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 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	5	**19,336**	–
Cost of sales		**(18,368)**	–
Gross profit		**968**	–
Other income	5	**425**	–
Gain on disposal of property, plant and equipment		**491**	–
Impairment of goodwill		**(744,475)**	–
Administrative expenses		**(54,710)**	–
Other operating expenses		**(8,125)**	–
Loss from operations		**(805,426)**	–
Finance costs	6	**(18)**	–
Loss before taxation	7	**(805,444)**	–
Taxation	8	**–**	–
Loss for the year from continuing operations		**(805,444)**	–
Discontinued operations			
Loss for the year from discontinued operations	9	**(13,303)**	(507,195)
Loss for the year		**(818,747)**	(507,195)
Attributable to:			
Owners of the Company	10	**(818,170)**	(507,027)
Non-controlling interests		**(577)**	(168)
		(818,747)	(507,195)

	Notes	**2009**	2008
		HK cents	*HK cents*
Loss per share			
From continuing and discontinued operations	*11*		
– Basic		**(27.95)**	(26.86)
– Diluted		**(27.50)**	(25.82)
From continuing operations	*11*		
– Basic		**(27.50)**	–
– Diluted		**(27.05)**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Loss for the year		**(818,747)**	(507,195)
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**123**	219
Change in fair value of available-for-sale investments		**–**	(32,458)
Reclassification adjustments relating to foreign operations disposed of during the year		**–**	(7,873)
Other comprehensive income for the year		**123**	(40,112)
Total comprehensive income for the year		**(818,624)**	(547,307)
Attributable to:			
Owners of the Company	*10*	**(818,059)**	(540,298)
Non-controlling interests		**(565)**	(7,009)
		(818,624)	(547,307)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**10,414**	6,574
Goodwill		**–**	–
Intangible assets		**17,143**	–
Available-for-sale investments		**–**	14,395
Derivative financial instrument		**–**	7,961
		27,557	28,930
Current assets			
Deposit for acquisition of a subsidiary		**–**	60,000
Trade receivables, other receivables and deposits	*12*	**24,278**	22,122
Pledged deposits		**3,600**	15,000
Bank balances and cash		**25,970**	39,624
		53,848	136,746
Assets classified as held for sale		**–**	144
		53,848	136,890
Current liabilities			
Trade and other payables	*13*	**23,875**	3,621
Receipt in advance		**2,500**	127
		26,375	3,748
Liabilities classified as held for sale		**–**	15,208
		26,375	18,956
Net current assets		**27,473**	117,934
NET ASSETS		**55,030**	146,864
CAPITAL AND RESERVES			
Share capital	*14*	**32,196**	22,170
Reserves	*15*	**20,278**	124,694
		52,474	146,864
Non-controlling interests		**2,556**	–
		55,030	146,864

Notes:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Suites 2805-2810, 28/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company as well as provision of procurement services to general public and government in PRC. The principal activities of its subsidiaries are set out in note 17 to the financial statements.

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

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (revised 2007)	Presentation of financial statements
HKAS 23 (revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost on Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendment)	Financial instrument: Disclosures – improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendment)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Except for the following new HKFRSs, the application of other new HKFRSs had no material impact on the Group's consolidation financial statements for the current or prior accounting periods.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised statement of changes in equity. All other items of income and expense are presented in the statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 4). Corresponding amounts have been provided on a basis consistent with the revised segment information.

The amendments to IFRS 7 require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The Group does not have financial instruments recorded at fair value as at 31 December 2009.

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the profits or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, an impairment loss would be recognised. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The following HKFRSs in issue at 31 December 2009 have not been applied in the preparation of the consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2009.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 or a January 2010 as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So fair it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statement except for the following:

HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collectively include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries and non-controlling interests

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between non-controlling interests and the owners of the Company.

