

**CPP** 中採

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

*(incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**



Interim Report **2014**

The board of directors (the “Board”) of China Public Procurement Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 (the “Period”) with comparative figures for the corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	4	5,373	84,146
Cost of sales		(4,086)	(2,615)
Gross profit		1,287	81,531
Other income	5	437	814
Gain on disposal of a subsidiary	21	3,120	—
Share of loss of an associate		(83)	(149)
Administrative expenses		(84,133)	(48,552)
Finance costs	6	(2,146)	—
(Loss) profit before tax		(81,518)	33,644
Income tax	7	—	—
(Loss) profit for the period	8	(81,518)	33,644
(Loss) profit for the period attributable to:			
Owners of the Company		(78,908)	34,452
Non-controlling interests		(2,610)	(808)
		(81,518)	33,644
(Loss) earnings per share			
Basic and diluted (HK cents)	9	(0.69)	0.30

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period	<b>(81,518)</b>	33,644
Other comprehensive (expense) income		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on retranslation of foreign operations	<b>(26,839)</b>	49,076
Reclassification adjustments for the cumulative exchange gains upon disposal of a foreign subsidiary	<b>(663)</b>	—
Total comprehensive (expenses) income for the period	<b>(109,020)</b>	82,720
Total comprehensive (expenses) income for the period attributable to:		
Owners of the Company	<b>(106,075)</b>	83,061
Non-controlling interests	<b>(2,945)</b>	(341)
	<b>(109,020)</b>	82,720

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Plant and equipment	11	<b>37,545</b>	32,219
Prepaid lease payments		<b>13,541</b>	14,218
Investment properties		<b>217,059</b>	220,715
Goodwill	12	<b>1,385,939</b>	1,409,280
Intangible assets		<b>115,914</b>	121,059
Interest in an associate		<b>1,202</b>	1,307
Available-for-sale investment		<b>—</b>	6,400
Prepayment for property, plant and equipment		<b>6,042</b>	6,144
Deposit paid for potential acquisition of a subsidiary		<b>19,000</b>	19,000
Deferred tax asset		<b>914</b>	929
		<b>1,797,156</b>	1,831,271
<b>Current assets</b>			
Trade receivables and other receivables	13	<b>145,411</b>	157,158
Loan receivable	14	<b>100,000</b>	—
Prepaid lease payments		<b>289</b>	294
Amount due from a substantial shareholder		<b>40,410</b>	40,320
Income tax recoverable		<b>3,184</b>	2,625
Bank balances and cash		<b>176,457</b>	75,076
		<b>465,751</b>	275,473
<b>Current liabilities</b>			
Accruals and other payables	15	<b>72,438</b>	69,980
Amount due to a substantial shareholder	16	<b>9,556</b>	18,750
Amount due to a related company	16	<b>4,909</b>	1,920
Tax payable		<b>48,033</b>	49,570
Secured bank loans	17	<b>7,287</b>	7,410
		<b>142,223</b>	147,630
<b>Net current assets</b>		<b>323,528</b>	127,843
<b>Total assets less current liabilities</b>		<b>2,120,684</b>	1,959,114

	<i>Notes</i>	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Secured bank loans	17	<b>52,830</b>	57,425
Deferred income		<b>17,413</b>	17,707
Deferred tax liability		<b>33,117</b>	33,675
		<b>103,360</b>	108,807
		<b>2,017,324</b>	1,850,307
<b>Capital and reserves</b>			
Share capital	18	<b>120,102</b>	112,913
Convertible preferred shares	19	<b>589</b>	789
Reserves		<b>1,886,153</b>	1,723,180
Equity attributable to owners of the Company		<b>2,006,844</b>	1,836,882
Non-controlling interests		<b>10,480</b>	13,425
		<b>2,017,324</b>	1,850,307

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Preferred		Share premium	Merger reserve	Share-based		Translation reserve	Accumulated losses	Non- controlling		Total
	Share capital	share capital			compensation reserve	Statutory reserve			Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note i)		(Note ii)					
At 1 January 2014 (audited)	112,913	789	6,663,376	8,390	51,755	15,365	263,263	(5,278,969)	1,836,682	13,425	1,850,307
Loss for the period	-	-	-	-	-	-	-	(78,908)	(78,908)	(2,610)	(81,518)
Other comprehensive expense for the period											
Item that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation	-	-	-	-	-	-	(26,504)	-	(26,504)	(335)	(26,839)
Disposal of a subsidiary (note 21)	-	-	-	-	-	-	(663)	-	(663)	-	(663)
Total comprehensive expense for the period	-	-	-	-	-	-	(27,167)	(78,908)	(106,075)	(2,945)	(109,020)
Conversion of preferred shares	200	(200)	-	-	-	-	-	-	-	-	-
Placing of shares (note 18)	6,969	-	244,088	-	-	-	-	-	251,077	-	251,077
Share options granted	-	-	-	-	24,960	-	-	-	24,960	-	24,960
At 30 June 2014 (unaudited)	120,102	589	6,907,464	8,390	76,715	15,365	236,096	(5,357,877)	2,006,844	10,480	2,017,324

