to improve the business application approval rate on the bank end, while the payment service will lower the operating and ethical risks in business operation. The financial service business is also expected to form with the CPPThru business a joint force driving forward.

Looking to the future, given the PRC government's concern for the government procurement business over the longer term, the further development of the government procurement market and gradually improving functions of the China Public Procurement Online Platform operated by the Company, the financial service business is well-positioned to achieve new benchmarks in business expansion as it expects a more favourable environment for business development.

Global Public Procurement Services

The Company has plans to commence public procurement-related businesses with its partners in Qatar, Paraguay and France. At the same time, the Company and its partner in China 國採科技股份有限公司 (Guocai Science & Technology Company Limited*) will jointly develop the Global Public Procurement Transaction Service Centre and Optics Valley Technology Convention Centre in Wuhan, together with ancillary service facilities for members. The Company believes that, as the time China becoming a signatory to the Agreement on Government Procurement (GPA) comes closer, its public procurement business will experience soaring growth in 2014.

Headquarters Business

The Company has plans to promote, invest in and construct the "Public Procurement e-Commerce City" jointly with Hubei Province, Inner Mongolia Autonomous Region and Shandong Province, with the aim of forming an open online commerce city focused on the public procurement sector with shared prices, which is expected to generate information flow, business flow, logistics and capital flow from transactions. As well as making positive contributions to the Company's operating revenue, the project will also have a profound social impact. Currently, planning deliberations have been completed and the platform is scheduled to go online in the fourth quarter of 2014. Embedded in the general platform and the e-procurement platforms of various provincial governments, it is expected to generate synergies with the CPPThru business. The advanced education institutions e-procurement platform project and the military supplies e-procurement platform project are also expected to make breakthroughs and generate revenue for the Company in 2014.

In 2014, the Company plans to build an end-to-end electronic bidding and tender assessment service centre at Public Procurement Building, its owned property, to provide end-to-end electronic procurement and bidding services as well as offline tender assessment services to bidding intermediaries, procurement agencies and institutional procurement buyers. As well as generating business revenue, the centre also allows customers to experience our services as part of our business development initiatives. This centre and the information centre will be developed under centralized planning and constructed and utilized on a consolidated basis, in order to expand its influence in the industry and win over policy-driven funds.

At the same time, to increase utilization efficiency, certain currently vacant office areas in Public Procurement Building will be leased to third-party enterprises and public institutions with the provision of relevant service.

Tendering Agency Business

Our Tendering Agency Business Division established based on our tendering and bidding agency services is a crucial business module of the Company as well as an important deployment in the sector of public procurement services. The business division will have Class A qualification of project bidding agency issued by Ministry of Housing, Class A qualification of the government procurement agency issued by Ministry of Finance, and Tendering Agencies of Investment Projects of the Central Government issued by National Development and Reform Commission, as well as ISO Quality Management Systems Certification. Leveraging on our advantage in the public procurement sector in China, we intend to provide different types of tendering agency and quality system certification services for related enterprises.

Energy Conservation Monitoring Business

Supported by our good public relations, high calibre market partners and professional technical teams, the Company will begin its renovation projects for city street lights. During the same period, the Company planned to develop platforms of public institutions to monitor energy consumption which collect data of, monitor and manage energy consumption in public institutions by means of information collection, information communications, computer integration and data transfer. Analysis is conducted for energy use in public institutions to provide effective basis of the design of energy conservation renovation projects, providing services such as settling queries about and conducting assessment of energy consumption as well as plotting informational graphs. It is expected that the accomplishment of the project will bring the Company's energy and environmental conservation services in the public sector to a new level.

Aided by new trends in information technology, the electronic trading services platform for public procurement owned by the Company will be gradually connected to different public procurement platforms for procurements of the government, state-owned enterprises, the military force, advanced education institutions, platforms for bulk commodity purchases and global public procurement trading. We will also establish an e-mall specialised to serve public procurement organisations, building a nation-wide unified platform supported by the market service system with electronic transactions as its core activities conducted through CPPThru and the e-mall. With stable business and strong financial power, the Company will continue to explore development opportunities based on its rootedness in China and its global vision. Despite intense competition in the challenging era of globalisation, the Company continues to be prudently optimistic as to the overall prospect of public procurement business. The Company is determined to make continual endeavors as it sets sail towards the blue ocean of global public procurement industry.

Optimisation of business structure

During the period, the Group was devoted to the optimisation of our business structure, reorganising our human resources into different business divisions, which include Public Procurement Business Division, Wuhan Headquarter Business Division, Tendering Agency Business Division, Financial Services Business Division, Bulk Commodity Trading Business Division, Energy Conservation Contracting Business Division and Global Procurement Business Division. They are responsible for a variety of key projects such as our CCPThru, financial services, bulk commodity trading platforms, e-mall, the Global Public Procurement Transaction Service Centre and tendering and bidding matters.

PROSPECTS

Across the globe, the public procurement sector is accounting for increasing shares in the GDP of developed economies. In China, the size of the public procurement sector is expected to expand rapidly as the government continues to increase its procurement of public services, with the benefit of opportunities presented by government policies in the wake of economic globalization and GPA negotiations.

EVENT AFTER THE YEAR END

On 31 March 2014, the Board announces that a memorandum of understanding was entered into between a wholly-owned subsidiary of the Company as purchaser and Glorious Assets Limited and Treasure Ace Holdings Limited as vendors in relation to the proposed acquisition of the entire issued share capital of Hero Circle Limited. Details of the memorandum of understanding were set out in the Company's announcement dated 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group maintained cash and bank balances in aggregate of approximately HK$75,076,000 (2012: HK$113,670,000) and secured bank loans of approximately HK$64,835,000 (2012: HK$64,059,000). As at 31 December 2013, the Group's working capital and current ratio were net current assets of approximately HK$127,843,000 (2012: net current assets of HK$113,824,000) and 1.87x (31 December 2012: 2.14x) respectively.

GEARING RATIOS

As at 31 December 2013, the Group's gearing ratios, calculated as total liabilities divided by total assets was 12.17% (31 December 2012: 8.77%).

PLEDGE OF ASSETS

As at 31 December 2013, certain buildings, prepaid lease payments and investment properties with aggregate carrying amounts of HK$240,457,000 (31 December 2012: HK$150,295,000) were pledged to secure the bank loans of the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Company had no material 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 RMB. 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 2013, the Group employed approximately 172 (2012: 116) employees and the total remuneration of the employees (including directors) was approximately HK$80,364,000 (2012: HK$43,526,000). 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.

ADMINISTRATIVE EXPENSES

During the year, there was a large increase on administrative expenses from HK$119,275,000 (2012) to HK$165,092,000 in 2013. Administrative expenses represent staff salary, office rental, professional fees, conferences event etc incurred by the Company for the smooth running of the Company. Out of which were legal and professional fees of HK$14,052,000 (2012: HK$41,037,000), non-cash for the options granted under the Share Option Scheme of HK$34,091,000 (2012: HK$18,378,000), and staff salary and benefit costs of HK$54,533,000 (2012: HK$25,148,000).

Biography of Directors

DIRECTORS

Executive Directors

Mr. Cheng Yuanzhong, aged 56, is an Executive Director, 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.

Biography of Directors

Mr. Ho Wai Kong, aged 58, 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. Yan Wei, aged 38, is an Executive Director, Chief Executive and Chief Operating Officer. He graduated from China University of Political Science and Law with a Bachelor's Degree in Law in 2000. In the same year, he obtained the lawyer's practice license of the People's Republic of China. In September 2013, he graduated from Cheung Kong Graduate School of Business ("CKGSB") with an EMBA degree, and received a certificate of completion in "Innovation and Corporate Entrepreneurship Program" of UC Berkeley as a visiting scholar from CKGSB. During the period from 2000 to 2012, he was a partner of JianZhong Law Firm, primarily engaged in securities, finance and investment laws. With particular aptitude in legal, financial and corporate management, he has been involved in the domestic/overseas listings of many companies and business restructuring exercises of listed companies. Since 2012, he has been executive director of 國採（香港）科技責任有限公司, director and president of Guocai Science & Technology Company Limited (國採科技股份有限公司), chairman of 國採宏力投資有限公司, chairman of 國採（北京）數據有限公司 and director of 深圳市國採支付有限公司, where he is principally responsible in the establishment and operation of the third-party service systems of the China Public Procurement Online Platform.

Mr. Zhang Wanjun, aged 45, is an Executive Director and Chief Financial Officer. He graduated with a bachelor of engineering degree from the School of Management of Xi'an Jiaotong University majoring in industrial management, and with an MBA degree from The Hong Kong University of Science & Technology. He has over 10 years' experience in the financial sector and 10 years' experience in senior management of industrial and commercial enterprises, having previously worked at Shenzhen Development Bank, Citibank Shenzhen Branch, China Security & Surveillance Technology, Inc.* (中國安防科技有限公司), Shenzhen Brightoil Group* (深圳光匯石油集團) and the Singapore subsidiaries of Brightoil Petroleum (Holdings) Limited, among others. His biography includes positions such as deputy head of sub-branch, assistant vice president, vice president of business division, group vice president and chief financial officer, investment director and risk director. He is familiar with the products and services of foreign and Chinese banks, having a thorough understanding of the intricacies in the operations of investment banks, funds and the capital market. He is experienced in corporate management, competent in arranging trade financing, project loans and syndicated loans. In 2000, he participated in the China Financial Sector Training Scheme (FIST) sponsored by the Department for International Development and administered by the British Council in the UK.

Mr. Zhao Peilai, aged 40, is an Executive Director. He graduated from the Faculty of Computer of Beijing University of Technology with a bachelor degree in computer and application. He has been the senior manager of private banking of Bank of China since 2009 and the manager and vice president of the Beijing Chang An Branch and Beijing Development Zone Branch of The China Construction Bank from 1996 to 2008. He has over 18 years' experience in corporate banking, retail banking, foreign exchange and accounting services.

Mr. Zhao has been an executive Director of the Company, formerly known as Sunny Global Holdings Limited from 2008 to 2009.

