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

(incorporated in Bermuda with limited liability)

(Stock code: 1094)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Continuing operations			
Revenue	*4*	**24,901**	19,336
Cost of sales		**(24,038)**	(18,368)
Gross profit		**863**	968
Other income	*5*	**400,781**	425
Gain on disposal of property, plant and equipment		**926**	491
Impairment of goodwill		**–**	(744,475)
Impairment of trade and other receivables		**(14,628)**	–
Administrative expenses		**(75,053)**	(54,710)
Other operating expenses		**(51,754)**	(8,125)
Finance costs	*6*	**(90)**	(18)
Profit/(Loss) before taxation		**261,045**	(805,444)
Income tax expense	*7*	**(66,433)**	–
Profit/(Loss) for the year from continuing operations	*8*	**194,612**	(805,444)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**–**	(13,303)
Profit/(Loss) for the year		**194,612**	(818,747)
Attributable to:			
Owners of the Company		**196,450**	(818,170)
Non-controlling interests		**(1,838)**	(577)
		194,612	(818,747)

	Notes	**2010**	2009
		HK cents	*HK cents*
Earnings/(Loss) per share	*10*		
From continuing and discontinued operations			
– Basic		**5.97**	(27.95)
– Diluted		**5.91**	(27.50)
From continuing operations			
– Basic		**5.97**	(27.50)
– Diluted		**5.91**	(27.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(Loss) for the year	**194,612**	(818,747)
Other comprehensive income		
Exchange differences on translating foreign operations	**1,524**	123
Other comprehensive income for the year	**1,524**	123
Total comprehensive income for the year	**196,136**	(818,624)
Total comprehensive income/(expenses) attributable to:		
Owners of the Company	**197,848**	(818,059)
Non-controlling interests	**(1,712)**	(565)
	196,136	(818,624)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**8,875**	10,414
Goodwill		**353**	–
Intangible assets		**17,729**	17,143
		26,957	27,557
Current assets			
Trade and other receivables	*11*	**428,413**	24,278
Amount due from a non-controlling interest of a subsidiary		**3,610**	–
Pledged bank deposits	*12*	**7,062**	3,600
Bank balances and cash		**48,771**	25,970
		487,856	53,848
Current liabilities			
Trade and other payables	*13*	**24,187**	23,875
Bills payable		**7,062**	–
Receipt in advance		**534**	2,500
Amount due to a non-controlling interest of a subsidiary		**40,000**	–
Amount due to a related company		**11,429**	–
Tax payable		**66,609**	–
		149,821	26,375
Net current assets		**338,035**	27,473
Net assets		**364,992**	55,030
CAPITAL AND RESERVES			
Share capital	*14*	**33,163**	32,196
Reserves	*15*	**327,550**	20,278
Equity attributable to owners of the Company		**360,713**	52,474
Non-controlling interests		**4,279**	2,556
Total equity		**364,992**	55,030

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised standards, amendments and interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either 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 accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presentation 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. The application of HKFRS 9 might affect the consolidated financial statements of the Group.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations issued but not yet effective will have no material effect on consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in 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, the profit or loss on disposal 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. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). 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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 January 2010

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; 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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The 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 another measurement basis required by another Standard.

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

Business combinations that took place prior to 1 January 2010

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

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

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

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

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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 whenever 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 the carrying amount of the unit, 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. 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.

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 title has passed.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership 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. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the 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 on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the 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) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 (the translation reserve).

Goodwill and fair value adjustments on identifiable assets and liabilities 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 the reporting period. Exchange differences arising are recognised in the exchange reserve.

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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option 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 estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option 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.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting period or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits or losses.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 difference to the extent that it is probable that taxable profit will be available against which 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 associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment their residual values over their estimated useful lives, 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 property, 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 property, 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.