	Share capital	Preferred 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	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note i)		(Note ii)					
At 1 January 2013 (audited)	33,163	80,539	6,663,376	8,390	35,890	8,953	192,670	(5,328,186)	1,694,795	15,576	1,710,371
Profit (loss) for the period	-	-	-	-	-	-	-	34,452	34,452	(808)	33,644
Other comprehensive income for the period											
Item that may be subsequently reclassified to profit or loss:											
Exchange differences arising on translation	-	-	-	-	-	-	48,609	-	48,609	467	49,076
Total comprehensive income (expense) for the period (unaudited)	-	-	-	-	-	-	48,609	34,452	83,061	(341)	82,720
Conversion of preferred shares	78,079	(78,079)	-	-	-	-	-	-	-	-	-
Share options lapsed	-	-	-	-	(17,552)	-	-	17,552	-	-	-
At 30 June 2013 (unaudited)	111,242	2,460	6,663,376	8,390	18,338	8,953	241,279	(5,276,182)	1,777,856	15,235	1,793,091

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

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<b>(24,877)</b>	(61,574)
Net cash used in investing activities	<b>(121,465)</b>	(1,491)
Net cash from financing activities	<b>248,307</b>	747
Net increase (decrease) in cash and cash equivalents	<b>101,965</b>	(62,318)
Cash and cash equivalents at 1 January	<b>75,076</b>	113,670
Effect of foreign exchange rate changes	<b>(584)</b>	2,200
Cash and cash equivalents at 30 June, representing bank balances and cash	<b>176,457</b>	53,552

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

*For the six months ended 30 June 2014*

## **1. GENERAL**

China Public Procurement Limited (the “Company”) is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

## **2. BASIS OF PREPARATION**

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

## **3. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Application of a new Interpretation and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC*) – Interpretation 21	Levies

\* IFRIC represents International Financial Reporting Interpretations Committee.

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial information and/or disclosures set out in these condensed consolidated financial information.

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 <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>

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

#### **Application of a new Interpretation and amendments to HKFRSs (Continued)**

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.
- <sup>2</sup> HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

### **4. REVENUE AND SEGMENT INFORMATION**

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

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

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

## 4. REVENUE AND SEGMENT INFORMATION (Continued)

### (a) Segment revenues and results

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

*For the six months ended 30 June 2014*

	Public procurement HK\$'000 (Unaudited)	Provision of corporate IT solution HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	EMC HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	1,755	3,618	–	–	5,373
Segment profit	61	1,226	–	–	1,287
Unallocated income					437
Unallocated expenses					(84,133)
Share of loss of an associate					(83)
Gain on disposal of a subsidiary					3,120
Finance cost					(2,146)
Loss before tax					(81,518)

*For the six months ended 30 June 2013*

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

The accounting policies of the continuing operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administrative cost, directors' salaries, certain other income and gain and finance costs. This is the measure reported to the chairman of the board of directors, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### (b) Segment assets and liabilities

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

##### *Segment assets*

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Public procurement	<b>1,547,187</b>	1,564,486
Provision of corporate IT solution	<b>27,268</b>	24,914
Trading	—	—
EMC	<b>50,714</b>	62,624
Unallocated	<b>637,738</b>	454,720
<b>Total segment assets</b>	<b>2,262,907</b>	2,106,744

##### *Segment liabilities*

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Public procurement	<b>65,524</b>	35,512
Provision of corporate IT solution	<b>448</b>	1,290
Trading	—	—
EMC	—	3,442
Unallocated	<b>179,611</b>	216,193
<b>Total segment liabilities</b>	<b>245,583</b>	256,437

## 5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	46	161
Exchange gain	235	—
Sundry income	156	653
	<b>437</b>	814

## 6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans not wholly repayable within five years	2,146	2,207
Less: Amount capitalised	—	(2,207)
	<b>2,146</b>	—

## 7. INCOME TAX

No provision for Hong Kong Profits Tax had been made for the six months ended 30 June 2014 (2013: nil) as the Group did not have any assessable profits arising in Hong Kong.

No provision for PRC Corporate Income Tax has been made for the six months ended 30 June 2014 (2013: nil) as the Group did not have any assessable profits in the PRC.

## 8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation and depreciation	10,353	3,288
Equity-settled share-based payment expenses	24,960	—
Exchange difference, net	(235)	113

## 9. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
(Loss) profit attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<b>(78,908)</b>	34,452

### Number of shares

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares and preferred shares for the purpose of basic (loss) earnings per share	<b>11,412,776</b>	11,370,247

The computation of diluted loss per share does not assume the exercises of the Company's outstanding options for the six months ended 30 June 2014 since for certain outstanding options, their exercises would result in a decrease in loss per share while the exercise prices of the remaining options are higher than the average market price of the Company's shares.