Mr. Peng Zhiyong, aged 51, 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 30 years of experience in corporate financial management, strategic planning and development, and corporate investment and finance and also accumulated over 30 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 65, 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.

*   *The English names are for identification purpose only*

Non-executive Directors

Mr. Wang Dingbo, aged 51, is a Non-executive Director. 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. Wang Ning, aged 58, 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》).

Ms. Liu Jie, aged 27, 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 66, has been 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. Mr. Wu has considerable directorship and corporate governance experience and has involved 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, and Shen Yuan Holdings Limited, the shares of both of which are listed on the Main Board of the Stock Exchange (stock code on the Stock Exchange: 425).

Mr. Chan Tze See, Kevin, aged 56, 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 45, 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.

Mr. Xu Haigen, aged 65, 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. Shen Shaoji, aged 51, 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 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 eight 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 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the public procurement related businesses, such as the development and operation of electronic public procurement platforms, Energy Management Contracting (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 Statement of Profit or Loss on page 48.

DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 132.

PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment, prepaid lease payments and investment properties of the Group during the year are set out in Notes 17, 18 and 19 to the consolidated financial statements respectively.

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 31 and 33 to the consolidated financial statements respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 42 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

During the year ended 31 December 2013, the Company issued a total of 7,975,010,188 fully paid ordinary shares upon conversion of the preferred shares of the Company (the "Preferred Shares").

Save as disclosed above, 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

Old Scheme

The Company adopted the share option scheme pursuant to the ordinary resolution passed by the shareholders of the Company on 12 June 2002 and the share option scheme expired on 11 June 2012 (the "Old Scheme").

The purpose of the Old 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 Old Scheme include Directors and employees of the Group.

The principal terms of the Old Scheme are summarised as follows:

The Old 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 Old Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the Old Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Old Scheme provided that, inter alia, the Company may seek approval of the shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the 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, the total number of shares available for issue of the Old Scheme is 196,400,000, representing approximately 1.74% 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 Old 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 Old Scheme.

New Scheme

The Company adopted a new share option scheme pursuant to the ordinary resolution passed by the shareholders of the Company on 13 June 2013 (the "New Scheme").

The purpose of the New 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 New Scheme include Directors and employees of the Group.

The principal terms of the New Scheme are summarised as follows:

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

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

(i) The nominal value of the shares;

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

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

Under the New Scheme, the total number of shares which may be allotted and issued upon exercise of all share options to be granted under the New Scheme shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the New Scheme provided that, inter alia, the Company may seek approval of the shareholders at a general meeting to refresh the general scheme limit. The maximum number of shares in respect of which share options may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New 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, the total number of shares available for issue of the New Scheme is 302,000,000, representing approximately 2.67% 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 New 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 New Scheme.

Details of the share options movements during the year under the Old Scheme and New Scheme are as follows:

		Number of share options								
Name of category	**Date of grant of share options**	**Outstanding as at 01.01.2013**	**Granted during the Year**	**Exercised during the Year**	**Lapsed during the Year**	**Cancelled during the Year**	**Outstanding as at 31.12.2013**	**Vesting period**	**Validity period of share options**	**Exercise price** *(HK$)*
Directors										
Cheng Yuanzhong	28.05.2012	15,000,000	—	—	—	—	15,000,000	—	28.05.2012 to 27.05.2015	0.762
Zhao Peilai	18.10.2013	—	15,000,000 *(Note 2)*	—	—	—	15,000,000	—	18.10.2013 to 17.10.2016	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 Dingbo	28.05.2012	15,000,000	—	—	—	—	15,000,000	—	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
Wu Fred Fong	28.05.2012	3,300,000	—	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.762
	02.07.2013	—	3,000,000 *(Note 1)*	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	0.762
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
	02.07.2013	—	3,000,000 *(Note 1)*	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	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
	02.07.2013	—	3,000,000 *(Note 1)*	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	0.762

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 01.01.2013	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2013			*(HK$)*
Xu Haigen	28.05.2012	3,300,000	—	—	—	—	3,300,000	—	28.05.2012 to 27.05.2015	0.762
	02.07.2013	—	3,000,000 *(Note 1)*	—	—	—	3,000,000	—	02.07.2013 to 01.07.2016	0.762
Shen Shaoji	02.07.2013	—	5,000,000 *(Note 1)*	—	—	—	5,000,000	—	02.07.2013 to 01.07.2016	0.762
Li Kening (resigned on 8 January 2014)	02.07.2013 *(Note 3)*	—	15,000,000 *(Note 1)*	—	—	—	15,000,000	—	02.07.2013 to 01.07.2016	0.762
Chen Shulin (resigned on 16 January 2014)	02.07.2013 *(Note 4)*	—	15,000,000 *(Note 1)*	—	—	—	15,000,000	—	02.07.2013 to 01.07.2016	0.762
Lau Kin Shing, Charles (resigned on 10 March 2014)	02.07.2013 *(Note 5)*	—	15,000,000 *(Note 1)*	—	—	—	15,000,000	—	02.07.2013 to 01.07.2016	0.762
Ying Wei (resigned on 24 march 2014)	02.07.2013 *(Note 6)*	—	5,000,000 *(Note 1)*	—	—	—	5,000,000	—	02.07.2013 to 01.07.2016	0.762
Subtotal		91,200,000	82,000,000	—	(2,000,000)	—	171,200,000			
Other Employees	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
	02.07.2013	—	118,000,000 *(Note 1)*	—	(3,000,000)	(5,000,000)	110,000,000	—	03.07.2013 to 01,07,2016	0.762
	02.07.2013	—	110,000,000 *(Note 1)*	—	—	—	110,000,000	—	02.07.2013 to 01.07.2016	0.640
Subtotal		138,800,000	228,000,000	—	(34,600,000)	(5,000,000)	327,200,000			
Total		**230,000,000**	**310,000,000**	**–**	**(36,600,000)**	**(5,000,000)**	**498,400,000**			

Notes:

1. Closing price of the shares on the last trading day prior to the date of grant was HK$0.60 per share.

2 Closing price of the shares on the last trading day prior to the date of grant was HK$0.46 per share.

3. Mr. Li Kening, who was an Executive Director, resigned on 8 January 2014. His share options are still valid for six months after his resignation.

4. Mr. Chen Shulin, who was an Executive Director, resigned on 16 January 2014. His share options are still valid for six months after his resignation.

5. Mr. Lau Kin Shing, Charles, who was an Executive Director, resigned on 10 March 2014. His share options are still valid for six months after his resignation.

6. Mr. Ying Wei, who was an Independent Non-executive Director, resigned on 24 March 2014. His share options are still valid for six months after his resignation.

Information on the accounting policy for share options granted and the weighted average value per share is set out in Notes 3 and 33 to the consolidated financial statements respectively.

DIRECTORS

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

Chairman

Mr. Cheng Yuanzhong, *B.Phil.*	
Mr. Chen Shulin, *BEngl*	(resigned on 16 January 2014)

Honorary Chairman

Mr. Ho Wai Kong

Executive Directors

Mr. Yan Wei, *EMBA, LLB* *(Chief Executive and Chief Operating officer)*	(appointed on 10 March 2014)
Mr. Zhang Wanjun, *MBA, BEng* *(Chief Financial Officer)*	(appointed on 8 January 2014)
Mr. Zhao Peilai, *BCA*	(appointed on 2 September 2013)
Mr. Peng Zhiyong, *MBA, BEcon* *(Head of Internal Audit)*	
Mr. Peng Ru Chuan, *MA, MSc*	
Mr. Li Kening, *BAcc* *(Chief Financial Officer)*	(resigned on 8 January 2014)
Mr. Lau Kin Shing, Charles, *DBA, CA, CPA* *(Chief Investment Officer)*	(resigned on 10 March 2014)

Non-executive Directors

Mr. Wang Dingbo, *BEcon*	(redesignated on 10 March 2014)
Mr. Wang Ning, *BEcon*	
Ms. Liu Jie, *MSc*	

Independent Non-executive Directors

Mr. Wu Fred Fong, *MBA, CPA, CA*	
Mr. Chan Tze See, Kevin, *MBA, BSc*	
Mr. Chen Bojie, *BEcon*	
Mr. Xu Haigen, *DEcon, MSc, BEcon, CPA(RPC)*	
Mr. Shen Shaoji, *BEcon*	
Mr. Ying Wei, *CPA(PRC), MBA, BEcon*	(resigned on 24 March 2014)

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.

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.

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' 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 DIRECTOR(S)

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

Name of Directors	Details of changes
Mr. Wang Dingbo *(Non-executive Director)*	He has been redesignated from Executive Director to non-Executive Director and has stepped down as Chief Executive on 10 March 2014,
Mr. Wu Fred Fong *(Independent Non-executive Director)*	His director's fee as an independent non-executive Director is increased from HK$30,000 per month to HK$35,000 per month with effect from 1 April 2014.
Mr. Chan Tze See, Kevin *(Independent Non-executive Director)*	His director's fee as an independent non-executive Director is increased from HK$20,000 per month to HK$25,000 per month with effect from 1 April 2014.
Mr. Chen Bojie *(Independent Non-executive Director)*	His director's fee as an independent non-executive Director is increased from HK$20,000 per month to HK$25,000 per month with effect from 1 April 2014.
Mr. Xu Haigen *(Independent Non-executive Director)*	His director's fee as an independent non-executive Director is increased from HK$20,000 per month to HK$25,000 per month with effect from 1 April 2014.
Mr. Shen Shaoji *(Independent Non-executive Director)*	His director's fee as an independent non-executive Director is increased from HK$20,000 per month to HK$25,000 per month with effect from 1 April 2014.
Mr. Ying Wei *(resigned on 24 March 2014)* *(Independent Non-executive Director)*	He has been appointed as a non-executive director of New Focus Auto Tech Holdings Limited (stock code: 360) since 28 August 2013.

