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 2011

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	3	**5,353**	24,901
Cost of sales		**(5,106)**	(24,038)
Gross profit		**247**	863
Other income	4	**23,728**	400,781
Gain on disposal of property, plant and equipment		**–**	926
Impairment of trade and other receivables		**–**	(14,628)
Administrative expenses		**(32,981)**	(75,053)
Other operating expenses		**(11,857)**	(51,754)
Finance costs	5	**–**	(90)
(Loss)/Profit before tax		**(20,863)**	261,045
Income tax expense	6	**(3,442)**	(66,433)
(Loss)/Profit for the year	7	**(24,305)**	194,612
Attributable to:			
Owners of the Company		**(23,438)**	196,450
Non-controlling interests		**(867)**	(1,838)
		(24,305)	194,612
(Loss)/Earnings per share	8		
– Basic		**(HK0.71 cents)**	HK5.97 cents
– Diluted		**(HK0.71 cents)**	HK5.91 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(24,305)**	194,612
Other comprehensive income		
Exchange differences on translating foreign operations	**1,768**	1,524
Other comprehensive income for the year	**1,768**	1,524
Total comprehensive (expenses)/income for the year	**(22,537)**	196,136
Attributable to:		
Owners of the Company	**(21,822)**	197,848
Non-controlling interests	**(715)**	(1,712)
	(22,537)	196,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**10,954**	8,875
Goodwill	*9*	**5,369,898**	353
Intangible assets		**18,426**	17,729
		5,399,278	26,957
Current assets			
Trade and other receivables	*10*	**301,394**	428,413
Amount due from a non-controlling interest of a subsidiary		**9,774**	3,610
Pledged bank deposits	*11*	**–**	7,062
Bank balances and cash	*11*	**97,033**	48,771
		408,201	487,856
Current liabilities			
Trade and other payables	*12*	**26,302**	24,187
Bills payable		**–**	7,062
Receipt in advance		**–**	534
Consideration payable	*13*	**5,369,545**	–
Amount due to a non-controlling interest of a subsidiary		**52,135**	40,000
Amount due to a related company		**2,724**	11,429
Tax payable		**10,653**	66,609
		5,461,359	149,821
Net current (liabilities)/assets		**(5,053,158)**	338,035
Net assets		**346,120**	364,992
Capital and reserves			
Share capital	*14*	**33,163**	33,163
Reserves		**305,728**	327,550
Equity attributable to owners of the Company		**338,891**	360,713
Non-controlling interests		**7,229**	4,279
Total equity		**346,120**	364,992

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis. 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 ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. 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 segment 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 and operating segments under HKFRS 8 are (i) public procurement operation and (ii) energy trading operation.

(a) Segment revenues and results

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

	Segment revenue		**Segment result**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Public procurement	**–**	7,980	**(18,151)**	(12,492)
Energy trading	**5,353**	16,921	**216**	(17,568)
	5,353	24,901	**(17,935)**	(30,060)
Gain on disposal of property, plant and equipment			**–**	926
Unallocated corporate income			**23,728**	400,781
Impairment of trade and other receivables			**–**	(14,628)
Unallocated corporate expenses			**(26,656)**	(95,884)
Finance costs			**–**	(90)
(Loss)/Profit before tax			**(20,863)**	261,045

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

(b) Segment assets and liabilities

For the year ended 31 December 2011

	Public procurement *HK$'000*	**Energy trading** *HK$'000*	**Total** *HK$'000*
Assets:			
Segment assets	**5,510,771**	**5,923**	**5,516,694**
Unallocated corporate assets			
– Property, plant and equipment			**6,330**
– Trade and other receivables			**274,651**
– Bank balances and cash			**9,804**
Consolidated assets			**5,807,479**
Liabilities			
Segment liabilities	**5,383,889**	**2,803**	**5,386,692**
Unallocated corporate liabilities			
– Trade and other payables			**24,014**
– Amount due to a non-controlling interest of a subsidiary			**40,000**
– Tax payables			**10,653**
Consolidated liabilities			**5,461,359**

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
Unallocated corporate assets			
– Property, plant and equipment			3,261
– Goodwill			353
– Trade and other receivables			405,004
– Pledged bank deposits			7,062
– Bank balances and cash			43,075
Consolidated assets			514,813
Liabilities:			
Segment liabilities	81	12,032	12,113
Unallocated corporate liabilities			
– Trade and other payables			24,037
– Bills payable			7,062
– Amount due to a non-controlling interest of a subsidiary			40,000
– Tax payables			66,609
Consolidated liabilities			149,821