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

## 10. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: nil).

## 11. PLANT AND EQUIPMENT

During the six months ended 30 June 2014, additions to the Group's plant and equipment were approximately HK\$12,299,000 (2013: HK\$1,652,000).

## 12. GOODWILL

	<i>HK\$'000</i>
Net book value as at 1 January 2014 (audited)	1,409,280
Exchange realignment	(23,341)
Net book value as at 30 June 2014 (unaudited)	1,385,939

## 13. TRADE AND OTHER RECEIVABLES

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>4,932</b>	22,538
Prepayments	<b>8,673</b>	2,541
Deposits and other receivables	<b>131,806</b>	132,079
	<b>145,411</b>	157,158

The Group normally grants to its customers credit periods ranging from 30 days to 90 days which are subject to periodic review by management.

The following is an aged analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 90 days	<b>2,309</b>	495
91 days to 180 days	<b>295</b>	187
181 days to 365 days	<b>2,125</b>	21,408
Over 365 days	<b>203</b>	448
	<b>4,932</b>	22,538

#### 14. LOAN RECEIVABLE

The balance represented advance to an independent third party which is unsecured, interest-free and repayable on 4 June 2015. Further details of the loan advance are set out in the Company's announcement dated 5 June 2014.

#### 15. ACCRUALS AND OTHER PAYABLES

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Accruals	<b>2,121</b>	394
Other payables*	<b>49,680</b>	51,933
Payables for acquisition of property, plant and equipment	<b>10,070</b>	10,240
Payables for acquisition of intangible assets	<b>10,567</b>	7,413
	<b>72,438</b>	69,980

\* Included in the balance as at 31 December 2013 was interest free advances of HK\$8,754,000 from certain independent third parties.

#### 16. AMOUNTS DUE FROM (TO) A SUBSTANTIAL SHAREHOLDER AND RELATED COMPANY

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

## 17. SECURED BANK LOANS

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Secured	<b>60,117</b>	64,835
Carrying amount repayable:		
Within one year	<b>7,287</b>	7,410
More than one year but not exceeding two years	<b>7,287</b>	7,410
More than two years but not exceeding five years	<b>29,147</b>	22,228
More than five years	<b>16,396</b>	27,787
	<b>60,117</b>	64,835
Less: Amounts due within one year shown under current liabilities	<b>(7,287)</b>	(7,410)
Amount shown under non-current liabilities	<b>52,830</b>	57,425

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

	<b>Six months ended 30 June</b>	
	<b>2014 (Unaudited)</b>	2013 (Unaudited)
Variable-rate bank loans	<b>6.88%</b>	6.91%

## 18. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2014 (audited) and 30 June 2014 (unaudited)	20,000,000	200,000
Issued and fully paid:		
At 1 January 2014 (audited)	11,291,343	112,913
Conversion of preferred shares	20,000	200
Placing of shares	698,888	6,989
At 30 June 2014 (unaudited)	12,010,231	120,102

During the six months ended 30 June 2014, 698,888,000 ordinary shares of the Company were placed to 6 places raising a net proceeds of HK\$251,077,000.

## 19. CONVERTIBLE PREFERRED SHARES

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

	<b>Number of shares</b>	<b>Nominal value of preferred shares</b>
	<i>'000</i>	<i>HK\$'000</i>
At 1 January 2014 (audited)	78,904	789
Conversion of preferred shares	(20,000)	(200)
At 30 June 2014 (unaudited)	58,904	589

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

- (i) The convertible preferred shareholders has the right, exercisable at any time perpetual as from the date of issue, to convert the preferred shares into fully paid ordinary shares, provided that (1) any conversion of the convertible preferred shares does not trigger a mandatory offer obligation under rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the convertible preferred shares holders and their concert parties who exercise the conversion rights; (2) the public float of the shares shall not be less than 25%.
- (ii) The convertible preferred shares are transferable and do not carry the right to vote at the Company's general meetings. The convertible preferred shareholders are entitled to the dividend declared by the Company.
- (iii) The convertible preferred shares shall rank *pari passu* with any and all current and future preferred equity securities of the Company.
- (iv) The convertible preferred shares are non-redeemable.

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

During the six months ended 30 June 2014, 20,000,000 preference shares of HK\$0.01 each were converted, resulting in the issue and allotment of 20,000,000 ordinary shares of HK\$0.01 each, credited as fully paid.

## 20. EQUITY-SETTLED SHARE-BASED PAYMENTS

### Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' written resolution passed on 13 June 2013.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board, which must not be more than 10 years from the date of the grant.

On 3 June and 6 June 2014, 100,000,000 and 120,000,000 share options were granted to certain directors and employees of the Company with an exercise price of HK\$0.40 and HK\$0.415 per share respectively pursuant to the Share Option Scheme.

The closing prices of the Company's shares immediately before 3 June and 6 June 2014, the dates of grant, were HK\$0.385 and HK\$0.415 respectively.