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are 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 are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Impairment losses on tangible and intangible asset other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Financial instruments

Financial assets and financial liabilities are recognised on 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

The Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis of debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, 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 default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently 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, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liability

Financial liability including trade and other payables, bills payable and receipts in advance is subsequently measured at amortised cost, using the effective interest method.

Equity instrument

Equity instrument issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable by the Group from the sale of goods and services rendered to outside customers, net of discounts, returns and sales related taxes, during the year.

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focused on the two main operations of the Group which are identified in accordance with the business nature and the size of the operations. This basis is also consistent with the basis of organisation in the Group, where management has organised the Group around these two operations.

Specifically, the Group's reportable segments from continuing operations under HKFRS 8 are (i) public procurement operation and (ii) energy trading operation.

During the year ended 31 December 2009, the operations of coal trading, information technology, general trading and corporate management were discontinued subsequent to the disposal of subsidiaries or the date of classification of discontinued operation. Details of the discontinued operations are set out in Note 9.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		**Segment loss**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Public procurement	**7,980**	19,336	**(12,492)**	(7,300)
Energy trading	**16,921**	–	**(17,568)**	–
Total for continuing operations	**24,901**	19,336	**(30,060)**	(7,300)
Gain on disposal of property, plant and equipment			**926**	491
Unallocated corporate income			**400,781**	425
Impairment of goodwill			**–**	(744,475)
Impairment of trade and other receivables			**(14,628)**	–
Unallocated corporate expenses			**(95,884)**	(54,567)
Finance costs			**(90)**	(18)
Profit/(Loss) before tax (continuing operations)			**261,045**	(805,444)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2009: nil).

(b) **Segment assets and liabilities**

For the year ended 31 December 2010

	Public procurement *HK$'000*	**Energy trading** *HK$'000*	**Total** *HK$'000*
Assets:			
Segment assets	**41,267**	**14,791**	**56,058**
Other unallocated corporate assets			
– Property, plant and equipment			**3,261**
– Goodwill			**353**
– Trade and other receivables			**405,004**
– Pledged bank deposit			**7,062**
– Bank balances and cash			**43,075**
Consolidated assets			**514,813**
Liabilities:			
Segment liabilities	**81**	**12,032**	**12,113**
Other unallocated corporate liabilities			
– Trade and other payables			**24,037**
– Bills payables			**7,062**
– Amount due to a non-controlling interest of a subsidiary			**40,000**
– Tax payables			**66,609**
Consolidated liabilities			**149,821**

For the year ended 31 December 2009

	Public procurement *HK$'000*	Energy trading *HK$'000*	Total *HK$'000*
Assets:			
Segment assets	56,259	–	56,259
Assets relating to discontinued operations			–
Unallocated corporate assets			
– Property, plant and equipment			6,180
– Trade and other receivables			9,604
– Pledged bank deposit			3,600
– Bank balances and cash			5,762
Consolidated assets			81,405
Liabilities:			
Segment liabilities	58	–	58
Assets relating to discontinued operations			–
Unallocated corporate liabilities			
– Financial liabilities			23,817
– Other			2,500
Consolidated liabilities			26,375

(c) Other segment information

For the year ended 31 December 2010

	Continuing operations		
	Public procurement	**Energy trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Capital additions	**3,435**	**2,295**	**5,730**
Depreciation and amortisation	**1,573**	**–**	**1,573**
Share based payment expenses	**–**	**16,745**	**16,745**

For the year ended 31 December 2009

	Continuing operations		
	Public procurement	Energy trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Capital additions	30,644	–	30,644
Impairment of goodwill	744,475	–	744,475
Depreciation and amortisation	261	–	261
Share based payment expenses	3,391	–	3,391

(d) Geographical information

The Group operates in two principal geographical areas – the People's Republic of China (the "PRC") and Hong Kong.