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 2013, 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 2013
Cheng Yuanzhong	Beneficial interest	—	15,000,000 *(Note 1)*	0.13%
Ho Wai Kong	Corporate interest	637,388,000 *(Note 4)*	4,284,725 *(Note 4)*	5.68%
	Beneficial interest	44,800,000	35,000,000 *(Note 5)*	0.70%
	Spousal interest	279,348,000 *(Note 6)*	—	2.47%
Zhao Peilai	Beneficial interest	—	15,000,000 *(Note 3)*	0.13%
Peng Zhiyong	Beneficial interest	—	12,000,000 *(Note 1)*	0.10%
Peng Ru Chuan	Beneficial interest	—	12,000,000 *(Note 1)*	0.10%
Wang Dingbo	Corporate interest	51,425,910	—	0.45%
	Beneficial interest	1,000,000	15,000,000 *(Note 1)*	0.14%
	Spousal interest	1,100,000 *(Note 7)*	—	0.00%
Wang Ning	Beneficial interest	—	10,000,000 *(Note 1)*	0.08%
Liu Jie	Beneficial interest	—	12,000,000 *(Note 1)*	0.10%
Wu Fred Fong	Beneficial interest	15,000,000	3,300,000 *(Note 1)*	0.16%
			3,000,000 *(Note 3)*	0.02%

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 2013
Chan Tze See, Kevin	Beneficial interest	—	3,300,000 *(Note 1)*	0.02%
			3,000,000 *(Note 3)*	0.02%
	Spousal interest	352,000 *(Note 8)*	—	0.00%
Chen Bojie	Beneficial interest	—	3,300,000 *(Note 1)*	0.02%
			3,000,000 *(Note 3)*	0.02%
Xu Haigen	Beneficial interest	—	3,300,000 *(Note 1)*	0.02%
			3,000,000 *(Note 3)*	0.02%
Shen Shaoji	Beneficial interest	—	5,000,000 *(Note 3)*	0.04%
Li Kening (resigned on 8 January 2014)	Beneficial interest	—	15,000,000 *(Note 3)*	0.13%
Chen Shulin (resigned on 16 January 2014)	Corporate interest	600,000,000 *(Note 2)*	15,000,000 *(Note 3)*	5.44%
Lau Kin Shing, Charles (resigned on 10 March 2014)	Beneficial interest	—	15,000,000 *(Note 3)*	0.13%
Ying Wei (resigned on 24 March 2014)	Beneficial interest	—	5,000,000 *(Note 3)*	0.04%

Notes:

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

2. Mr. Chen Shulin is interested in 600,000,000 shares under controlled corporation, Metro Factor Limited.

3. These share options were granted by the Company under the New Scheme.

4. Mr. Ho Wai Kong is interested in 641,672,725 shares under controlled corporation, of which 641,172,725 shares are held by Master Top Investments Limited, an associated corporation 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.

5. Mr. Ho Wai Kong is interested in these Preferred Shares.

6. 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.

7. 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.

8. 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 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 31 December 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 31 December 2013
Metro Factor Limited ("Metro Factor") *(Note 1)*	Beneficial interest	—	600,000,000	5.31%
Tian Xinhua *(Note 2)*	Spousal interest	—	600,000,000	5.31%
Master Top Investments Limited ("Master Top") *(Note 3)*	Beneficial interest	4,284,725	636,888,000	5.67%
Guo Binni *(Note 4)*	Beneficial interest	—	279,348,000	2.47%
	Spousal interest	39,284,755	682,188,000	6.38%
Top Blast Limited ("Top Blast") *(Note 5)*	Beneficial interest	—	1,937,280,000	17.15%
China Public Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") *(Note 5)*	Corporate interest	—	1,937,280,000	17.15%
	Beneficial interest	—	23,700,000	0.20%
Guocai Science & Technology Company Limited ("Guocai Science") *(Note 5)*	Corporate interest	—	1,960,980,000	17.36%

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 641,672,725 shares under his controlled corporation, including 4,284,725 Preferred Shares. She is also deemed to be interested in 79,800,000 shares held by Mr. Ho Wai Kong, including 35,000,000 Preferred Shares 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 31 December 2013.

COMPETING INTERESTS

As at 31 December 2013, 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 94% of the total sales for the year, in which sales to the largest customer represented approximately 89% of the total sales for the year.

Purchases from the Group's five largest suppliers amounted to approximately 69% of the total purchases for the year while total purchases from the largest supplier represented approximately 24% of the total purchases for the year.

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 2013 and up to the date of this report.

CONNECTED TRANSACTIONS

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 HK$37.3 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.

* *The English names are for identification purpose only*

PROPOSED ACQUISITIONS

(1) 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 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.

(2) On 22 July 2013, a memorandum of understanding was entered into between a wholly-owned subsidiary of the Company and Trade World Investments Limited as vendor in relation to the proposed acquisition of the entire issued share capital of Fortress Paradise Limited. Save for the clauses on exclusivity, confidentiality, the term and the governing law of the memorandum of understanding, the memorandum of understanding was not legally binding on the parties thereto. After signing of the memorandum of understanding, the parties thereto shall enter into good faith negotiation for the formal legally-binding sale and purchase agreement relating to the proposed acquisition and other matters relating to the proposed acquisition, and the provisions of the memorandum of understanding shall form the basis for the preparation of the said document.

On 25 March 2014, the Company announced that no formal agreement had been entered into between the vendor and the purchaser in relation to the proposed acquisition and the memorandum of understanding had lapsed pursuant to its terms. The Board considers that the lapse of the memorandum of understanding does not have any material adverse impact on the operation of the Company and its subsidiaries.

Details for the above transaction were published in the Company's announcements dated 22 July 2013 and 25 March 2014.

(3) On 31 March 2014, the Board announces that a memorandum of understanding was entered into between a wholly-owned subsidiary of the Company as purchaser and Glorious Assets Limited and Treasure Ace Holdings Limited as vendors in relation to the proposed acquisition of the entire issued share capital of Hero Circle Limited. Save for the clause on exclusivity, confidentiality, the term and the governing law of the Memorandum of Understanding, the Memorandum of Understanding was not legally binding on the parties thereto. After signing of the memorandum of understanding, the parties thereto shall enter into good faith negotiation for the formal legally-binding sale and purchase agreement relating to the proposed acquisition and other matters relating to the proposed acquisition, and the provisions of the memorandum of understanding shall form the basis for the preparation of the formal agreement.

Details for the above transaction were published in the Company's announcement dated 31 March 2014.

AUDITOR

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

The consolidated financial statements of the Group for the year ended 31 December 2012 and 31 December 2013 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

SHINEWING will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves 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	**Ho Wai Kong**
Chairman	*Honorary Chairman*

Hong Kong, 31 March 2014

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.

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.

BOARD OF DIRECTORS

Composition

For the year ended 31 December 2013 and as at the date of this report, the Board consists of 7 Executive Directors, 3 Non-executive Directors and 5 Independent Non-executive Directors:

Executive Directors

Chairman

Mr. Cheng Yuanzhong, *B.Phil.*	
Mr. Chen Shulin, *BEngl*	(resigned on 16 January 2014)

Honorary Chairman

Mr. Ho Wai Kong

Executive Directors

Mr. Yan Wei, *EMBA, LLB* *(Chief Executive and Chief Operating Officer)*	(appointed on 10 March 2014)
Mr. Zhang Wanjun, *MBA, BEng* *(Chief Financial Officer)*	(appointed on 8 January 2014)
Mr. Zhao Peilai, *BCA*	(appointed on 2 September 2013)
Mr. Peng Zhiyong, *MBA, BEcon* *(Head of Internal Audit)*	
Mr. Peng Ru Chuan, *MA, MSc*	
Mr. Li Kening, *BAcc* *(Chief Financial Officer)*	(resigned on 8 January 2014)
Mr. Lau Kin Shing, Charles, *DBA, CA, CPA* *(Chief Investment Officer)*	(resigned on 10 March 2014)

Non-executive Directors

Mr. Wang Dingbo, *BEon*	(redesignated on 10 March 2014)
Mr. Wang Ning, *BEcon*	
Ms. Liu Jie, *MSc*	

Independent Non-executive Directors

Mr. Wu Fred Fong, *MBA, CPA, CA*	
Mr. Chan Tze See, Kevin, *MBA, BSc*	
Mr. Chen Bojie, *BEcon*	
Mr. Xu Haigen, *DEcon, MSc, BEcon, CPA(PRC)*	
Mr. Shen Shaoji, *BEcon*	
Mr. Ying Wei, *CPA(PRC), MBA, BEcon*	(resigned on 24 March 2014)

Attendance of the Directors at the Board and general meetings

For the year ended 31 December 2013, 14 Board meetings and 4 general meetings have been held. Details of the attendance of the Directors are as follows:

Board members	Number of meetings attended/ Number of meetings held Board meetings	General meetings
Executive Directors		
Mr. Cheng Yuanzhong	7/14	1/4
Mr. Ho Wai Kong	11/14	2/4
Mr. Yan Wei (appointed on 10 March 2014)	0/0	0/0
Mr. Zhang Wanjun (appointed on 8 January 2014)	0/0	0/0
Mr. Zhao Peilai (appointed on 2 September 2013)	2/2	0/0
Mr. Peng Zhiyong	13/14	0/4
Mr. Peng Ru Chuan	7/14	0/4
Mr. Li Kening (resigned on 8 January 2014)	14/14	3/4
Mr. Chen Shulin (resigned on 16 January 2014)	10/14	1/4
Mr. Lau Kin Shing, Charles (resigned on 10 March 2014)	14/14	4/4
Non-executive Directors		
Mr. Wang Dingbo (redesignated on 10 March 2014)	11/14	2/4
Mr. Wang Ning	5/13	0/4
Ms. Liu Jie	12/13	0/4
Independent Non-executive Directors		
Mr. Wu Fred Fong	9/13	2/4
Mr. Chan Tze See, Kevin	10/13	0/4
Mr. Chen Bojie	12/13	0/4
Mr. Xu Haigen	12/13	0/4
Mr. Shen Shaoji	8/13	0/4
Mr. Ying Wei (resigned on 24 March 2014)	9/13	0/4

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 2013 and as at the date of this report, the Company has arranged to provide all Directors with the professional training namely "Notifiable Transactions and Connected Transactions" 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. The role of the chairman was jointly performed by Mr. Cheng Yuanzhong and Mr. Chen Shulin who resigned as the joint chairman on 16 January 2014. Mr. Ho Wai Kong was the honorary chairman. The role of the chief executive was performed by Mr. Wang Dingbo during the year ended 31 December 2013 and is now performed by Mr. Yan Wei, who has appointed on 10 March 2014.