The fair value of service received in return for share options granted under the Share Option Scheme was measured by reference to the fair value of share options. The estimate of the fair value of the share options granted was measured at the date of grant based on the Black-Scholes-Merton Option Pricing Model. The variables and assumptions used in computing the fair value of the share options were based on the best estimates of the directors of the Company. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six months ended 30 June 2014, no (2013: 3,600,000) share options under the Share Option Scheme were lapsed and no (2013: nil) options were exercised.

The following table summarises the movements in the share options of the Company:

	<b>No. of share options</b>
Outstanding at 1 January 2014	498,400,000
Granted during the period	220,000,000
Outstanding at 30 June 2014	718,400,000

## 21. DISPOSAL OF A SUBSIDIARY

On 21 May 2014, the Company completed the disposal of the entire equity interests in 北京中采世技術有限公司 (“北京中采”), at a cash consideration of RMB10,000 (equivalent to HK\$13,000) to Ms. 高靜, an independent third party. The net liabilities of 北京中采 at the date of disposal were as follows:

	<i>HK\$'000</i>
<b>Net liabilities disposal of</b>	
Plant and equipment	38
Available-for-sale investment	6,294
Other receivables	416
Bank balances and cash	128
Other payables	(10,659)
	(3,783)
Release of translation reserve on disposal	663
Gain on disposal	3,120
Total consideration	13
Satisfied by cash	13
<b>Net cash outflow arising on disposal</b>	
Cash consideration	13
Cash and cash equivalents disposed of	(128)
	(115)

## 22. PLEDGE OF ASSETS

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

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Buildings	<b>3,981</b>	5,230
Prepaid lease payments	<b>13,830</b>	14,512
Investment properties	<b>217,059</b>	220,715
	<b>234,870</b>	240,457

## 23. COMMITMENTS

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

### (a) Commitment under operating lease

*The Group as lessee*

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

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>10,167</b>	9,897
In the second to fifth years inclusive	<b>14,226</b>	8,386
	<b>24,393</b>	18,283

Operating lease payments represent rentals payable by the Group for certain of its office premises. The lease typically runs for an initial term of 1 to 2 years (2013: 1 to 2 years), with an option to renew the lease when all terms are renegotiated and rentals are fixed over the relevant lease term.

### (b) Capital commitments

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

	<b>30 June 2014</b>	31 December 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of		
– acquisition of intangible assets	<b>8,474</b>	8,617
– further capital injection to an associate	<b>21,651</b>	22,016
	<b>30,125</b>	30,633

## 24. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2014, the Group has entered into the following transaction with a substantial shareholder:

	<b>30 June 2014</b>	30 June 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Services fee paid	—	6,637

- (b) **Key management compensation**

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

	<b>30 June 2014</b>	30 June 2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Short-term employee benefits	<b>9,436</b>	9,265
Equity-settled share-based payment expense	<b>2,660</b>	—
Pension scheme contribution	—	5
	<b>12,096</b>	9,270



## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 June 2014, the Group recorded a loss of approximately HK\$81.5 million (six months ended 30 June 2013: a profit of approximately HK\$33.6 million) which was mainly attributable to the decline in business income and the increase in administrative and operating expenses, especially the increase of non-cash share-based payment expense of approximately HK\$25 million arising from grant of share options and the amortisation on depreciation of Wuhan Building in the amount of approximately HK\$7 million. Loss attributable to owners of the Company was HK0.69 cents per share (six months ended 30 June 2013: Profit attributable to owner of the Company of HK0.30 cents per share). During the first half of 2014, the Company strategically focused on its structural adjustments and construction of a business environment for its public procurement business. Existing businesses were reorganised according to its strategic goals as other territories were penetrated into. Global procurement division was duly established to be responsible for the systematic development of international public and commercial procurement markets. Our financial service platforms became a supporting complement to our third-party value-added services with the ability to enhance customer loyalty so as to create a more professional and comprehensive business model for our public procurement business. Leveraging on our status as a one-stop whole-chain trading service provider, we became the forerunner in the market of providing procurement transactions for global businesses. Accordingly, our operating costs increased as new businesses were developed and new employees were recruited.

The Board recommends that no dividend be paid for the six months ended 30 June 2014.

### **Business Review and Outlook**

#### **Public Procurement Business**

During the period under review, the Company continued to develop its public procurement business actively. The Company continued to be involved in the construction of its 22 electronic public procurement platforms, with the number of trading platforms connected with our China Public Procurement Platform increasing to 8. Since completion, the trading platforms in Hubei Province and Inner Mongolia Autonomous Region began to extend into the lower-level administrative regions of leagues and cities. In the meantime, CPP also began to be involved in military resources procurements and high school procurements. Electronic platforms were being developed and planned for Wuhan University and Beihang University.