(c) Other segment information

For the year ended 31 December 2011

	Public procurement *HK$'000*	**Energy trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**573**	**–**	**5,447**	**6,020**
Depreciation and amortisation	**1,767**	**1**	**2,339**	**4,107**

For the year ended 31 December 2010

	Public procurement *HK$'000*	Energy trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	2,761	4	26	2,791
Depreciation and amortisation	1,565	–	1,379	2,944

(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 external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customer		**Carrying amounts of non-current assets**	
	2011 *HK$'000*	2010 *HK$'000*	**2011** *HK$'000*	2010 *HK$'000*
PRC	**5,353**	16,921	**5,392,947**	23,702
Hong Kong	**–**	7,980	**6,331**	3,255
	5,353	24,901	**5,399,278**	26,957

(e) Information about major customers

For the year ended 31 December 2011, revenue from a customer amounting to HK$5,353,000 had individually accounted for over 10% of the Group's total revenue.

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.

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Fee receivable for transfer of EMC framework agreements *(note 10)*	**21,600**	400,000
Reversal of impairment of other receivables for previous year	**2,036**	–
Rental income	**–**	91
Interest income	**31**	46
Sundry income	**61**	644
	23,728	400,781

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on equity-linked debt instrument	**–**	90

6. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**3,442**	59,400
PRC Enterprise Income Tax	**–**	7,033
	3,442	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 (loss)/profit per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Profit before tax	**(20,863)**	261,045
Tax at the applicable income tax rate	**(4,473)**	48,344
Tax effect of expenses not deductible for tax purpose	**5,128**	9,299
Tax effect of income not taxable for tax purpose	**(1)**	(154)
Tax effect of losses not recognised	**2,788**	5,861
Tax losses carried forward	**–**	3,083
Income tax expense for the year	**3,442**	66,433

7. (LOSS)/PROFIT FOR THE YEAR

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

	2011	2010
	HK$'000	*HK$'000*
Total depreciation and amortisation		
– Depreciation of properties, plant and equipment	**4,097**	2,936
– Amortisation of intangible assets	**10**	8
	4,107	2,944
Staff costs including directors' remuneration		
– Salaries and allowances	**15,218**	16,293
– Retirement scheme contributions	**571**	606
– Equity-settled share-based payment expenses	**–**	44,212
	15,789	61,111
Auditor's remuneration	**800**	800
Cost of inventories recognised as expense	**5,106**	24,038
Exchange loss	**–**	102
Operating lease rentals – office premises	**8,117**	5,563
Research and development costs	**–**	2,331
Gross rental income less outgoings expenses of HK$Nil (2010: HK$34)	**–**	(57)

8. (LOSS)/EARNINGS PER SHARE

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

Earnings

	2011	2010
	HK$'000	*HK$'000*
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share	**(23,438)**	196,450

Number of shares

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**3,323,020**	3,289,428
Effect of dilutive potential ordinary shares:		
– Share options issued by the Company	**–**	33,592
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**3,323,020**	3,323,020

9. GOODWILL

	HK$'000
COST	
At 1 January 2010	744,475
Acquisition of a subsidiary	353
At 31 December 2010	744,828
Adjustment *(Note)*	5,369,545
At 31 December 2011	6,114,373
IMPAIRMENT LOSSES	
At 1 January 2010, 31 December 2010 and 31 December 2011	744,475
CARRYING AMOUNTS	
At 31 December 2011	5,369,898
At 31 December 2010	353

Note: It represents the adjustment to the final considerations payable in respect of acquisitions of subsidiaries in prior years with details set out in note 13.

For the purpose of impairment testing, goodwill set out above has been allocated to one individual cash generating unit, the public procurement business. The directors of the Company are of the opinion that the recoverable amount of the public procurement business exceeds its carrying amount in the consolidated statement of financial position and therefore, no impairment loss is necessary.

The recoverable amount of the cash generating unit is determined from the value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 8.6% per annum. The cash flows beyond the 5-year period are extrapolated using an annual growth of 5%. Other key assumptions for the value-in-use calculations relate to the estimation of cash flows which include budgeted sales and gross margin, and such estimations are based on management's expectations of the market development.

10. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**2,584**	1,007
Allowance for doubtful debts	**–**	–
	2,584	1,007
Other receivables	**2,196**	4,265
Fee receivable for transfer of EMC framework agreements *(Note)*	**270,800**	400,000
Prepayments and deposits	**25,814**	23,141
	301,394	428,413

Note: During the year ended 31 December 2010, 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 million. Up to the date of this announcement, HK$360 million of the balance was received. The repayment period of outstanding balance of HK$40 million is extended to 30 June 2012.