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

	Revenue from External customer		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**16,921**	921	**23,702**	21,377
Hong Kong	**7,980**	18,415	**3,255**	6,180
	24,901	19,336	**26,957**	27,557

(e) Information about major customers

For the year ended 31 December 2010, revenue from three of the Group's customers amounting to HK$24,901,000 had individually accounted for over 10% of the Group's total revenue from continuing operations.

For the year ended 31 December 2009, revenue from two of the Group's customers amounting to HK$17,689,000 had individually accounted for over 10% of the Group's total revenue from continuing operations.

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Fee receivable for transfer of EMC framework agreements *(note 11)*	**400,000**	–
Rental income	**91**	–
Interest income	**46**	16
Sundry income	**644**	409
	400,781	425

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Interest on equity-linked debt instrument	**90**	–
Interest on short-term loan	**–**	18
	90	18

7. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

Income tax recognised in profit or loss

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**59,400**	–
PRC Enterprise Income Tax	**7,033**	–
	66,433	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

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

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

	2010	2009
	HK$'000	*HK$'000*
Profit/(Loss) before tax (from continuing operations)	**261,045**	(805,444)
Tax at the applicable income tax rate	**48,344**	(133,489)
Tax effect of expenses not deductible for tax purpose	**9,299**	127,871
Tax effect of income not taxable for tax purpose	**(154)**	(1)
Tax effect of losses not recognised	**5,861**	3,532
Tax losses carried forward	**3,083**	2,087
Income tax expense for the year (relating to continuing operations)	**66,433**	–

8. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

Profit/(Loss) for the year from continuing operations is attributable to:

	2010	2009
	HK$'000	*HK$'000*
Owner of the Company	**196,450**	(804,867)
Non-controlling interest	**(1,838)**	(577)
	194,612	(805,444)

Profit/(Loss) for the year from continuing operations has been arrived at after charging (crediting):

	2010	2009
	HK$'000	*HK$'000*
Total depreciation and amortisation		
– Depreciation of properties, plant and equipment	**2,936**	1,841
– Amortisation of intangible assets	**8**	3
	2,944	1,844
Staff costs including directors' remuneration *(Note 13)*		
– Salaries and allowances	**16,293**	14,019
– Retirement scheme contributions	**606**	312
– Equity-settled share-based payment expenses	**44,212**	29,315
	61,111	43,646
Auditors' remuneration		
– Provision for the year	**800**	550
– Underprovision in prior year	**–**	100
– Other services	**250**	250
	1,050	900
Cost of inventories recognised as expense	**24,038**	17,957
Exchange loss	**102**	97
Impairment of goodwill	**–**	744,475
Impairment of trade and other receivables	**14,628**	–
Operating lease rentals – office premises	**5,563**	4,429
Research and development costs	**2,331**	–
Gross rental income	**(91)**	–
Less: outgoings (included in other operating expenses)	**34**	–
	(57)	–

9. DISCONTINUED OPERATIONS

Loss for the year from discontinued operations

	2010	2009
	HK$'000	*HK$'000*
Revenue	–	715
Other income	–	80
Expenses	–	(27,630)
Reversal of impairment of trade and other receivables for previous year	–	36,000
Impairment of trade and other receivables	–	(110)
Net loss on disposal of property, plant and equipment	–	(1,133)
Loss on disposal of available-for-sale investments	–	(28,904)
Loss on disposal of derivative financial instrument	–	(505)
Loss before tax	–	(21,487)
Taxation	–	–
	–	(21,487)
Gain on disposal of operations	–	8,184
Loss for the year from discontinued operations	–	(13,303)

Loss before taxation from discontinued operations included the following:

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	–	127
Depreciation	–	339
Impairment of trade and other receivables	–	110
Loss on disposal of property, plant and equipment	–	1,134
Operating lease rentals – office premises	–	2,077
Staff costs (including directors' remuneration – note 13)	–	
– Salaries and allowances	–	8,481
– Retirement scheme contributions	–	144