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

Audit Committee

Role and function

The terms of reference of the Audit Committee 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

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

Mr. Wu Fred Fong *(Chairman)*
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen

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 2013, 7 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)*	7/7
Mr. Chan Tze See, Kevin	7/7
Mr. Chen Bojie	7/7
Mr. Xu Haigen	6/7
Mr. Ying Wei (resigned on 24 March 2014)	4/7

Summary of the work

The work done by the Audit Committee for the year ended 31 December 2013 included:

- Reviewed the 2013 interim results and 2012 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 2013 interim and 2012 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 2013 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.

Composition

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

Mr. Wu Fred Fong *(Chairman)*
Mr. Chan Tze See, Kevin
Mr. Chen Bojie
Mr. Xu Haigen

Attendance record

For the year ended 31 December 2013, 4 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)*	3/4
Mr. Chan Tze See, Kevin	3/4
Mr. Chen Bojie	4/4
Mr. Xu Haigen	3/4
Mr. Ying Wei (resigned on 24 March 2014)	2/4

Summary of the work

The work done by the Remuneration Committee for the year ended 31 December 2013 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.

Nomination Committee

Role and function

The Nomination Committee was established on 29 March 2012. The terms of reference of the Nomination 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.

Board Diversity Policy

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

Composition

As at the date of this report, the Nomination Committee comprises six 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. Cheng Yuanzhong and Mr. Ho Wai Kong are Executive Directors whereas Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen are Independent Non-executive Directors.

Attendance record

For the year ended 31 December 2013, 2 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)*	2/2
Mr. Ho Wai Kong	2/2
Mr. Wu Fred Fong	1/2
Mr. Chan Tze See, Kevin	2/2
Mr. Chen Bojie	2/2
Mr. Xu Haigen	1/2
Mr. Ying Wei (resigned on 24 March 2014)	1/2

Summary of the work

The work done by the Nomination Committee for the year ended 31 December 2013 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.

Summary of the work

The work done by the Corporate Governance Functions for the year ended 31 December 2013 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.

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 2013 was HK$2,080,000 and HK$645,000 respectively.

Financial reporting

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

The statement of the auditor regarding their reporting responsibility for the consolidated financial statements is set out in the Independent Auditor's Report on pages 46 to 47.

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 2013 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 Chief Internal Auditor and the Audit Committee considered the review results 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

For the year ended 31 December 2013, Mr. Lau Kin Shing, Charles, was the company secretary of the Company (the "Company Secretary"). The current Company Secretary is Ms. Wai Sze, Aceya. Both of them took no less than 15 hours of relevant professional training pursuant to rule 3.29 of the Listing Rules.

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.

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 SHAREHOLDERS OF CHINA PUBLIC PROCUREMENT LIMITED
(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 48 to 131, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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.

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 2013, and of the Group's profit 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 the Hong Kong Companies Ordinance.

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

Hong Kong
31 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	8	90,003	277,123
Cost of sales		(9,806)	(277,155)
Gross profit (loss)		80,197	(32)
Other income	9	119,802	132,106
Change in fair value of investment properties	19	56,300	—
Gain on disposal of a subsidiary	34	—	2,109
Impairment loss recognised in respect of intangible assets	21	(2,652)	—
Impairment loss recognised in respect of goodwill	20	(11,599)	—
Share of loss of an associate	22	(476)	(3,547)
Administrative expenses		(165,092)	(119,275)
Finance costs	10	(2,615)	—
Profit before tax		73,865	11,361
Income tax expense	11	(37,120)	(28,231)
Profit (loss) for the year	12	36,745	(16,870)
Profit (loss) for the year attributable to:			
Owners of the Company		37,403	(14,575)
Non-controlling interests		(658)	(2,295)
		36,745	(16,870)
Earnings (loss) per share			
— Basic and diluted	16	HK0.33 cents	HK(0.16) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
Profit (loss) for the year	36,745	(16,870)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	71,302	7,860
Total comprehensive income (expense) for the year	108,047	(9,010)
Total comprehensive income (expense) attributable to:		
Owners of the Company	107,996	(6,355)
Non-controlling interests	51	(2,655)
	108,047	(9,010)

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	32,219	10,999
Prepaid lease payments	18	14,218	—
Investment properties	19	220,715	—
Goodwill	20	1,409,280	1,362,223
Intangible assets	21	121,059	103,825
Interest in an associate	22	1,307	1,715
Available-for-sale investment	23	6,400	—
Prepayment for properties		—	150,295
Prepayment for intangible assets		—	11,842
Prepayment for plant and equipment	24	6,144	—
Deposit paid for potential acquisition of a subsidiary	40	19,000	19,000
Deferred tax asset	30	929	890
		1,831,271	1,660,789
Current assets			
Trade and other receivables	25	157,158	100,337
Prepaid lease payments	18	294	—
Amount due from a substantial shareholder	40	40,320	—
Income tax recoverable		2,625	—
Bank balances and cash	26	75,076	113,670
		275,473	214,007
Current liabilities			
Accruals and other payables	27	69,980	51,881
Amount due to a substantial shareholder	40	18,750	1,839
Amount due to a related company	40	1,920	—
Tax payable		49,570	39,893
Secured bank loans	28	7,410	6,570
		147,630	100,183
Net current assets		127,843	113,824
Total assets less current liabilities		1,959,114	1,774,613

Consolidated Statement of Financial Position

As at 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Secured bank loans	28	57,425	57,489
Deferred income	29	17,707	—
Deferred tax liabilities	30	33,675	6,753
		108,807	64,242
		1,850,307	1,710,371
Capital and reserves			
Share capital	31	112,913	33,163
Convertible preference shares	32	789	80,539
Reserves		1,723,180	1,581,093
Equity attributable to owners of the Company		1,836,882	1,694,795
Non-controlling interests		13,425	15,576
		1,850,307	1,710,371

The consolidated financial statements on pages 48 to 131 were approved and authorised for issue by the Board of Directors on 31 March 2014 and are signed on its behalf by:

Director　　　　Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	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 2012	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 34)	—	—	—	—	—	—	—	—	—	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
At 1 January 2013	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 year	—	—	—	—	—	—	—	37,403	37,403	(658)	36,745
Other comprehensive income for the year:											
Exchange differences arising on translation	—	—	—	—	—	—	70,593	—	70,593	709	71,302
Total comprehensive income for the year	—	—	—	—	—	—	70,593	37,403	107,996	51	108,047
Conversion of preference shares	79,750	(79,750)	—	—	—	—	—	—	—	—	—
Transfers to statutory reserve	—	—	—	—	—	6,412	—	(6,412)	—	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(2,202)	(2,202)
Share options granted	—	—	—	—	34,091	—	—	—	34,091	—	34,091
Share options lapsed or cancelled	—	—	—	—	(18,226)	—	—	18,226	—	—	—
At 31 December 2013	112,913	789	6,663,376	8,390	51,755	15,365	263,263	(5,278,969)	1,836,882	13,425	1,850,307

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

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before tax	73,865	11,361
Adjustments for:		
Equity-settled share-based payment expenses	34,091	18,378
Impairment loss recognised in respect of goodwill	11,599	—
Impairment loss recognised in respect of intangible assets	2,652	—
Depreciation of property, plant and equipment	5,899	3,619
Amortisation of intangible assets	4,852	838
Finance cost	2,615	—
Write-off of other receivables	1,671	1,136
Share of loss of an associate	476	3,547
Amortisation of prepaid lease payments	194	—
Write-off of property, plant and equipment	76	1
Gain on fair value changes of investment properties	(56,300)	—
Government grant	(582)	—
Interest income	(221)	(2,763)
Gain on disposal of a subsidiary	—	(2,109)
Operating cash flows before movements in working capital	80,887	34,008
(Increase) decrease in trade and other receivables	(54,278)	192,703
(Decrease) increase in accruals and other payables	4,897	16,094
(Decrease) increase in amount due to a substantial shareholder	14,270	(50,557)
Cash generated from operations	45,776	192,248
Tax paid	(5,246)	—
NET CASH FROM OPERATING ACTIVITIES	40,530	192,248

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013	2012
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Advance to a substantial shareholder	(40,320)	—
Purchase of properties	(23,002)	—
Purchase of intangible assets	(12,654)	(45,606)
Purchase of plant and equipment other than buildings	(9,906)	(2,182)
Investment in an available-for-sale investment	(6,400)	—
Prepayment for plant and equipment	(6,144)	—
Prepayment for acquisition of property, plant and equipment	—	(148,686)
Net cash outflow on acquisition of a subsidiary	—	(27,369)
Deposit paid for potential acquisition of a subsidiary	—	(19,000)
Investment in an associate	—	(5,277)
Net cash outflow on disposal of a subsidiary	—	(365)
Interest received	221	2,763
Repayment from a substantial shareholder	—	9,774
NET CASH USED IN INVESTING ACTIVITIES	(98,205)	(235,948)
FINANCING ACTIVITIES		
Government grant received	18,289	—
Interest free advances received	6,260	—
Advance from a substantial shareholder	2,641	—
Advance from a related company	1,920	—
Bank loans raised	—	65,918
Dividends paid to non-controlling interests	(2,202)	—
Interest paid	(4,472)	(1,234)
Repayment of bank loans	(7,038)	(2,179)
Repayment of loan from a related company	—	(2,738)
NET CASH FROM FINANCING ACTIVITIES	15,398	59,767
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(42,277)	16,067
CASH AND CASH EQUIVALENTS AT 1 JANUARY	113,670	97,033
Effect of foreign exchange rate changes	3,683	570
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	75,076	113,670

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 addresses of the registered office and the 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 41.