Regarding the fee receivable of HK$21.6 million arose during the year ended 31 December 2011, HK$10.8 million of the balance was received up to the date of this announcement. The repayment period of outstanding balance of HK$10.8 million is extended to 31 May 2012.

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:

	2011	2010
	HK$'000	*HK$'000*
181-365 days	**1,565**	–
Over 365 days	**1,019**	1,007
	2,584	1,007

At the end of the reporting period, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$2,584,000 (2010: HK$1,007,000) 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.

11. BANK BALANCE AND CASH/PLEDGED BANK DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Included in cash at banks is an amount of approximately HK$10,367,000 (2010: HK$9,692,000), 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.

During the year ended 31 December 2010, pledged bank deposits represents deposits pledged to banks to secure a banking facility granted to the Group. Deposits amounting to HK$7,062,000 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.

12. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**–**	64
Accruals and other payables	**26,302**	24,123
	26,302	24,187

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:

	2011	2010
	HK$'000	*HK$'000*
Over 90 days	**–**	64

13. CONSIDERATION PAYABLE

On 15 April 2009, the Group acquired the entire issued share capital of Hero Joy International Limited and its subsidiaries, Public Procurement Limited and Guocai (Beijing) Technology Company Limited (hereinafter collectively referred to as "Hero Joy Group"), from independent third parties ("Vendors"). The acquired business of Hero Joy Group is engaged in the provision of public procurement service in PRC ("Public Procurement Business").

Pursuant to the agreement dated 31 August 2008, the Group is required to pay an additional consideration shares ("Earn-out") to Vendors if the net profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK$200 million for the year ended 31 December 2009 or 2010. The contingent consideration will be satisfied by issue and allotment of new convertible non-redeemable preferred shares of the Company at an issue price of HK$0.6667 per share.

Contingent consideration = {2009 or 2010 NPAT times 30} less basic consideration***

* NPAT represents net profit after tax and extraordinary expenses

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

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

As mentioned in the year 2010 financial report, the net 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 would be further subject to cash receipt of an amount not less than HK$200 million in respect of above-mentioned profit. Contingent liabilities were disclosed as at 31 December 2010 as fulfillment of this condition was uncertain at that date of report.

As at 31 March 2012, the condition was fulfilled with cash receipt of aggregated amount of more than HK$200 million and accordingly, the Group has recognised a consideration payable amounted to approximately HK$5,370 million based on the formulas calculated above, with 8,053,914,537 preferred shares will be allotted and issued by Company at the preferred shares issue price of HK$0.6667 for settlement of the acquisition. Details of the issue of preferred shares were disclosed in the Company's announcement on 5 April 2012.

14. SHARE CAPITAL

	Number of shares		Share Capital	
	2011	2010	**2011**	2010
	'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	**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	**3,316,332**	3,219,582	**33,163**	32,196
Issue of shares upon exercise of share options *(Note i)*	**–**	53,940	**–**	539
Issue of shares upon exercise of equity-linked debt instrument *(Note ii)*	**–**	42,810	**–**	428
At end of year	**3,316,332**	3,316,332	**33,163**	33,163

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

(ii) 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.

MODIFICATION TO THE INDEPENDENT AUDITOR'S REPORT

The audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 has been modified and is extracted as follows:

"**Basis for disclaimer of opinion**

(a) Scope limitation on the recoverability of goodwill

Included in the consolidated statement of financial position as at 31 December 2011 were goodwill with carrying amount of approximately HK$5.3 billion in relation to the acquisition of the entire issued share capital of Hero Joy International Limited and its subsidiaries ("Hero Joy Group"), which are engaged in the provision of public procurement service in PRC ("Public Procurement Business"). As detailed in note 13 to the consolidated financial statements, the Group is required to pay the contingent consideration by issue and allotment of new convertible non-redeemable preference shares of the Company to the vendor in view of the net profit after tax and extraordinary expenses of Hero Joy Group was in excess of HK$200 million for the year ended 31 December 2010. Accordingly, an additional goodwill of approximately HK$5.3 billion was arisen upon the adjustment to final consideration payable.