Cash flows from discontinued operations

Net cash outflows from operating activities	–	(29,982)
Net cash inflows from investing activities	–	28,365
Net cash outflows from financing activities	–	–
Net cash outflows	–	(1,617)

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

Earnings

	2010	2009
	HK$'000	*HK$'000*
Earnings/(Loss) for the purpose of basic and diluted earnings per share	**196,450**	(818,170)

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for purpose of basic loss per share	**3,289,428**	2,927,245
Effect of dilutive potential ordinary shares:		
– Share options issued by the Company	**33,592**	48,271
Weighted average number of ordinary shares for purpose of diluted loss per share at 31 December	**3,323,020**	2,975,516

For continued operation

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company are based on the following data:

Earnings/(Loss) figures are calculated as follows:

	2010	2009
	HK$'000	*HK$'000*
Earnings/(Loss) for the year attributable to owners of the Company	**196,450**	(818,170)
Add:		
Loss for the year from discontinued operations	**–**	13,303
Profit/(Loss) for the purpose of basic and diluted loss per share from continuing operations	**196,450**	(804,867)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

For the year ended 31 December 2009, the basic loss per share for the discontinued operations is HK$0.45 cents per share and diluted loss per share for the discontinued operations HK$0.45 cents per share, based on the loss for the year from the discontinued operations of HK$13,303,000 and the denominators used are the same as those detailed above for the both basis and diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**1,007**	1,388
Allowance for doubtful debts	**–**	–
	1,007	1,388
Other receivables	**4,265**	4,634
Fee receivable for transfer of EMC framework agreements *(note i)*	**400,000**	–
Prepayments	**14,920**	18,256
Deposit for development of online procurement system	**5,254**	–
Other deposits	**2,967**	–
	428,413	24,278

Note:

(i) During the year, Public Procurement Limited, a wholly owned subsidiary of the Company, has transferred EMC framework agreements to Win News Technology Limited, an independent third party, at a consideration of HK$400 millions. Up to the date of this announcement, only HK$10 millions of total fee was received. The repayment period is extended from 20 June 2011 to 31 December 2011.

The following is an aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010	2009
	HK$'000	*HK$'000*
0-30 days	**–**	1,388
Over 1 year	**1,007**	–
	1,007	1,388

At the end of the reporting period, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$1,007,000 (2009: HK$1,388,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
Overdue by:		
0 – 30 days	**–**	1,388
Over 1year	**1,007**	–
	1,007	1,388

12. BANK BALANCE AND CASH/PLEDGED BANK DEPOSITS

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

Included in cash at banks is an amount of approximately HK$9,692,000 (2009: HK$20,208,000), representing deposits placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

Pledged bank deposits represents deposits pledged to banks to secure a banking facilities granted to the Group. Deposits amounting to HK$7,062,000 (2009: HK$3,600,000) have been pledged to secure a banking facility granted by a bank and will be released upon the expiry of the banking facility within twelve months from the end of the reporting period and are therefore classified as current assets.

13. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**64**	–
Accruals and other payables	**24,123**	23,875
	24,187	23,875

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Over 90 days	**64**	–

14. SHARE CAPITAL

	Number of shares		Share Capital	
	2010	2009	**2010**	2009
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	10,000,000	**100,000**	100,000
Convertible non-redeemable preference shares of HK$0.01 each *(Note i)*	**10,000,000**	10,000,000	**100,000**	100,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of year	**3,219,582**	2,217,025	**32,196**	22,170
Issue of shares for acquisition of a subsidiary *(Note ii)*	**–**	945,635	**–**	9,456
Issue of shares upon exercise of share options *(Note iii)*	**53,940**	55,922	**539**	560
Issue of shares upon exercise of equity linked debt instrument *(Note iv)*	**42,810**	–	**428**	–
Issue of shares upon exercise of warrants	**–**	1,000	**–**	10
At end of year	**3,316,332**	3,219,582	**33,163**	32,196

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

(ii) Pursuant to an agreement entered into on 31 August 2008, the Group completed the acquisition of the entire issued share capital of Hero Joy International Limited on 15 April 2009 by the payments as follows:

(a) The allotment and issuing of 945,635,485 ordinary shares of HK$0.01 each of the Company credited as partly paid at an issue price of HK$0.6667 per consideration share to the vendor; and

(b) Contingent consideration arrangement.