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")

The Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (revised 2011)	Employee Benefits
HKAS 27 (revised 2011)	Separate Financial Statements
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
HK(IFRIC*) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 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 the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the '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 are 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. 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.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

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

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements. HKFRS 11 is not applicable to the Group as the Group does not have any joint arrangements.

The impact of the application of these standards is set out below.

HKFRS 10 Consolidated Financial Statements

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 if and only if a) it has power over the 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. All 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. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

HKFRS 12 Disclosure of Interests in Other Entities

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 application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for 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 for share-based payment transactions within the scope of HKFRS 2 *Share-based* Payment, leasing transactions within the scope of HKAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures For Non-financial Assets

The Group has early applied amendments to HKAS 36 Recoverable Amount Disclosures For Non-financial Assets in advance to its effective date (i.e. 1 January 2014). The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. Accordingly, for CGUs with goodwill and/or intangible assets with indefinite useful lives allocated and for which there is no impairment loss recognised or reversed during the year ended 31 December 2013 and 2012, the Group has not disclosed the recoverable amounts of the relevant CGUs. There is no other impact to consolidated financial statements of the Group.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Account[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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 2010–2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

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 2011–2013 Cycle (Continued)

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement subsequently of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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* to be 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.

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 (Continued)

- 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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of HKFRS 9 is not yet determined. However, earlier application is 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.

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 in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

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 (Continued)

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

3. 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 except for certain properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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 (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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 acquire (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 HKFRS.

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 made 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill 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. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investment in an associate

An associate is an entity over which the Group has significant influence. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

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, an investment in an associate is 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 the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 of disposal) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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 venture that are not related to the Group.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less subsequent 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 any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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 acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. 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).

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 (see the accounting policy in respect of goodwill above)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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 immediately in profit or loss.

Fair value measurement

When measuring fair value, except for the Group's share-based payment transactions, and value in use of certain property, plant and equipment, intangible assets and goodwill for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes 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 property, 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified into loans and receivables or available-for-sale investments. 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.

Available-for-sale investment

Available-for-sale investment are non-derivatives that are either designated or not classified as loans and receivables.

Available-for-sale investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Dividend on available-for-sale equity investment is recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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, 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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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 when 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 financial assets have been affected.

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
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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

Debt 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 an equity instrument.

Other financial liabilities

Other financial liabilities including accruals and other payables, amounts due to a substantial shareholder and a related company, and secured bank loans are subsequently measured at amortised cost using the effective interest method.

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 (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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 economic 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 upon the completion of the Group's obligations stated in the relevant license agreement.

Service income is recognised when the service has been rendered.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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 translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 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 other comprehensive income.

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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building (Continued)

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and 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 base 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

Current and deferred tax are recognised in profit or loss. 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

For grants of share options that are conditional upon satisfying specified vesting conditions, 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, 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-based compensation reserve.

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 share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. 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.

4. CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in note 3, 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 (further details are set out in note 5) 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.

The following is the critical judgment, apart from those involving estimations (see note 5), 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 lives of 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 lives 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 2013, 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$80,491,000, HK$10,240,000 and HK$8,961,000 respectively (2012: HK$57,614,000, HK$9,817,000 and HK$8,591,000 respectively).

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in the PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in the PRC, the directors of the Company have determined that the presumption that the carrying values of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

5. 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 property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated. The carrying amount of property, plant and equipment as at 31 December 2013 is approximately HK$32,219,000 (2012: HK$10,999,000), net of accumulated depreciation of approximately HK$18,842,000 (2012: HK$12,866,000).

Estimated impairment 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 future cash flows are less than expected, a material impairment loss may arise. At 31 December 2013, the carrying amount of goodwill is approximately HK$1,409,280,000 (2012: HK$1,362,223,000), net of accumulated impairment of approximately HK$5,645,530,000 (2012: HK$5,400,975,000). Details of impairment testing on goodwill are set out in note 20.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment 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 and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, a material impairment loss may arise. At 31 December 2013, the carrying amount of intangible assets of the Group is approximately HK$121,059,000 (2012: HK$103,825,000), net of accumulated impairment loss of approximately HK$2,652,000 (2012: nil). Details of impairment testing on intangible assets are set out in note 21.

Estimated impairment on trade and other receivables and amount due from a substantial shareholder

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and amount due from a substantial shareholder, including the current creditworthiness and the past collection history of each debtor. Impairment arises 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 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 2013, the carrying amounts of trade and other receivables and amount due from a substantial shareholder are approximately HK$157,158,000 (2012: HK$100,337,000) and HK$40,320,000 (2012: nil) respectively.

Estimated fair value of investment property

The Group's investment property was carried in the consolidated statement of financial position at its fair value of approximately HK$220,715,000 (2012: nil). The fair value was based on valuations on these properties conducted by an independent firm of professional valuers using direct market comparison approach which involve certain assumption of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

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 33 to the consolidated financial statements. At 31 December 2013, the balance of share-based compensation reserve of the Group is approximately HK$51,755,000 (2012: HK$35,890,000).

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 28, amounts due to a substantial shareholder and a related company disclosed in note 40, net of cash and cash equivalents 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.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	289,013	227,587
Available-for-sale investment	6,400	—
	295,413	227,587
Financial liabilities		
Amortised cost	154,724	117,779

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit paid for potential acquisition of a subsidiary, available-for-sale investment, trade and other receivables, bank balances and cash, accruals and other payables, amounts due from (to) a substantial shareholder/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.

7. FINANCIAL INSTRUMENTS (Continued)

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

Market risk

The Group's activities expose it primarily to the market risks of 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 did not have material transactional currency exposures as most of its income and expenses are denominated in functional currency of the respective group entity.

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	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
HK$	23,574	—	—	—
United states dollars ("USD")	3,300	8,275	—	—
Renminbi ("RMB")	67	6,253	—	—

7. FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) change in respective functional currencies against the relevant foreign currencies. 5% (2012: 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% (2012: 5%) change in foreign currency rates. A negative number below indicates a decrease (2012: increase) in profit after tax (2012: loss after tax) for the year where respective functional currencies strengthen 5% (2012: 5%) against the relevant currencies. For a 5% (2012: 5%) weakening of respective functional currencies against the relevant currencies, there would be an equal but opposite impact on the profit after tax (2012: loss after tax) for the year and the balances below would be positive.

	2013	2012
	HK$'000	HK$'000
HK$	(884)	—
RMB	(3)	(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.

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.

7. FINANCIAL INSTRUMENTS (Continued)

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

Interest rate risk (Continued)

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 2013, a 100 basis point (2012: 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 (2012: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit (2012: loss) for the year ended 31 December 2013 would increase/decrease (2012: decrease/increase) by approximately HK$101,000 (2012: HK$570,000).

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 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.

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 Hong Kong (2012: the PRC), which accounted for 89% (2012: 100%) of the total trade receivable as at 31 December 2013. The Group has concentration of credit risk as 89% (2012: 45%), and 70% (2012: 39%) of the total trade receivables and other receivables was due from the Group's largest debtor of respective category.

7. FINANCIAL INSTRUMENTS (Continued)

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

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
2013					
Accruals and other payables	69,219	—	—	69,219	69,219
Amount due to a substantial shareholder	18,750	—	—	18,750	18,750
Amount due to a related company	1,920	—	—	1,920	1,920
Secured bank loans	11,635	41,444	31,449	84,528	64,835
	101,524	41,444	31,449	174,417	154,724
2012					
Accruals and other payables	51,881	—	—	51,881	51,881
Amount due to a substantial shareholder	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

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

During the year ended 31 December 2013, the Group has identified a new operating segment, energy management contracting ("EMC"), due to the change in the Group's business strategy to further penetrate into such area. The comparative segment information for the year ended 31 December 2012 have been restated to incorporate the changes.

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, 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 the provision of energy management services.

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

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 and operating segments.

	Segment revenue from external sales		Segment results	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
Public procurement	1,400	—	(6,657)	84,918
Trading business	—	276,107	—	(135)
Provision of corporate IT solution	8,603	1,016	(15,554)	(924)
EMC	80,000	—	70,430	43,861
	90,003	277,123	48,219	127,720
Change in fair value of investment properties			56,300	—
Unallocated income			119,220	3,327
Unallocated expenses			(146,783)	(118,248)
Gain on disposal of a subsidiary			—	2,109
Share of loss of an associate			(476)	(3,547)
Finance costs			(2,615)	—
Profit before tax			73,865	11,361

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, gain on disposal of a subsidiary and change in fair value of investment properties. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013	2012
	HK$'000	HK$'000
Rendering of services	90,003	1,016
Sales of goods	—	276,107
	90,003	277,123

8. 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

	At 31 December 2013 HK$'000	2012 HK$'000 (restated)
Public procurement	1,564,486	1,668,798
Trading business	—	1,692
Provision of corporate IT solution	24,914	42,126
EMC	62,624	38,774
Total segment assets	1,652,024	1,751,390
Unallocated corporate assets	454,720	123,406
Consolidated assets	2,106,744	1,874,796

Segment liabilities

	At 31 December 2013 HK$'000	2012 HK$'000 (restated)
Public procurement	35,512	14,690
Trading business	—	8,566
Provision of corporate IT solution	1,290	778
EMC	3,442	—
Total segment liabilities	40,244	24,034
Unallocated corporate liabilities	216,193	140,391
Consolidated liabilities	256,437	164,425

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, available-for-sale investment, certain property, plant and equipment, investment properties, deferred tax asset, certain other receivables, amount due from a substantial shareholder, income tax recoverable 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, certain amounts due to a substantial shareholder and a related company, secured bank loans and deferred tax liabilities as these liabilities are managed on a group basis.