As disclosed in note 9 to the consolidated financial statements, an impairment review of the Group's cash-generating unit of Public Procurement Business has been performed by the directors of the Company and no impairment is considered to be necessary. However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the valuation assumptions adopted by the directors of the Company in their valuation were appropriate. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to whether any impairment loss should be recognized and the carrying amount of the goodwill stated in the consolidated statement of financial position are free from material misstatement as at 31 December 2011.

(b) Scope limitation on the recoverability of trade and other receivables

Included in the consolidated statement of financial position as at 31 December 2011 was trade and other receivables with carrying amount of approximately HK$301 million, in which HK$270.8 million being fee receivable for transfer of Energy Management Contracting ("EMC") framework agreements. As detailed in note 10 to the consolidated financial statements, HK$220 million of the fee receivable at 31 December 2011 was settled up to the date of this report. However, we were unable to obtain sufficient reliable evidence to ascertain whether the remaining outstanding balance of HK$50.8 million 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 2011.

Any adjustments found to be necessary in respect of the matters set out above would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2011, the results and cash flows for the year then end and the related disclosures thereof in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters 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 requirements of the Hong Kong Companies Ordinance."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the 12 months ended 31 December 2011, the turnover of the Company decreased from profit of HK$194.612 million to loss of HK$24.305 million, representing a decrease of 112% over last year. The decrease was mainly due to the drop of income of the Group for this year.

During the year, losses attributable to shareholders of the Group was HK$0.71 cents per share (2010: profits attributable to shareholders was HK$5.97 cents per share). In order to ensure the adequate capital for expanding the Group's business, the Board recommends that no dividend will be paid for the year ended 31 December 2011.

During the year, the major income of the Group came from Energy Management Contracting ("EMC") business. To grasp significant business opportunities brought with Energy Conservation and Emission Reduction policy promoted by Chinese government, the Group actively developed the relevant businesses in 2011. However, the marketing period for this business is quite long, as well as the Company is now adjusting its operation model, therefore, the results for the year ended 31 December 2011 were lower than that in last year. For 12 months ended 31 December 2011, income from EMC business amounted to HK$21.6 million.

During the year, the Group continually focused on expanding the electronic public procurement service. Meanwhile, the Group entered into Framework Agreement with the Administrative Committee of the Wuhan East Lake Hi-tech Development Zone ("WEHDZ Committee") on 3 November 2011, pursuant to which, a global public procurement services centre would be established in Wuhan.

PROSPECTS

The Board believes the electronic public procurement platform and EMC service have huge potential. Therefore, the Group will continue to introduce resources for their development.

As for electronic public procurement platform, the Group plan to launch the platform in Wuhan and position it as central hub, then extend it to Qinghai, Shenyang, Shandong and Chongqing etc., in order to build a network that unifies the electronic public procurement platforms across the county. At last, a large unified procurement market will be established, centering on Wuhan and developing local procurement market through platform on provincial level. After the global financial crisis, many countries have launched a number of incentives to increase public expenditure, resulting in a significant increase of public procurement in the market. It is an inevitable trend across the world that the public procurement has been used by the state as an important policy instrument for macro-control and become a major part to form macro-economic policy.

As for EMC service, the Group will continue to develop this business and review the current model, so as to find a model more suitable for the Group's development. It is specified in the "12th Five-Year Plan" issued by the Chinese government that the energy consumption should be reduced by 16%, carbon emissions should be reduced by 17% and the proportion of non-fossil power should be increased to 11.4% in the next five years. As indicated in this plan, during the Five-Year Plan period, EMC will end its promotion phase at present, and step into rapid development phase.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group maintained cash, fixed deposits and bank balances of HK$97.033 million (31 December 2010: approximately HK$49 million) without any bank borrowings (31 December 2010: nil). As at 31 December 2011, the Group's working capital (net current (liabilities)/assets) and current ratio were net current liabilities of HK$5,053.158 million (31 December 2010: net current assets of approximately HK$338 million) and 0.07x (31 December 2010: 3.25x) respectively. The record of net current liabilities was due to the Company adjusted and included the consideration payable of HK$5,369,545,000 as at the end of the year (details were set out in note 13 to the results announcement). In April 2012, the Company had completed the exercise of issuing corresponding preferred shares, which had cleared up the debt effects of this consideration payable. When the consideration payable is excluded, the existing available cash and bank balances are considered sufficient for the Group's operating requirements.

GEARING RATIOS

As at 31 December 2011, the Group's gearing ratios, calculated as total liabilities divided by total assets was 94.04% (31 December 2010: 29.10%). Due to the consideration payable set out in note 13 to the financial statements, the gearing ratios of the Company increased significantly as compared with 2010. Thus, the Company issued 8,053,914,537 Preferred Shares in April 2012 to settle this consideration payable. As a result, the gearing ratios will be improved significantly.