Memberships of 公採通 were launched on our China Public Procurement Platform, whose major advantages include a solid connection with the trading platforms of CPP, and its various services provided for suppliers such as digital certification, procurement information system, credit investigation and brand promotion. 公採通 going online attracted the attention of a large number of companies and suppliers and over 10,000 members were registered. The third-party services provided thereon also began to contribute to our revenue. Since then, research and development fees and service charges from our trading platforms and member's services income from 公採通 have formed the primary profit model of the public procurement business of the Company. Recently, more advertising efforts were made for 公採通 to increase the number of supplier members and scale up the third-party services provided. It is expected that the number of members of 公採通 will be over 100,000 in 2014. At the same time, trading platforms of various specializations are being built at a greater speed. Interconnected electronic platforms were under active planning in Hainan, Hubei, Inner Mongolia, Qinghai and Liaoning, as we achieved growth in both the trading volume on the platform and the number of registered members.

Tendering agency business is one of our significant strategic deployment in the public procurement sector as well as a substantial business division of the Company. A subsidiary of the PRC partner of the Company owns 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, we strive to provide various services related to tendering auction for different companies.

In addition, the Company was involved during the current period in the joint efforts with 國採科技股份有限公司 (Guocai Science & Technology Company Limited\*), its PRC partner, to develop Optics Valley Global Public Procurement Transaction Service Centre and its Convention Centre, alongside its members' auxiliaries. With our PRC partner, we established a subsidiary to provide professional convention services which was responsible for the operation of the convention centre, including (but not limited to) providing relevant consultancy, marketing, operation and technical support services for conventions and allocating resources for its operation. The businesses are conducted as scheduled.



## **Global Public Procurement Business**

To complement our developments in global public procurement business, a Global Procurement Division was established in our Company and 公採商品交易服務有限公司 was established in Guanggu, Wuhan. With B2B electronic commerce as its business core, our global public procurement business is positioned as the provider of management and information services for the industry chain, with a view of forging a global public procurement electronic platform integrating bulk commodity trading, cooperate procurement, overseas institutional procurement and supplier services. Currently, considerable achievements have been made for our global public procurement business, with business reach extending from Paraguay and Ukraine to Eastern Europe, South America and Southern Pacific Region. The Company anticipates that its global public procurement business can create a comprehensive and integrated industry chain flow for its customers, suppliers, manufacturers and service providers, helping to cut procurement cost, save trading costs and minimise turnover days. It is expected that in 2014, the global public procurement will complete its development and begin operation, bringing new breakthroughs for the global procurement business of the Company.

## **Financial Service Business**

From the establishment of Qianhai subsidiary last year and with seven months of market research and cautious exploration, the Company gradually established a business model for its financial service business which is complementary with its core businesses. A solid foundation has thus been laid for the construction of a business environment for our financial service business. We recruited staff experienced in financial business and formulated a comprehensive set of corporate governance practices and management system, training our financial service staff to ensure compatibility with our existing businesses. Financial service products appropriate to the Company are now being developed. Following our cooperation with the government procurement centre of Hubei Province, we entered into cooperation agreements with the government procurement centres of Shiyan City and Xiangyang City, Hubei Province. The financial service business for government procurements of the Inner Mongolia Autonomous Region was launched in April 2014 and the promotion stage will ensue. A cooperation agreement was also signed with the government procurement centre of Qinghai Province recently. Under our strategic plan of constructing a financial business circle around ourselves, the Company began to construct and launch factoring, financial leasing and financial consultancy services, based on our procurement business and supply chain services. Meanwhile, the Company has also obtained support from relevant authorities

to establish business partnership with China Construction Bank, Everbright Bank, CITIC Bank and China Merchants Bank, among others, to develop a comprehensive financial service model for public procurements through cooperating with financial institutions such as banks, insurance companies, funds and trusts.

### **Placing of shares**

During the period, 698,888,000 new Shares were placed by the Company in aggregate at a placing price of HK\$0.36 per placing Shares. Net proceeds from the placing were approximately HK\$251,077,000, which will be used for further expansion of our public procurement business.

### **Liquidity and Financial Resources**

As at 30 June 2014, the Group maintained cash and bank balances of approximately HK\$176.5 million (31 December 2013: approximately HK\$75.1 million) with a secured bank loan of approximately HK\$60.1 million (31 December 2013: a secured bank loan of approximately HK\$64.8 million). As at 30 June 2014, the Group's working capital (net current assets) and current ratio were of approximately HK\$323.5 million (31 December 2013: approximately HK\$127.8 million) and 3.27 (31 December 2013: 1.87) respectively. The existing available cash and bank balances are considered sufficient for the Group's operating requirements.

### **Gearing Ratios**

As at 30 June 2014, the Group's gearing ratios, calculated as total liabilities divided by total assets was 10.85% (31 December 2013: 12.17%).



## **Pledge of Assets**

As at 30 June 2014, assets of approximately HK\$234.9 million were pledged by the Company (31 December 2013: approximately HK\$240.5 million).

## **Contingent Liabilities**

As at 30 June 2014, the Company had no contingent liabilities.