(iii) During the year ended 31 December 2010, share options were exercised to subscribe for 53,940,000 (2009: 55,922,000) ordinary shares in the Company at a consideration of HK$27,973,000 (2009: $29,152,000) of which HK$539,000 (2009: HK$560,000) was credited to share capital and the balance of HK$27,434,000 (2009: HK$28,592,000) was credited to the share premium account. HK$8,125,000 (2009: HK$12,864,000) has been transferred from the share-based compensation reserve to the share premium account.

(iv) During the year ended 31 December 2010, equity-linked debt instrument with the aggregate principal amount of HK$40 million were exercised to subscribe for 42,810,000 ordinary shares in the Company.

15. RESERVES

	Share premium	Merger reserve *(Note a)*	Share-based compensation reserve	Translation reserve	Equity-linked debt instruments equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	**1,181,334**	**8,390**	**26,391**	**111**	**–**	**(1,195,948)**	**20,278**
Exercise of share options *(note 14(iii))*	**35,559**	**–**	**(8,125)**	**–**	**–**	**–**	**27,434**
Forfeiture of share option	**–**	**–**	**(6,782)**	**–**	**–**	**6,782**	**–**
Equity settled share-based payment transactions	**–**	**–**	**44,207**	**–**	**–**	**–**	**44,207**
Issue of equity-linked debt instruments	**–**	**–**	**–**	**–**	**2,005**	**–**	**2,005**
Issue of shares upon conversion of equity-linked debt instruments	**37,783**	**–**	**–**	**–**	**(1,911)**	**–**	**35,872**
Transaction cost attributable to issue of equity-linked debt instrument	**–**	**–**	**–**	**–**	**(94)**	**–**	**(94)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**1,398**	**–**	**–**	**1,398**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**196,450**	**196,450**
As at 31 December 2010	**1,254,676**	**8,390**	**55,691**	**1,509**	**–**	**(992,716)**	**327,550**

	Share premium	Warrant reserve	Merger reserve *(Note a)*	Share-based compensation reserve	Translation reserve	Investment valuation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2009	518,409	24,720	8,390	57,096	(75)	(34,272)	(449,574)	124,694
Disposal of available-for-sale investments	–	–	–	–	–	34,272	–	34,272
Warrants expired	–	(24,640)	–	–	–	–	24,640	–
Premium arising on issue of shares *(note 14(ii))*	620,999	–	–	–	–	–	–	620,999
Exercise of warrants *(note 14(iv))*	470	(80)	–	–	–	–	–	390
Exercise of share options *(note 14(iii))*	41,456	–	–	(12,864)	–	–	–	28,592
Forfeiture of share option	–	–	–	(47,156)	–	–	47,156	–
Equity settled share-based payment transactions	–	–	–	29,315	–	–	–	29,315
Reserves transferred upon disposal of subsidiaries	–	–	–	–	75	–	–	75
Exchange differences arising on translation of foreign operations	–	–	–	–	111	–	–	111
Net loss for the year	–	–	–	–	–	–	(818,170)	(818,170)
As at 31 December 2009	1,181,334	–	8,390	26,391	111	–	(1,195,948)	20,278

Note:

(a) 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.