PLEDGE OF ASSETS

As at 31 December 2011, there were no assets pledged by the Company (31 December 2010: HK$7,062,000).

CONTINGENT LIABILITIES

As at 31 December 2011, 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 Hong Kong dollars, US dollars and Renminbi. Exchange rates among those currencies were relatively stable during the year under review. The Group has not entered into any foreign currency forward exchange contract for the purpose of hedging against foreign exchange risks involved in the Group's operations.

STAFF AND REMUNERATION POLICY

The Group determines staff remuneration in accordance with market terms and individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 31 December 2011, the Group employed approximately 70 employees and the total remuneration of the employees (including Directors) was approximately HK$15,789,000. The Company maintains a share option scheme, pursuant to which share options are granted to selected Directors or employees of the Group, with a view to attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group.

CONNECTED TRANSACTION

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

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

As at 26 January 2012, it was announced that, on 30 December 2011, HK$20 million out of the remaining balance of the total consideration were received in aggregate from the transferee and as at 26 January 2012, HK$140 million in aggregate had been received from the transferee. On 20 January 2012, the Subsidiary and the transferee entered into another supplemental agreement to the Disposal Agreement, pursuant to which the remaining balance of the HK$220 million to be settled by 22 January 2012 pursuant to the Disposal Supplemental Agreement should be settled by 31 March 2012 and HK$40 million by 30 June 2012. Pursuant to such supplemental agreement, the transferee also agreed to pay to the Subsidiary, starting from 23 January 2012, interest at the rate of 5% per annum which shall be calculated on a daily basis in respect of the outstanding balance of the HK$220 million payable to the Subsidiary until such amount was settled in full. Pursuant to such supplemental agreement, the aggregate amount of such interest shall be fully paid on or before 31 March 2012.

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

Details of the above transaction are published in the Company's announcement dated 29 December 2011, 26 January 2012 and 2 April 2012.

(2) The PRC Partner, 國采（北京）技術有限公司 (Guocai (Beijing) Technology Company Limited*) (the "EJV") and the Subsidiary, on 23 December 2010, entered into a tri-party cooperation agreement pursuant to which the PRC Partner agreed to transfer the ownership of the EMC Projects to the EJV which shall simultaneously transfer such ownership to the Subsidiary (the "Tri-Party Cooperation Agreement"). Pursuant to the Tri-Party Cooperation Agreement, the Subsidiary agreed that it would pay a service fee to the PRC Partner, being 10% of the disposal consideration when it transferred ownership of the EMC Projects to another party. As the ownership of the EMC Projects was transferred to a third party pursuant to the Disposal Agreement, the Subsidiary would pay HK$40 million (being 10% of the disposal consideration of HK$400 million as set out in the Disposal Agreement) to the PRC Partner as service fee (the "Transaction").

* *for identification purpose only*

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.

(3) China Public Procurement (Hong Kong) Technology Co., Ltd. (the "PRC Partner Subsidiary"), the Subsidiary and the transferee, which is an independent third party, on 15 June 2011, entered into the project agreement in relation to the transfer of the rights and obligations under an energy performance contracting project (合同能源管理項目) in Wuhan (the "Project Agreement") the PRC Partner had entered into with the government entity in Wuhan, the PRC. Pursuant to the Project Agreement, certain amount of the consideration to be paid by the transferee would be received by the PRC Partner Subsidiary and in turn be paid to the Subsidiary (the "Wuhan Transaction").

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

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

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

Details of the above transactions are published in the Company's announcements dated 25 November 2010, 9 March 2011, 28 April 2011, 16 June 2011, 25 July 2011, 28 July 2011, 12 September 2011, 29 December 2011 and 4 January 2012 and the Company's circular dated 24 August 2011 and 7 October 2011.

(4) Transfer of Preferred Shares

On 15 September 2011, three purchasers (Metro Factor, Top Blast and Global Vector) (collectively, the “Purchasers”), four vendors (Master Top, Mega Step, Favor Mind and Magical Power) (collectively, the “CT Vendors”) and four guarantors (Mr. Ho Wai Kong, Mr. Lu Xing, Mr. Wang Dingbo and Ms. Siu Fung) (collectively, the “Guarantors”) entered into the deed, pursuant to which the CT Vendors conditionally agreed to transfer an aggregate of 3,546,640,000 preferred shares (the “Subject Preferred Shares”) to be allotted and issued by the Company to the CT Vendors as part of the consideration pursuant to the very substantial acquisition in relation to the acquisition of Hero Joy International Limited (“Hero Joy”), a wholly-owned subsidiary of the Company by the Group (the “2008 VSA”) to the Purchasers.