(c) Other segment information

Year ended 31 December 2013

	Public procurement	Trading business	Provision of corporate IT solution	EMC	Unallocated	Total
	HK$'000	HK$'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	—	—	4,839	—	13	4,852
Additions to non-current assets (Note)	61,291	—	139	6,144	161,520	229,094
Government grant	582	—	—	—	—	582
Impairment loss recognised in respect of intangible assets	—	—	2,652	—	—	2,652
Impairment loss recognised in respect of goodwill	—	—	11,599	—	—	11,599
Depreciation of property, plant and equipment	308	170	214	—	5,207	5,899
Written off of other receivables	—	—	—	—	1,671	1,671
Amortisation of prepaid lease payments	194	—	—	—	—	194
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	329	—	—	—	2,286	2,615
Change in fair value of investment properties	—	—	—	—	56,300	56,300
Interest in an associate	1,307	—	—	—	—	1,307
Share of loss of an associate	476	—	—	—	—	476
Bank interest income	178	20	23	—	—	221

8. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

Year ended 31 December 2012 (restated)

	Public procurement	Trading business	Provision of corporate IT solution	EMC	Unallocated	Total
	HK$'000	HK$'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:						
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

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

8. REVENUE AND SEGMENT INFORMATION (Continued)

(d) Geographical information

The Group operates principally in 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 customers		Carrying amounts of non-current assets (Note)	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	10,003	277,123	1,803,103	1,636,748
Hong Kong	80,000	—	1,839	4,151
	90,003	277,123	1,804,942	1,640,899

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

(e) Information about major customers

Revenue from customers of the Group contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	HK$'000
— Customer A*	80,000	—
— Customer B**	—	242,100

* From the Group's EMC segment.

** From the Group's trading business segment.

9. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Income from transfer of energy management contracting framework agreements	—	43,861
License fee income	118,788	84,918
Government grant		
— amortisation of deferred income (note 29)	213	—
— others*	369	—
Consultancy income	—	367
Bank interest income	221	714
Interest income**	—	2,049
Sundry income	211	197
	119,802	132,106

* Government grants mainly represent subsidies provided by local government authorities for financing the Group's operations expenses and there are no conditions attached to the subsidies.

** Interest income represents interest charged to an independent third party for the late settlement of other receivables.

10. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Interest on bank loans not wholly repayable within five years	4,472	1,234
Less: Amount capitalised	(1,857)	(1,234)
	2,615	—

11. INCOME TAX EXPENSE

	2013	2012
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT") — current year provision	10,823	29,949
HK Profits Tax — Over-provision in prior years	—	(831)
	10,823	29,118
Deferred taxation (note 30)	26,297	(887)
	37,120	28,231

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

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2013 and 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 subsidiaries registered in the PRC is 25%.

One of the subsidiaries of the Company is recognised as a High and New-technology Enterprise which have been granted tax concessions by the local tax bureau and are entitled to PRC Enterprise Income Tax at concessionary rate of 15% for both years.

11. INCOME TAX EXPENSE (Continued)

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

	2013	2012
	HK$'000	HK$'000
Profit (loss) before tax	73,865	11,361
Tax at the income tax rate of 25% (2012: 25%)	18,466	2,841
Tax effect of income not taxable for tax purpose	—	(111)
Tax effect of expenses not deductible for tax purpose	11,438	8,087
Tax effect of losses not recognised	1,373	10,260
Tax effect of share of loss of an associate	119	887
Utilisation of tax losses previously not recognised	(8,881)	—
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	549	7,098
Tax effect of land appreciation tax	14,056	
Over-provision in respect of prior years	—	(831)
Income tax expense for the year	37,120	28,231

Details of deferred taxation are set out in note 30.

12. PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year has arrived at after charging:

	2013	2012
	HK$'000	HK$'000
Staff costs		
— Directors' emoluments (note 13)	25,831	26,307
— Other staff costs	25,854	10,121
— Retirement scheme contributions	1,698	1,277
— Equity-settled share-based payment expenses	26,981	5,821
Total staff costs	80,364	43,526
Auditor's remuneration	2,080	1,948
Write-off of other receivables	1,671	1,136
Amortisation of prepaid lease payments	194	—
Write-off of property, plant and equipment	76	1
Cost of inventories recognised as expense	—	276,242
Depreciation of property, plant and equipment	5,899	3,619
Amortisation of intangible assets	4,852	838
Minimum lease payments under operating leases	10,576	9,295

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 17 (2012: 19) directors and the chief executive were as follows:

For the year ended 31 December 2013

	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	2,400	—	—	—	2,400
Mr. Chen Shulin[1]	2,400	—	—	1,481	3,881
Mr. Ho Wai Kong	2,760	—	—	—	2,760
Mr. Wang Dingbo *(Chief executive)*[6]	1,800	—	—	—	1,800
Mr. Lau Kin Shing, Charles[2]	1,800	—	—	1,481	3,281
Mr. Li Kening[3]	1,560	—	—	1,481	3,041
Mr. Peng Zhiyong	1,200	—	—	—	1,200
Mr. Peng Ru Chuan	1,440	—	—	—	1,440
Mr. Zhao Peilai[4]	595	—	—	495	1,090
	15,955	—	—	4,938	20,893
Non-executive directors					
Mr. Wang Ning	600	—	—	—	600
Ms. Liu Jie	600	—	—	—	600
	1,200	—	—	—	1,200
Independent non-executive directors					
Mr. Chan Tze See, Kevin	240	—	—	296	536
Mr. Chen Bojie	240	—	—	296	536
Mr. Wu Fred Fong	360	—	—	296	656
Mr. Xu Haigen	240	—	—	296	536
Mr. Ying Wei[5]	243	—	—	494	737
Mr. Shen Shaoji	243	—	—	494	737
	1,566	—	—	2,172	3,738
	18,721	—	—	7,110	25,831

1 Resigned on 16 January 2014
2 Resigned on 10 March 2014
3 Resigned on 8 January 2014
4 Appointed on 2 September 2013
5 Resigned on 24 March 2014
6 Re-designated from executive director to non-executive director on 10 March 2014

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

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

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

Neither the chief executive nor any of the directors waived any emoluments in the year ended 31 December 2013 and 2012. 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 2013 and 2012.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group for 2013 and 2012 were either the directors or 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 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

16. EARNINGS (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:

	2013	2012
	HK$'000	HK$'000
Profit (loss) attributable to owners of the Company for the purpose of basic and diluted loss per share	37,403	(14,575)

Number of shares

	2013	2012
	'000	'000
Weighted average number of ordinary shares and preference shares for the purpose of basic and diluted loss per share	11,370,247	9,274,023

Trading in the shares of the Company was suspended from 5 July 2010 to 1 April 2013 and no information of the average market price per share during such period is available.

As the exercise prices of the outstanding share options are higher than both the market price for shares immediately before the suspension of trading in the Company's shares and the average market price for shares for the period from 2 April 2013 to 31 December 2013, the computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of the Company's outstanding share options.

16. EARNINGS (LOSS) PER SHARE (Continued)

As the exercise prices of the outstanding share options are 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 did 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 did not assume the issuance of preference shares on 1 January 2012 as such issuance would result in a decrease in loss per share for the year ended 31 December 2012.

17. PROPERTY, PLANT AND EQUIPMENT

	Building	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 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 and 1 January 2013	—	9,053	10,490	4,322	23,865
Additions	6,449	15,638	1,121	3,387	26,595
Written-off	—	(155)	—	—	(155)
Exchange realignment	86	553	72	45	756
At 31 December 2013	6,535	25,089	11,683	7,754	51,061
ACCUMULATED DEPRECIATION					
At 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 and 1 January 2013	—	3,413	6,004	3,449	12,866
Charge for the year	246	3,118	2,218	317	5,899
Eliminated on written off	—	(79)	—	—	(79)
Exchange realignment	3	133	19	1	156
At 31 December 2013	249	6,585	8,241	3,767	18,842
CARRYING VALUES					
At 31 December 2013	6,286	18,504	3,442	3,987	32,219
At 31 December 2012	—	5,640	4,486	873	10,999

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

The buildings are situated in the PRC and held under medium term lease of with a carrying amount of approximately HK$5,230,000 (2012: nil).

As at 31 December 2013, the Group's property with a carrying value of approximately HK$5,230,000 (2012: nil) has been pledged to secure banking facilities granted to the Group (note 37).

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments held under medium-term leases analysed for reporting purposes as:

	2013	2012
	HK$'000	HK$'000
Current assets	294	—
Non-current assets	14,218	—
	14,512	—

As at 31 December 2013, the Group's prepaid lease payments with a carrying value of approximately HK$14,512,000 (2012: nil) has been pledged to secure banking facilities granted to the Group (note 37).

19. INVESTMENT PROPERTIES

	Fair Value
	HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	—
Additions	161,520
Net increase in fair value recognised in profit or loss	56,300
Exchange realignment	2,895
At 31 December 2013	220,715

The fair value of the Group's investment properties as at 31 December 2013 has been arrived at on the basis of a valuation carried out by independent qualified professional valuers not connected to the Group.

The fair value was determined by direct comparison approach, and making reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc. between the comparable properties and the subject investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 2	Fair value as at 31 December 2013
	HK$'000	HK$'000
Commercial property units located in PRC	220,715	220,715

All the Group's investment properties are located in the PRC, held under medium term lease and have been pledged to secure banking facilities granted to the Group (note 37).

20. GOODWILL

	Trading business	Corporate IT Solution	Public Procurement	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2012	353	—	6,715,982	6,716,335
Exchange realignment	—	(37)	36,096	36,059
Arising on acquisition of a subsidiary	—	11,157	—	11,157
Eliminated on disposal of a subsidiary	(353)	—	—	(353)
At 31 December 2012 and 1 January 2013	—	11,120	6,752,078	6,763,198
Exchange realignment	—	479	291,133	291,612
At 31 December 2013	—	11,599	7,043,211	7,054,810
ACCUMULATED IMPAIRMENT				
At 1 January 2012	—	—	5,372,101	5,372,101
Exchange realignment	—	—	28,874	28,874
At 31 December 2012 and 1 January 2013	—	—	5,400,975	5,400,975
Impairment loss recognised in the year	—	11,599	—	11,599
Exchange realignment	—	—	232,956	232,956
At 31 December 2013	—	11,599	5,633,931	5,645,530
CARRYING VALUES				
At 31 December 2013	—	—	1,409,280	1,409,280
At 31 December 2012	—	11,120	1,351,103	1,362,223

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.