16. CONTINGENT LIABILITIES

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

EXTRACT TO INDEPENDENT AUDITOR'S REPORT

"**Basis for disclaimer of opinion**

Included in the consolidated statement of financial position as at 31 December 2010 was trade and other receivables with carrying amount of HK$428,413,000, in which HK$400,000,000 being fee receivable for transfer of Energy Management Contracting ("EMC") framework agreements. However, up to the date of this report, only HK$10,000,000 of the fee receivable at 31 December 2010 was settled. We were unable to obtain sufficient reliable evidence to ascertain whether the remaining outstanding balance of HK$390,000,000 could be recovered in full. Accordingly, we were unable to satisfy ourselves as to whether the carrying amount of trade and other receivables was fairly stated in the consolidated statement of financial position and free from material misstatement as at 31 December 2010. Any adjustment to the above found to be necessary would affect the Group's capital deficiency as at 31 December 2010 and have a consequential effect on its profit for the year then ended and the related disclosure thereof in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND DIVIDEND

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$25 million, representing an increase of approximately 29% as compared to the previous year of approximately HK$19 million while the gross profit margin decreased from 5.01% to 3.47%. The Group recorded a profits attributable to shareholders amounted to approximately HK$195 million (2009: HK$-818 million) representing earnings per share of HK$5.97 cents. In order to ensure the adequate capital for expanding the Group's business in 2011, the Board recommends that no dividend will be paid for the year ended 31 December 2010.

The administrative and operating expenses of the Group arising from business needs greatly increased from last year's approximately HK$63 million to this year's approximately HK$127 million, of which approximately HK$44 million was non-cash equity settled share-based payment expenses. The Group's operating profit significantly increased due to the gain of HK$400 million on the transfer of the energy management contracting (EMC) projects in 2010. The amounts relating to the transfer were not received in full due to the great transaction amounts. However, the Board was aware of the good financial position of the counterparty and its growth to be made in terms of business and capital due to its operating measures implemented in the energy management contracting (EMC) projects. As the energy management contracting service is a development project having great support in the PRC, the Group is confidence in the prospects of this business and the collection of the transfer payment in full.

OPERATING ENVIRONMENT AND OPERATION REVIEW

The Group is principally engaged in electronic government procurement trading management service business. The Group has been active in executing co-operation agreements with governments of all levels to facilitate its investment in electronic government procurement management platform to allow them to perform procurement in a more efficient, more transparent and more cost-saving manner, while the Group makes profits by providing electronic authentication, training and other value-added services to their suppliers. During 2009, the Group cooperated with Tsinghua University to build up the e-platform and chose three government procurement centres, including two provincial and one municipal government procurement centres, as trial centres. As at 31 December 2009, the establishment was completed and the trial centres proceeded to a series of testing, restructuring and improvement in 2010 on both the overall system and the hardware and software of the e-platform.

While the e-platform is being built, the Group has been actively seeking business opportunities. Leveraging on the business opportunities brought by the "save energy and reduce emissions" program and the initiatives for building an energy-saving society launched by the PRC Government, and the "government procurement save energy and reduce emissions alliance" formed by its PRC partners and certain PRC government procurement organizations, the Group cooperated with its PRC partners to promote EMC service business. By assisting governments and public services departments in the PRC to identify energy-saving service providers which meet their requirements and receiving a service charge from energy-saving service providers, the Group made its revenue and profits significantly rise, with its public procurement service business expanded.

The Group's revenue came from the provision of trading services for suppliers which supply products and services to governments and public services departments in the PRC, while its major service costs include: (1) costs of equipment and facilities, which mainly include depreciation and amortization costs; (2) staff costs, office expenses and marketing costs.

PROSPECTS

The central government of the PRC promulgated establishing a clean and efficient government and energy conservation and consumption reduction with every effort as its major objectives during the "Twelfth Five Year Plan". It is expected that in 2011 and the years to come, there will be great development opportunities for the electronic government procurement transaction management service and the EMC service of the Group and the future revenue of the Group will record significant growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group maintained cash, fixed deposits and bank balances of approximately HK$48.771 million (31 December 2009: HK$26 million) without any borrowings (31 December 2009: nil).