Where losses applicable to the non-controlling interests exceed the non-controlling interest in the equity of the subsidiaries, the excess, and any further losses applicable to the non-controlling interests, are charged against the Group's interest except to the extent that the non-controlling interests have a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling interests' share of losses previously absorbed by the Group has been recovered.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated statement of financial position as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent years.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Additional interests in subsidiaries are measured at the carrying amounts of identified assets and liabilities of the subsidiary and any excess of the consideration over the book value of net assets attributable to the additional interest acquired are accounted for as goodwill.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Computer software	20%

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Property, plant and equipment

All property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment less their residual value, being the net amount which the Group expects to obtain from disposal of an asset at the end of its useful life after deducting the expected cost of disposal, over their estimated useful lives, using the straight line method, at the following rates per annum:

Equipment and furniture	20%
Motor vehicles	20%

Leasehold improvements are amortised over the remaining unexpired period of the lease or its estimated useful life to the Group, whichever is shorter. The principal annual rate used is 20%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of assets

At each 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 or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each of the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Financial assets

Financial assets are recognised on their trade date. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses for bad and doubtful debts.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial assets at fair value through profit or loss include financial assets held for trading to be carried at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each of the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement. Any impairment losses on available-for-sale financial assets are recognised in the income statement. Impairment losses on available-for-sale equity investments will not reverse to the income statement in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each of the end of the reporting period subsequent to initial recognition. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposed group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments less bank overdrafts which are repayable on demand and form an integral part of Group's cash management.

Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'finance costs' in the income statement.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Foreign currencies

The consolidated financial statements are presented in Hong Kong dollars (HK$), while the functional currency of the Company is the Renminbi.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the end of the reporting period. Income and expenses have been converted into Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which related to that foreign operation is included in the calculation of the profit or loss on disposal.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of discounts and after elimination of sales within the Group. Revenue is recognised as follows:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis over the lease period.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

Employee leave entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Pension obligations

The Group operates defined contribution provident fund schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. The Group's contributions under the schemes are charged to the income statement as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any contributions forfeited by employees who leave the Group, relating to unvested benefits, are used to reduce the Group's ongoing contributions otherwise payable.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share-based compensation reserve within equity. The total amount to be expensed over the vesting period is determined by reference to the fair value for the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). At each of the end of the reporting period, the Group revises the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based compensation reserve until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Borrowing costs

All borrowing costs are recognised as expenses in the year in which they are incurred.

Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly, through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SEGMENT INFORMATION

The Group has identified its operating segments based on the regular internal financial information reporting to the Group's senior management for its decisions about resources allocation and performance assessment. During the year, the Group disposed of its operations of coal trading, information technology, general trading and corporate management. Therefore, for the year ended 31 December 2009, the directors concluded that there is no separate reporting segment apart from the public procurement services. Senior management reviews and assesses the performance on the public procurement services based on the information available for purpose of allocating resources to the segment and assessing its performance.

5. TURNOVER AND OTHER INCOME

The principal activity of the Group is provision of procurement services to general public and government in PRC.

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

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Public procurement	**19,336**	–
Other income		
Interest income	**16**	–
Sundry income	**409**	–
	425	–

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on short-term loan	**18**	–

7. LOSS BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation from continuing operations has been arrived at after charging:		
Auditors' remuneration		
– provision for the year	**550**	–
– underprovision for prior year	**100**	–
– Other services	**250**	–
Cost of inventories recognised as expense	**17,957**	–
Depreciation of property, plant and equipment	**1,841**	–
Amortisation of intangible assets	**3**	–
Exchange loss	**97**	–
Impairment of goodwill	**744,475**	–
Operating lease rentals – office premises	**4,429**	–
Staff costs (including directors' remuneration – note 12)		
– Salaries and allowances	**14,019**	–
– Retirement scheme contributions	**312**	–
– Equity settled share-based payment expenses	**29,315**	–

8. TAXATION

No Hong Kong Profits Tax has been provided in the financial statements as the Group has sustained a loss for the year (2008: Nil).

No PRC income tax has been provided as the Group has sustained a loss for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC (2008: Nil).

No deferred tax asset has been recognised in the financial statements as it is uncertain such an asset will crystallise in the foreseeable future (2008: Nil).