20. GOODWILL (Continued)

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

Corporate IT solution

The recoverable amount of this CGU of HK$26,254,000 has been determined based on a 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-year period and a discount rate of 22.24% (2012: 18.95%). Cash flows beyond the 5-year period has been extrapolated using a steady 3% (2012: 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 considered that an impairment of HK$11,599,000 (2012: nil) should be made to the goodwill as at 31 December 2013.

During the year ended 31 December 2013, the Group recognised an impairment loss of HK$11,599,000 (2012: nil) on goodwill of provision of corporate IT solution primarily due to the unsatisfactory performance of the underlying business.

Public procurement

The recoverable amount of this CGU has been determined based on a 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-year period and a discount rate of 27.47% (2012: 21.58%). Cash flows beyond the 5-year period has been extrapolated using a steady 3% (2012: 4%) growth rate. This growth rate is based on expected economic forecast on inflation. The directors of the Company were of the opinion that the recoverable amount exceeded its respective carrying amount as at 31 December 2013, and no further impairment loss of goodwill was necessary.

21. 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 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 and 1 January 2013	127	9,817	8,591	57,614	28,537	104,686
Additions	—	—	—	20,129	—	20,129
Exchange realignment	5	423	370	2,748	1,138	4,684
At 31 December 2013	132	10,240	8,961	80,491	29,675	129,499
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 1 January 2012	21	—	—	—	—	21
Charge for the year	12	—	—	—	826	838
Exchange realignment	1	—	—	—	1	2
At 31 December 2012 and 1 January 2013	34	—	—	—	827	861
Charge for the year	13	—	—	—	4,839	4,852
Impairment loss recognised in the year	—	—	—	—	2,652	2,652
Exchange realignment	2	—	—	—	73	75
At 31 December 2013	49	—	—	—	8,391	8,440
CARRYING VALUES						
At 31 December 2013	83	10,240	8,961	80,491	21,284	121,059
At 31 December 2012	93	9,817	8,591	57,614	27,710	103,825

Computer software

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$21,367,000 (2012: HK$27,803,000).

During the year ended 31 December 2013, the Group recognised an impairment loss of HK$2,652,000 (2012: nil) on its computer software primarily due to the unsatisfactory performance of the underlying business.

21. INTANGIBLE ASSETS (Continued)

Software technology knowhow, online platform promotion right, online platform development and technical support right

The software technology knowhow, online platform promotion right, online platform development and technical support right 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 2013 and 2012, as described in note 5. These intangible assets will not be amortised until the 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 recoverable amount of those intangible assets as at 31 December 2013 and 2012 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$99,692,000 (2012: HK$76,022,000).

These intangible assets were allocated to the Group's CGU of public procurement and the details of impairment testing of this CGU were included in note 20.

22. INTEREST IN AN ASSOCIATE

	2013	2012
	HK$'000	HK$'000
Unlisted investment in the PRC, at cost	5,277	5,277
Share of post-acquisition losses and other comprehensive income	(3,970)	(3,562)
	1,307	1,715

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

Name	Form of entity	Place of incorporation and operation	Class of equity held	Proportion of nominal value of paid-up capital by the Group and portion of voting power held indirectly		Principal activities
				2013	2012	
國採華南金屬市場服務有限公司 Guocai South China Metal Exchange Service Limited*	Incorporated	The PRC	Paid-up capital	21.5%	21.5%	Provision of trading consultancy and legal advisory services and trading of metal

* The English name for identification purpose only

22. INTEREST IN AN ASSOCIATE (Continued)

The associate is accounted for using the equity method in these consolidated financial statements and its summarised financial information, prepaid in accordance with HKFRSs, is set out below.

	2013	2012
	HK$'000	HK$'000
The Group's share of loss	(476)	(3,547)
The Group's share of other comprehensive income	68	(15)
The Group's share of total comprehensive income	(408)	(3,562)
Aggregate carrying amount of the Group's interest in the associate	1,307	1,715

23. AVAILABLE-FOR-SALE INVESTMENT

	2013	2012
	HK$'000	HK$'000
Unlisted equity investment in the PRC, at cost	6,400	—

The Group's available-for-sale investment as at 31 December 2013 amounted to approximately HK$6,400,000 is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. As at 31 December 2013, the directors of the Company performed a review of the recoverable amount of the Group's available-for-sale investment and concluded that no impairment loss was necessary.

24. PREPAYMENT FOR PLANT AND EQUIPMENT

The Group has prepaid approximately HK$6,144,000 (2012: nil) during the year ended 31 December 2013 for the necessary equipment to be acquired for an energy management contract. The relevant contract has an operating term of 10 years commencing from the date of completion of the installation of the relevant equipment. No installation work had been commenced as at 31 December 2013.

25. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade receivables	22,538	1,748
Prepayments	2,541	5,420
Deposits and other receivables	132,079	93,169
	157,158	100,337

The Group does not hold any collateral over its trade and other 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. For receivables relating to the energy management business, a credit period of 180 days is offered. 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:

	2013	2012
	HK$'000	HK$'000
Within 90 days	495	629
91 days to 180 days	187	648
181 days to 365 days	21,408	283
Over 365 days	448	188
	22,538	1,748

At the end of the reporting period, included in the Group's trade receivables were debtors with aggregate carrying amount of approximately HK$22,043,000 (2012: HK$1,119,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

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

	2013	2012
	HK$'000	HK$'000
Within 90 days	20,000	—
91 days to 180 days	187	648
181 days to 365 days	1,408	283
Over 365 days	448	188
	22,043	1,119

25. TRADE AND OTHER RECEIVABLES (Continued)

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.

During the year ended 31 December 2013, other receivables of approximately HK$1,671,000 (2012: HK$1,136,000) was written off due to its remote collectability.

26. 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 1.5% (2012: 0.01% to 1.8%) 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.

	2013	2012
	HK$'000	HK$'000
Amount denominated in:		
USD	3,300	7,677
RMB	38,519	74,870
	41,819	82,547

27. ACCRUALS AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Accruals	394	261
Other payables*	51,933	39,840
Payables for acquisition of property, plant and equipment	10,240	—
Payables for acquisition of intangible assets	7,413	11,780
	69,980	51,881

* Included in the balance was interest free advances of HK$8,754,000 (2012: HK$2,494,000) from certain independent third parties.

28. SECURED BANK LOANS

	2013	2012
	HK$'000	HK$'000
Secured	64,835	64,059
Carrying amount repayable:		
Within one year	7,410	6,570
More than one year but not exceeding two years	7,410	6,570
More than two years but not exceeding five years	22,228	19,710
More than five years	27,787	31,209
	64,835	64,059
Less: Amounts due within one year shown under current liabilities	(7,410)	(6,570)
Amount shown under non-current liabilities	57,425	57,489

The Group's bank loans are denominated on RMB carrying interest at variable-rate. The effective interest rate per annum on the Group's bank loans at the end of the reporting period is as follow:

	2013	2012
Variable-rate bank loans	6.88%	6.88%

The secured bank loans are secured by the Group's buildings, prepaid lease payments and investments properties (2012: prepayment for property) as disclosed in note 37, and guaranteed by an independent third party of the Group.

29. DEFERRED INCOME

In 2013, the Group received a government subsidies in aggregate of HK$17,920,000 (2012: nil) for financing the Group's capital investments. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets commencing when the relevant asset is available for use. This policy has resulted in a credit to income in the current period of HK$213,000 (2012: nil). As at 31 December 2013, an amount of HK$17,707,000 (2012: nil) remains to be amortised.

	2013	2012
	HK$'000	HK$'000
Balance as at 1 January	—	—
Grants received	17,920	—
Amortisation (included in other income)	(213)	—
Balance as at 31 December	17,707	—

30. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013	2012
	HK$'000	HK$'000
Deferred tax asset	929	890
Deferred tax liability	(33,675)	(6,753)
	(32,746)	(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	Revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 January 2013	890	(6,753)	—	(5,863)
Credited (charged) to profit or loss	—	1,834	(28,131)	(26,297)
Exchange realignment	39	(252)	(373)	(586)
At 31 December 2013	929	(5,171)	(28,504)	(32,746)

At 31 December 2013, the Group had unused tax losses of approximately HK$118,296,000 (2012: HK$161,776,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such loss due to the unpredictability of future profit streams. As at 31 December 2013, approximately HK$59,175,000 (2012: HK$63,091,000) included in the above unused tax losses will be expired after five years from the year of arising. Other losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the 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 2013, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the subsidiaries amounting to approximately HK$137,443,000 (2012: HK$80,576,000) 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.

31. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares
	'000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012	10,000,000	100,000
Increase in authorised capital (note a)	10,000,000	100,000
At 31 December 2012, 1 January 2013 and 31 December 2013	20,000,000	200,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 1 January 2013	3,316,332	33,163
Increase on conversion of preference shares (note b)	7,975,011	79,750
At 31 December 2013	11,291,343	112,913

Note a: 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.

Note b: During the year ended 31 December 2013, 7,975,011,000 ordinary shares of HK$ 0.01 each was issued and allotted, credited as fully paid, upon conversion of 7,975,011,000 preference shares.

32. CONVERTIBLE PREFERENCE SHARES

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

	Number of shares	Nominal value of preference shares
	'000	HK'$000
At 1 January 2012	—	—
Issued during the year	8,053,915	80,539
At 31 December 2012	8,053,915	80,539
Conversion into ordinary shares	(7,975,011)	(79,750)
At 31 December 2013	78,904	789

32. CONVERTIBLE PREFERENCE SHARES (Continued)

On 5 April 2012, the Company issued 8,053,914,537 convertible preference shares of par value of HK$0.01 each to settle the contingent consideration for the acquisition of Hero Joy Group International limited, a subsidiary acquired by the Group in 2009.

The conversion rate of each convertible preference share is one ordinary share. The major terms of the convertible 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%.

(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 be entitled 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 the above terms and conditions, the convertible preference shares have been classified as equity instrument in the consolidated statement of financial position.

During the year ended 31 December 2013, 7,975,011,000 preference shares of HK$ 0.01 each were converted, resulting in the issue and allotment of 7,975,011,000 ordinary shares of HK$0.01 each, credited as fully paid..