The gearing ratio of the Group as at 31 December 2010 was nil (31 December 2009: nil).

As at 31 December 2010, the Group's working capital (net current assets) and current ratio were approximately HK$338 million (31 December 2009: HK$27 million) and 3.25x (31 December 2009: 1.04x) respectively.

On 11 February 2010, a fund raising event took place. The Company entered into a subscription agreement ("Subscription Agreement") with Standard Bank Plc as the subscriber (the "Subscriber"), pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Hong Kong dollars equity-linked debt instruments due 2011 ("ELDIs") in the principal amount of HK$40,000,000. According to the Subscription Agreement, the Company will issue not more than 48,543,689 new shares ("Conversion Shares") of the Company to holders of the ELDIs upon their conversion request, subject to other conditions as disclosed in the announcement dated 12 February 2010. After the completion of fund raising on 23 February 2010, the Company's bank balance increased by approximately HK$38,120,000, which improved the Company's liquidity. As at the date of this announcement, all ELDIs have been fully converted and a total of 42,810,107 new shares have been issued and allotted to the Subscriber.

PLEDGE OF ASSETS

As at 31 December 2010, assets of approximately HK$7,062,000 were pledged (31 December 2009: HK$3,600,000).

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 16 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in Hong Kong dollars and Renminbi. Exchange rates between these 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. As at 31 December 2010, the Group employed approximately 50 employees. The total remuneration of the employees was approximately 16,293,000 for the year ended 31 December 2010.

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.

During the year, 96,700,000 share options were granted to the eligible participants; 53,940,000 share options were exercised; 25,000,000 share options were cancelled and 17,000,000 share options were lapsed.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct for securities transactions by Directors and employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2010.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

CONNECTED TRANSACTION

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

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

However, due to the delay of obtaining the Supplemental Confirmation from the PRC Partner, the Company fails to report, announce and obtain Independent shareholders' approval in relation to the Transaction in time, and thus in breach of the Listing Rules. The Company will seek the independent shareholders' approval to confirm and ratify the Tri-Party Cooperation Agreement and the Transaction at the SGM.

Details of the transactions are published in the Company's announcements dated 25 November 2010, 9 March 2011 and 28 April 2011.

DELAY IN PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

Reference was made to the Company's announcement dated 24 March and 15 April 2011 regarding the delay in publication of the annual results announcement. Pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish the annual results no later than three months after the date upon which its financial year ended, that is, on or before 31 March 2011. The delay in the publication of the Annual Results constitutes a breach of Rule 13.49(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference which have been updated on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. As at 31 December 2010, the Audit Committee comprises three members, namely Mr. Wu Fred Fong as the Chairman, Mr. Chan Tze See, Kevin and Mr. Chen Bojie, who are all the independent non-executive directors of the Company.

The Audit Committee has reviewed with the management the audited consolidated annual results of the Group for the year ended 31 December 2010.

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference based on terms no less exacting than the required standard as set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. As at 31 December 2010, the Remuneration Committee comprises three members, namely Mr. Wu Fred Fong as the Chairman, Mr. Chan Tze See, Kevin and Mr. Chen Bojie, who are all the independent non-executive directors of the Company. The major responsibility of 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices as promulgated by the Stock Exchange became effective on 1 January 2005, which provides the Code Provisions (the "CP") 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 CP. 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 under review with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

By order of the Board
CHINA PUBLIC PROCUREMENT LIMITED
Ho Wai Kong
Chairman

Hong Kong, 28 April 2011

At the date of this announcement, the Company comprises six executive directors, Mr. Ho Wai Kong (Chairman), Mr. Song Lianzhong (Deputy Chairman), Mr. Jiang Haoye, Mr. Lu Xing, Mr. Wu Xiaodong and Mr. Zhang Guisheng, one non-executive director, Ms. Cheng Zhuo and three independent non-executive directors, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Wu Fred Fong.