Detail of the unprovided deferred tax assets at 31 December 2009 are as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Shortfall of tax allowances over accounting depreciation	**606**	579	**–**	–
Estimated taxation losses carried forward	**(2,087,260)**	(4,028)	**(2,087,260)**	(1,877)
	(2,086,654)	(3,449)	**(2,087,260)**	(1,877)

9. DISCONTINUED OPERATIONS

(a) Disposal of coal trading operations

On 22 April 2009, the Group entered into a sale agreement to dispose of its entire interest in Great Hill Trading Limited and its subsidiaries ("Great Hill Group") at a consideration of HK$34,000,000, which carried out all of Group's coal trading operations. The disposal was completed on 8 May 2009 on which date control of Great Hill Group passed to acquirer.

(b) Disposal of information technology operations

The Group entered into three sale agreements to dispose of the entire issued share capital of the following wholly-owned subsidiaries ("The IT Groups") which carried out all of Group's information technology business:

(i) Global Great Development Limited and its subsidiary on 26 May 2009 at a consideration of HK$100,000;

(ii) Joy Century Holding Limited and its subsidiary on 8 June 2009 at a consideration of HK$10,000; and

(iii) SLS Investment Limited and its subsidiary on 12 June 2009 at a consideration of HK$6,000.

The disposals were completed on 19 May 2009, 9 June 2009 and 19 May 2009 respectively on which dates control of the IT Groups passed to acquirers.

(c) Disposal of general trading operations

The Group entered into three sale agreements to dispose of the entire issued share capital of the following wholly-owned subsidiaries ("The General Trading Group") which carried out all of Group's general trading operations:

(i) Chinaway Network Technology Limited on 5 February 2009 at a consideration of HK$50,000; and

(ii) Successful Link International Limited and its subsidiary on 5 February 2009 at a consideration of US$10,000; and

(iii) Interactive Broadband Services Limited on 12 June 2009 at a consideration of HK$250,000.

The disposals were completed on 5 February 2009, 5 February 2009 and 19 May 2009 respectively on which dates control of the General Trading Groups passed to acquirers.

(d) Disposal of corporate management operations

On 30 May 2009, the Group entered into a sale agreement to dispose of its entire issued share capital of Star Excel Management Limited and its subsidiaries ("Star Excel Group") at a consideration of HK$12,500,000 which carried out all of Group's corporate management operations. The disposal was completed on 17 June 2009 on which date control of the Star Excel Group passed to acquirer.

Details of the assets and liabilities disposed of, and the calculation of the gain or loss on disposal, are disclosed in note 28.

Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2009	2008
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue	**715**	208,936
Other income	**80**	8,217
Expenses	**(27,630)**	(295,444)
Reversal of impairment of other receivables for previous year	**36,000**	–
Impairment of other receivables	**(110)**	(60,946)
Net loss on disposal of property, plant and equipment	**(1,133)**	(57)
Impairment of goodwill	**–**	(365,877)
Loss on disposal of subsidiaries	**–**	(2,024)
Loss on disposal of available-for-sale investments	**(28,904)**	–
Loss on disposal of derivative financial instrument	**(505)**	–
Loss before tax	**(21,487)**	(507,195)
Taxation	**–**	–
	(21,487)	(507,195)
Gain on disposal of operations	**8,184**	–
Loss for the year from discontinued operations	**(13,303)**	(507,195)

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation from discontinued operations included the following:		
Auditors' remuneration	**127**	749
Depreciation	**339**	1,902
Exchange loss	**–**	287
Impairment of goodwill	**–**	365,877
Impairment of trade and other receivables	**110**	60,946
Loss on disposal of property, plant and equipment	**1,134**	57
Operating lease rentals – office premises	**2,077**	1,997
Staff costs (including directors' remuneration – note 12)		
– Salaries and allowances	**8,481**	13,296
– Retirement scheme contributions	**144**	528
– Equity settled share-based payment expenses	**–**	45,579
Cash flows from discontinued operations		
Net cash outflows from operating activities	**(29,982)**	(48,599)
Net cash inflows/(outflows) from investing activities	**28,365**	(60,712)
Net cash inflows from financing activities	**–**	30,097
Net cash inflows/(outflows)	**1,617**	(79,214)

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$745,028,000 (2008: HK$854,946,000) which has been dealt with in the financial statements of the Company.