33. 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).

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.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(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
— on 2 July 2013 A	67,000	Immediately from the date of grant	3 years
— on 18 October 2013 A	15,000	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 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
— on 2 July 2013 A	118,000	Immediately from the date of grant	3 years
— on 2 July 2013 B	110,000	Immediately from the date of grant	3 years
Total share options	791,500		

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	2013		2012	
	Weighted average exercise price	Number of option	Weighted average exercise price	Number of option
		'000		'000
Outstanding at the beginning of the year	HK$0.802	230,000	HK$0.787	132,100
Granted during the year	HK$0.719	310,000	HK$0.762	196,400
Lapsed or cancelled during the year	HK$0.986	(41,600)	HK$0.701	(98,500)
Outstanding at the end of the year	HK$0.735	498,400	HK$0.802	230,000

The options outstanding at 31 December 2013 had a weighted average exercise price of HK$0.735 (2012: HK$0.802) and a weighted average remaining contractual life of 2.077 years (2012: 2.066 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	18 October 2013	2 July 2013	2 July 2013	28 May 2012
Fair value at measurement date	HK$0.03	HK$0.10	HK$0.14	HK$0.09
Share price	HK$0.46	HK$0.64	HK$0.64	HK$0.68
Exercise price	HK$0.76	HK$0.76	HK$0.64	HK$0.76
Expected volatility	45.857%	44.849%	44.849%	37.235%
Expected life	1.5 years	1.5 years	1.5 years	1.5 years
Expected dividends	0%	0%	0%	0%
Risk free interest rate	0.243%	0.292%	0.292%	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$34,091,000 (2012: HK$18,378,000) for the year ended 31 December 2013 in relation to share options granted by the Company.

33. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

For the year ended 31 December 2013

	Outstanding at 1 January 2013	Granted during year	Lapsed or cancelled during year	Outstanding at 31 December 2013
	'000	'000	'000	'000
Exercise Period				
5 January 2011 to 4 January 2013	3,600	—	(3,600)	—
9 February 2011 to 8 February 2013	30,000	—	(30,000)	—
28 May 2012 to 27 May 2015	196,400	—	—	196,400
2 July 2013 to 1 July 2016	—	295,000	(8,000)	287,000
18 October 2013 to 17 October 2016	—	15,000	—	15,000
	230,000	310,000	(41,600)	498,400

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

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

34. 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 statement of profit or loss.

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 20)	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.

34. ACQUISITION OF A SUBSIDIARY (Continued)

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.

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.

35. 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 HK$12,000 (equivalent to RMB10,000) 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 2012, 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.

36. 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:

	2013	2012
	HK$'000	HK$'000
Within one year	9,897	4,398
In the second to fifth years inclusive	8,386	961
	18,283	5,359

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial of 1 to 3 years (2012: 1 to 2 years). Rentals are fixed at the inception of the leases.

(b) Capital commitments

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

	2013	2012
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— acquisition of intangible assets	8,617	14,714
— acquisition of properties	—	16,562
— further capital injection to an associate	22,016	21,107
	30,633	52,383

37. PLEDGE OF ASSETS

The Group had pledged the following assets to secure the Group's bank loans at the end of the reporting period. The carrying values of the assets pledged are as follows:

	2013	2012
	HK$'000	HK$'000
Buildings	5,230	—
Prepaid lease payments	14,512	—
Investment properties	220,715	—
Prepayment for acquisition of property	—	150,295
	240,457	150,295

38. 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 2013, the total retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to approximately HK$1,698,000 (2012: HK$1,309,000).

39. MAJOR NON-CASH TRANSACTION

(i) 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 January 2012. Further details of the convertible preference shares are set out in note 32 above.

(ii) During the year ended 31 December 2013, the prepayments for properties of HK$150,295,000 was utilised to settle the consideration for the acquisition of buildings, prepaid lease payments and investment properties.

(iii) During the year ended 31 December 2013, the consideration for the acquisition of buildings, prepaid lease payments and investment properties was partially settled by secured bank loans of HK$5,080,000.

40. RELATED PARTY DISCLOSURES

Apart from the balances and transactions disclosed 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:

	2013	2012
	HK$'000	HK$'000
License fee from an associate	—	16,500
Agency fee charged by China Public Procurement Investments Limited (notes (i) and (v))	—	1,106
Agency fees charged by Guocai Science & Technology Company Limited ("Guocai"), a substantial shareholder (note (i))	23,617	—

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

	2013	2012
	HK$'000	HK$'000
Amounts due from:		
Guocai, (note (iv))	40,320	—
Deposit paid to Guocai for potential acquisition of a subsidiary (note (ii))	19,000	19,000
Amounts due to:		
Guocai (note (iv))	18,750	1,839
Guocai (Beijing) Technology Development Limited (notes (iii) and (iv))	1,920	—

40. RELATED PARTY DISCLOSURES (Continued)

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

Notes:

(i) The agency fees are charged according to the terms of the agreement entered into by the parties.

(ii) 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.

(iii) The company is a subsidiary of Guocai.

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

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

(c) Key management compensation

The key management personnel represent solely the directors of the Company and the compensation paid to them is disclosed in note 13.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

41. PRINCIPAL 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		
			2013	2012	2013	2012	
Million Treasure Holdings Limited*	British Virgin Islands	US$100 Ordinary share	100%	—	—	—	Inactive
Guocai Financial Information Consultancy Limited#*	The PRC	Registered and contributed capital RMB100,000,000/ RMB19,999,000	100%	—	—	—	Inactive
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
Guocai (Qinghai) Technology Company Limited**	The PRC	Registered and contributed capital RMB10,000,000	—	—	63%	63%	Provision of online procurement services
Guocai (Wubei) Technology Company Limited**	The PRC	Registered and contributed capital RMB10,000,000	—	—	90%	90%	Provision of online procurement services
Gongcai Network Technology Company Limited#	The PRC	Registered and contributed capital USD50,000,000/ USD20,000,000	—	—	100%	100%	Provision of online procurement service and sales and management of Energy management contracting
Shenzhen Zhongcai Information Technology Company Limited**	The PRC	Registered and contributed capital RMB3,000,000	—	—	70%	70%	Sale of software and provision of IT services

* Subsidiaries incorporated during the year ended 31 December 2013

\# Wholly Foreign-owned Enterprise

** Domestic Invested Enterprise

41. PRINCIPAL SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give further details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

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

At the end of the reporting period, the Group has other subsidiaries that are not material to the Group. The principal activities and place of business of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2013**	**2012**
Investment holding	Hong Kong	6	6
Inactive	PRC	3	2
	Hong Kong	4	4
		13	12

The Group did not have any non-wholly-owned subsidiaries that have material non-controlling interest.

42. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries		25,196	1
		25,196	1
Current assets			
Trade and other receivables		23,664	2,682
Amounts due from subsidiaries	(a)	3,626	1,767
Bank balances and cash		9,199	832
		36,489	5,281
Current liabilities			
Other payables		27,503	25,341
Amount due to a subsidiary	(a)	41,040	21,940
		68,543	47,281
Net current liabilities		(32,054)	(42,000)
		(6,858)	(41,999)
Capital and reserve			
Share capital		112,913	33,163
Convertible preference shares		789	80,539
Reserves	(b)	(120,560)	(155,701)
		(6,858)	(41,999)

Notes:

(a) Amounts due from (to) subsidiaries

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

42. 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 2012	1,267,253	44,276	332,310	(7,156,895)	(5,513,056)
Loss for the year	—	—	—	(57,146)	(57,146)
Issuance of preference shares	5,396,123	—	—	—	5,396,123
Effect of share options granted	—	18,378	—	—	18,378
Effect of share options lapsed	—	(26,764)	—	26,764	—
At 31 December 2012 and 1 January 2013	6,663,376	35,890	332,310	(7,187,277)	(155,701)
Profit for the year	—	—	—	1,050	1,050
Effect of share options granted	—	34,091	—	—	34,091
Effect of share options lapsed or cancelled	—	(18,226)	—	18,226	—
At 31 December 2013	6,663,376	51,755	332,310	(7,168,001)	(120,560)

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 2013 and 2012, no reserve of the Company was available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

43. EVENT AFTER THE REPORTING PERIOD

(i) On 25 March 2014, a memorandum of understanding regarding a proposed acquisition of entire equity interest of a company in the PRC which is principally engaged in the operation of an electronic platform for coal trading in the PRC has been lapsed. As at 31 December 2013, no deposit has been paid for the proposed acquisition. Further details of the proposed acquisition were set out in the Company's announcements dated on 22 July 2013 and 25 March 2014.

(ii) On 31 March 2014, the Group entered into a memorandum of understanding with certain independent parties regarding a proposed acquisition of equity interest in a group of companies principally engaged in the operation of an electronic platform of coal trading in the PRC. Further details of the proposed acquisition were set out in the Company's announcement dated 31 March 2014.

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
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	90,003	277,123	5,353	24,901	20,051
Profit (loss) before tax	73,865	11,361	(20,863)	261,045	(818,747)
Income tax expense	(37,120)	(28,231)	(3,442)	(66,433)	–
Profit (loss) for the year	36,745	(16,870)	(24,305)	194,612	(818,747)
Attributable to:					
Owners of the Company	37,403	(14,575)	(23,438)	196,450	(818,170)
Non-controlling interests	(658)	(2,295)	(867)	(1,838)	(577)
	36,745	(16,870)	(24,305)	194,612	(818,747)

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000
Total assets	2,106,744	1,874,796	1,781,815	1,810,701	81,405
Total liabilities	(256,437)	(164,425)	(5,568,476)	(5,626,483)	(26,375)
Total equity	1,850,307	1,710,371	(3,786,661)	(3,815,782)	55,030
Equity attributable to the owners of Company	1,836,882	1,694,795	(3,793,890)	(3,820,061)	52,474
Non-controlling interests	13,425	15,576	7,229	4,279	2,556
Total equity	1,850,307	1,710,371	(3,786,661)	(3,815,782)	55,030