## **Foreign Exchange Exposure**

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

## **Staff and Remuneration Policy**

The Group determines staff remuneration in accordance with market terms, individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2014, the Group had approximately 268 employees, and total remuneration of employees (including directors of the company (the "Director(s)")) was approximately HK\$24 million, excluding equity-settled share based payment expenses of HK\$25 million. The Company maintains two share option schemes, pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operations of the Group.

## SHARE OPTION SCHEME

Details of the share options movements during the six months ended 30 June 2014 under the share option schemes adopted by the Company on 12 June 2002 and 13 June 2013 are as follows:

Name of category	Date of grant of share options	Number of share options						Outstanding as at 30.06.2014	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2014	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30.06.2014				
<b>Directors</b>											
Cheng Yuanzhong	28.05.2012	15,000,000	–	–	–	–	15,000,000	–	28.05.2012 to 27.05.2015	0.762	
Zhang Zhongmin	06.06.2014	–	10,000,000 (Note 2)	–	–	–	10,000,000	–	06.06.2014 to 05.06.2017	0.415	
Yang Lei	06.06.2014	–	10,000,000 (Note 2)	–	–	–	10,000,000	–	06.06.2014 to 05.06.2017	0.415	
Peng Zhiyong	28.05.2012	12,000,000	–	–	–	–	12,000,000	–	28.05.2012 to 27.05.2015	0.762	
Wang Ning	28.05.2012	10,000,000	–	–	–	–	10,000,000	–	28.05.2012 to 27.05.2015	0.762	
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	–	–	–	–	3,000,000	–	02.07.2013 to 01.07.2016	0.762	
Chan Tze See, Kevin	28.05.2012	3,300,000	–	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.762	
	02.07.2013	3,000,000	–	–	–	–	3,000,000	–	02.07.2013 to 01.07.2016	0.762	
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	–	–	–	–	3,000,000	–	02.07.2013 to 01.07.2016	0.762	
Shen Shaoji	02.07.2013	5,000,000	–	–	–	–	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	–	–	–	–	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	–	–	–	–	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	–	–	–	–	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	–	–	–	–	5,000,000	–	02.07.2013 to 01.07.2016	0.762	
Peng Ru Chuan (Retired on 30 May 2014)	28.05.2012 (Note 7)	12,000,000	–	–	–	–	12,000,000	–	28.05.2012 to 27.05.2015	0.762	
Chen Bojie (Retired on 30 May 2014)	28.05.2012 (Note 8)	3,300,000	–	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.762	
	02.07.2013 (Note 8)	3,000,000	–	–	–	–	3,000,000	–	02.07.2013 to 01.07.2016	0.762	
Zhao Peilai (resigned on 29 August 2014)	18.10.2013 (Note 9)	15,000,000	–	–	–	–	15,000,000	–	18.10.2013 to 17.10.2016	0.762	
Wang Dingbo (resigned on 29 August 2014)	28.05.2012 (Note 10)	15,000,000	–	–	–	–	15,000,000	–	28.05.2012 to 27.05.2015	0.762	



Name of category	Date of grant of share options	Number of share options						Outstanding as at 30.06.2014	Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2014	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30.06.2014				
Liu Jie (resigned on 29 August 2014)	28.05.2012 (Note 1)	12,000,000	–	–	–	–	12,000,000	–	28.05.2012 to 27.05.2015	0.762	
Subtotal		171,200,000	20,000,000	–	–	–	191,200,000				
<b>Other Employees</b>	28.05.2012	107,200,000	–	–	–	–	107,200,000	–	28.05.2012 to 27.05.2015	0.762	
	02.07.2013	110,000,000	–	–	–	–	110,000,000	–	03.07.2013 to 01.07.2016	0.762	
	02.07.2013	110,000,000	–	–	–	–	110,000,000	–	02.07.2013 to 01.07.2016	0.640	
	03.06.2014 (Note 1)	– 100,000,000	–	–	–	–	100,000,000	–	03.06.2014 to 02.12.2015	0.385	
	06.06.2014 (Note 2)	– 100,000,000	–	–	–	–	100,000,000	–	06.06.2014 to 05.06.2017	0.415	
Subtotal		327,200,000	200,000,000	–	–	–	527,200,000				
<b>Total</b>		<b>498,400,000</b>	<b>220,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>718,400,000</b>				

Notes:

1. Closing price of the shares on the last trading day prior to the date of grant was HK\$0.395 per share.
2. Closing price of the shares on the last trading day prior to the date of grant was HK\$0.390 per share.
3. Mr. Li Kening, who was an Executive Director, resigned on 8 January 2014. His share options are still valid for three years after his resignation.
4. Mr. Chen Shulin, who was an Executive Director, resigned on 16 January 2014. His share options are still valid for three years 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 three years 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.
7. Mr. Peng Ru Chuan, who was an Executive Director retired on 30 May 2014. His share options are still valid for six months after his retirement.
8. Mr. Chen Bojie, who was an Independent Non-executive Director, retired on 30 May 2014. His share options are still valid for six months after his retirement.