Each of the Purchasers, being an associate of Mr. Cheng Yuanzhong (“Mr. Cheng”), is a connected person of the Company under Rule 14A.11(1) of the Listing Rules by virtue of the fact that each of the them are wholly and beneficially owned by Mr. Cheng and Mr. Cheng is an executive Director and a director of the EJV, an indirect non-wholly-owned subsidiary of the Company. Accordingly, the allotment and issue of the ordinary shares upon conversion of the Subject Preferred Shares would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

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

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

Details for the above transactions are published in the Company’s announcement dated 15 September 2011, 25 October 2011, 5 April 2012 and the Company’s circular dated 7 October 2011.

DELAY IN PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT

Reference was made to the Company's announcement dated 14 March 2012 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 2012. 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 2011, the Audit Committee comprises four members, namely Mr. Wu Fred Fong as the Chairman, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen, 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 2011.

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 2011, the Remuneration Committee comprises four members, namely Mr. Wu Fred Fong as the Chairman, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen, 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.

NOMINATION COMMITTEE

The Nomination Committee was established on 29 March 2012 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. The Nomination Committee currently comprises six members, namely Mr. Cheng Yuanzhong as the Chairman, Mr. Ho Wai Kong and four independent non-executive directors of the Company, namely, Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen. The major responsibility of Nomination Committee is to make recommendations to the board of the Company regarding candidates to fill vacancies on the board and senior management of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Stock Exchange issued the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, which provides the Code Provisions and recommended best practices for corporate governance practices by listed companies. The Company considered that its prevailing structures and systems satisfied the requirements of the Code Provisions. The Company will continuously enhance the corporate governance standards throughout the Group and ensure further standards to be put in place by reference to the recommended best practices whenever suitable and appropriate. The Company has complied throughout the year with the CG Code except for the deviations from the Code Provisions A.2.1 and C.2.2 as disclosed in the following paragraphs.

Code Provision A.2.1

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

During the year ended 31 December 2011 and up to the date of this announcement, the roles of Chairman and chief executive officer of the Company ("CEO") are segregated and separately performed by different Directors at most of time as follows:

Time periods	Chairman	CEO
1 January 2011 – 16 June 2011	Mr. Ho Wai Kong	Mr. Zhang Guisheng
17 June 2011 – 14 September 2011	Mr. Ho Wai Kong	Vacant
15 September 2011 – 29 December 2011	Mr. Ho Wai Kong	Mr. Cheng Yuanzhong
30 December 2011 – 10 April 2012	Mr. Cheng Yuanzhong	Mr. Cheng Yuanzhong
11 April 2012 to date of this announcement	Mr. Cheng Yuanzhong	Mr. Wang Dingbo

From 17 June 2011 to 14 September 2011, the role of CEO was vacant and from 30 December 2011 to 10 April 2012, the roles of Chairman and CEO were also performed by Mr. Cheng Yuanzhong, which was a deviation from the Code Provision A.2.1. Mr. Wang Dingbo has been appointed as the new CEO in place of Mr. Cheng Yuanzhong with effect from 11 April 2012, so as to allow the segregation of the roles of Chairman and CEO in accordance with the CG Code. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

Code Provision C.2.2

According to the Code Provision C.2.2 of the CG Code, the board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function. However, the Board did not perform annual review which considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and this was regarded as a deviation from the Code Provision C.2.2. The Board is aware of such deviation and will comply with such code provision in the coming year, by performing annual review considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board updated the Company's corporate governance on 29 March 2012 to bring it in closer alignment with the amendments to the CG Code as set out in Appendix 14 of the Listing Rules that has taken effect from 1 April 2012.

By order of the Board
CHINA PUBLIC PROCUREMENT LIMITED
Cheng Yuanzhong
Chairman

Hong Kong, 27 April 2012

At the date of this announcement, the Board comprises seven executive directors, Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Wang Dingbo, Mr. Wu Xiaodong, Mr. Peng Ru Chuan, Mr. Lu Xing and Ms. Liu Jie; two non-executive directors, Ms. Cheng Zhuo and Mr. Wang Ning; and four independent non-executive directors, Mr. Wu Fred Fong, Mr. Chan Tze See, Mr. Chen Bojie, and Mr. Xu Haigen.