9. Mr. Zhao Peilai, who was an Executive Director, resigned on 29 August 2014. His share options are still valid for three years after his resignation.
10. Mr. Wang Dingbo, who was an Non-executive Director, resigned on 29 August 2014. His share options are still valid for six months after his resignation.
11. Ms. Liu Jie, who was an Non-executive Director, resigned on 29 August 2014. Her share options are still valid for six months after her resignation.

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

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Number of underlying shares held</b>	<b>Percentage of the issued share capital as at 30 June 2014</b>
Cheng Yuanzhong	Beneficial interest	17,808,000	—	0.14%
Ho Wai Kong	Corporate interest	637,388,000 <i>(Note 1)</i>	4,284,725 <i>(Note 1)</i>	5.34%
	Beneficial interest	64,800,000	15,000,000 <i>(Note 2)</i>	0.66%
	Spousal interest	279,348,000 <i>(Note 3)</i>	—	2.32%



<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Number of underlying shares held</b>	<b>Percentage of the issued share capital as at 30 June 2014</b>
Yan Wei	Corporate interest	67,360,000 <i>(Note 4)</i>	—	0.56%
Zhang Wanjun	Beneficial interest	1,400,000	—	0.01%
Zhang Zhongmin	Beneficial interest	—	10,000,000 <i>(Note 5)</i>	0.08%
Yang Lei	Beneficial interest	—	10,000,000 <i>(Note 5)</i>	0.08%
Peng Zhiyong	Beneficial interest	—	12,000,000 <i>(Note 6)</i>	0.09%
Wang Ning	Beneficial interest	—	10,000,000 <i>(Note 6)</i>	0.08%
Wu Fred Fong	Beneficial interest	15,000,000	3,300,000 <i>(Note 6)</i>	0.15%
			3,000,000 <i>(Note 5)</i>	0.02%
Chan Tze See, Kevin	Beneficial interest	—	3,300,000 <i>(Note 6)</i>	0.02%
			3,000,000 <i>(Note 5)</i>	0.02%
	Spousal interest	352,000 <i>(Note 7)</i>	—	0.00%
Xu Haigen	Beneficial interest	—	3,300,000 <i>(Note 6)</i>	0.02%
			3,000,000 <i>(Note 5)</i>	0.02%
Shen Shaoji	Beneficial interest	—	5,000,000 <i>(Note 5)</i>	0.04%
Zhao Peilai (resigned on 29 August 2014)	Beneficial interest	—	15,000,000 <i>(Note 5)</i>	0.12%
Wang Dingbo (resigned on 29 August 2014)	Corporate interest	51,425,910 <i>(Note 8)</i>	—	0.42%
	Beneficial interest	1,000,000	15,000,000 <i>(Note 6)</i>	0.13%
	Spousal interest	1,100,000 <i>(Note 9)</i>	—	0.00%
Liu Jie (resigned on 29 August 2014)	Beneficial interest	—	12,000,000 <i>(Note 6)</i>	0.09%

*Notes:*

1. 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.
2. Mr. Ho Wai Kong is interested in these Preferred Shares.
3. 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.
4. Mr. Yan Wei is interested in 67,360,000 shares under controlled corporation, Heng Xin Capital Limited.
5. These share options were granted by the Company under the New Scheme.
6. These share options were granted by the Company under the Old Scheme.
7. Mr. Chan Tze See, Kevin is the spouse of Ms. Lam Lai Chong and is therefore deemed to be interested in the 352,000 shares held by Ms. Lam Lai Chong under the SFO.
8. Mr. Wang Dingbo is interested in 51,425,910 shares under controlled corporation, Favor Mind Holdings Limited.
9. 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.

Save as disclosed above, as at 30 June 2014, none of the Directors nor their associates had any interests or short positions in any shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2014, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Percentage of the issued share capital as at 30 June 2014
Master Top Investments Limited ("Master Top") (Note 1)	Beneficial interest	4,284,725	636,888,000	5.33%
Guo Binni (Note 2)	Beneficial interest	—	279,348,000	2.32%
	Spousal interest	19,284,725	981,536,000	8.33%
Top Blast Limited ("Top Blast") (Note 3)	Beneficial interest	—	1,937,280,000	16.13%
China Public Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") (Note 3)	Corporate interest	—	1,937,280,000	16.13%
	Beneficial interest	—	11,200,000	0.09%
Guocai Science & Technology Company Limited ("Guocai Science") (Note 3)	Corporate interest	—	1,960,980,000	16.32%
Shen Ping (Note 4)	Corporate interest	—	638,888,000	5.31%
Champion Union Investments Limited (Note 5)	Beneficial interest	—	1,017,000,000	8.46%
Fan Xiulian (Note 6)	Corporate interest	—	1,017,000,000	8.46%

*Notes:*

1. Master Top is directly, wholly and beneficially owned by Mr. Ho Wai Kong.
2. 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.
3. Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.
4. Ms. Shen Ping directly, wholly and beneficially owns Forever Tree Development Limited and New China Management Ltd., which are substantial shareholders of the Company.
5. Champion Union Investments Limited directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited, which are shareholders of the Company.
6. Ms. Fan Xiulian owns Champion Union Investments Limited, which directly, wholly and beneficially owns Metro Factor Limited, Haiwei International Group Limited and Weijia Limited.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2014.

## **PRE-EMPTIVE RIGHTS**

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

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.



## **Placing of New Shares**

On 20 June 2014, the Company completed the placing of 698,888,000 placing shares to less than six places at the issue price of HK\$0.36 per placing share. The net proceeds were for general working capital.

## **Convertible Preferred Shares**

During the Period, the Company issued a total of 20,000,000 fully paid ordinary shares upon conversion of the Preferred Shares.

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

## **MEMORANDUM OF UNDERSTANDING**

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.

On 26 August 2014, the Company announces that, a memorandum of understanding was entered into between a wholly-owned subsidiary of the Company as purchaser and two individuals (both being Hong Kong residents and independent third parties of the Company) as vendors in relation to the proposed acquisition of not less than 51% of the issued share capital of a company incorporated in Hong Kong and any shareholder's loan due to the two individuals by the company incorporated in Hong Kong. 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 26 August 2014.

## **MAJOR TRANSACTION**

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.



On 19 May 2014, the Board announced that Ever Vigor Investments Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with the vendors, Glorious Assets Limited and Treasure Ace Holdings Limited, and the guarantors, Mr. Zhang Junwan and Mr. Jin Jingxuan, pursuant to which Ever Vigor Investments Limited conditionally agreed to purchase and the Glorious Assets Limited and Treasure Ace Holdings Limited conditionally agreed to sell the sale shares, which represent the entire issued share capital of Hero Circle Limited at the consideration of HK\$266.7 million.

Pursuant to the acquisition agreement, the Company will issue the consideration shares and (where applicable) the preferred shares to Glorious Assets Limited and Treasure Ace Holdings Limited. The Company will seek the grant of a specific mandate from the Shareholders at the special general meeting to allot and issue the consideration shares and the conversion shares upon the conversion of the preferred shares in satisfaction of its obligation under the acquisition agreement.

As the Company requires additional time to finalise certain information for inclusion in the circular, the despatch date of the circular will be postponed to a date falling on or before 30 September 2014.

Details for the above transaction were published in the Company's announcement dated 31 March 2014, 19 May 2014, 10 June 2014, 25 July 2014 and 29 August 2014.

## **DISCLOSEABLE TRANSACTION**

On 5 June 2014, the Board announced that an agreement was entered into between Public Procurement Limited, an indirect wholly-owned subsidiary of the Company, 公采網絡科技有限公司 (Gongcai Network Technology Company Limited\*) an indirect wholly-owned subsidiary of the Company, China Bulk Commodity Supplies Management Company Limited, Wuzhou Bulk Commodity Technology Company Limited\* (五州大宗科技有限公司), a wholly-owned subsidiary of China Bulk Commodity Supplies Management Company Limited and Mr. Jin Jingxuan in relation to the development and implementation of the project. Pursuant to the agreement, Public Procurement Limited, an indirect wholly-owned subsidiary of the Company shall advance the investment money HK\$100 million to China Bulk Commodity Supplies Management Company Limited for the operation of the project, and in return shall receive the service fees to be paid by China Bulk Commodity Supplies Management Company Limited and/or Wuzhou Bulk Commodity Technology Company Limited\* to Public Procurement Limited (or a company beneficially controlled by Public Procurement Limited) based on the transaction volume under the project arising from the bulk commodity transactions under the project.

The advance of the investment money constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Details for the above transaction were published in the Company's announcement dated 5 June 2014.

## **CORPORATE GOVERNANCE**

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

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

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

\* For identification purpose only



## **Disclosure of Information on Director(s)**

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

Mr. Wu Fred Fong was appointed as an independent non-executive Director of Sheng Yuan Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 851) on 1 March 2014.

## **Audit Committee**

The audit committee of the Company (the “Audit Committee”) comprises three members namely, Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin and Mr. Xu Haigen. All of them are the independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2014, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

## **Remuneration Committee**

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

## **Nomination Committee**

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

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2014.

By order of the Board

**CHINA PUBLIC PROCUREMENT LIMITED**

**Cheng Yuanzhong**

*Chairman*

Hong Kong, 29 August 2014

*At the date of this report, the Board comprises seven executive directors, namely Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Yan Wei (Chief Executive), Mr. Zhang Wanjun, Mr. Zhang Zhongmin, Mr. Yang Lei and Mr. Peng Zhiyong; one non-executive director, namely Mr. Wang Ning; and four independent non-executive directors, namely Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Xu Haigen and Mr. Shen Shaoji.*