The directors do not recommend the payment of dividend for the year ended 31 December 2009.

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share are based on the loss attributable to owners of the Company of HK$818,170,000 (2008: HK$507,027,000) and the weighted average number of ordinary shares for the purpose of basic and diluted loss per share are calculated as follows:

Number of shares

	2009	2008
	'000	*'000*
Issued ordinary shares at beginning of year	**2,217,025**	1,605,785
Effect of warrants exercised	**751**	3,547
Effect of share options exercised	**33,275**	1,316
Issue of shares for acquisition of subsidiaries	**676,194**	252,459
Effect of convertible bonds exercised	**–**	24,590
Weighted average number of ordinary shares for purpose of basic loss per share at 31 December 2009	**2,927,245**	1,887,697
Effect of deemed issue of shares attributable to the Company's instrument of warrants	**–**	47,882
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**48,271**	28,271
Weighted average number of ordinary shares for purpose of diluted loss per share at 31 December 2009	**2,975,516**	1,963,850

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:

Loss figures are calculated as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(818,170)**	–
Add:		
Loss for the year from discontinued operations	**13,303**	–
Loss for the purpose of basic and diluted loss per share from continuing operations	**(804,867)**	–

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

From discontinued operations

Basic loss per share for the discontinued operations is HK$0.45 cents per share (2008: HK$26.86 cents loss per share) and diluted loss per share for the discontinued operations is HK$0.45 cents per share (2008: HK25.82 cents loss per share), based on the loss for the year from the discontinued operations of HK$13,303,000 (2008: HK$507,027,000 loss) and the denominators used are the same as those detailed above for the both basis and diluted loss per share.

12. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS

Company

	2009	2008
	HK$'000	*HK$'000*
Trade receivables due from a related party	**–**	4,974
Other trade receivables	**439**	–
Trade receivables	**439**	4,974
Other receivables	**–**	345
Prepayments and deposits	**1,382**	–
	1,821	5,319

As at 31 December 2009, the ageing analysis of the trade receivables net of allowance for doubtful debts was as follows:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**439**	–
31-60 days	**–**	4,974

13. TRADE AND OTHER PAYABLES

Group

	2009 *HK$'000*	2008 *HK$'000*
Trade payables	**–**	300
Accruals and other payables	**23,875**	3,321
	23,875	3,621

As at 31 December 2008, the ageing analysis of the trade payables was as follows:

	2009 *HK$'000*	2008 *HK$'000*
0-30 days	**–**	300

Company

	2009 *HK$'000*	2008 *HK$'000*
Accruals and other payable	**23,766**	1,190

14. SHARE CAPITAL

	Number of shares	***HK$'000***
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2008		
Ordinary shares of HK$0.10 each	5,000,000,000	500,000
Reduction of par value of share capital	–	(475,000)
Consolidation of shares	(2,500,000,000)	–
Ordinary shares of HK$0.01 each	2,500,000,000	25,000
Increase in authorized share capital	7,500,000,000	75,000
At 31 December 2008 and at 31 December 2009	10,000,000,000	100,000
Convertible non-redeemable preference shares of HK$0.01 each		
Authorising on 9 February 2009 and at 31 December 2009 *(Note i)*	10,000,000,000	100,000

	Number of shares	*HK$'000*
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2008	3,211,570,000	321,157
Reduction of issued share capital	–	(305,099)
Consolidation of shares	(1,605,785,000)	–
Issue of shares for acquisition of a subsidiary	400,000,000	4,000
Issue of shares upon exercise of share options	2,240,000	22
Issue of shares upon exercise of warrants	9,000,000	90
Issue of shares upon exercise of convertible bonds	200,000,000	2,000
At as 31 December 2008	2,217,025,000	22,170
Issue of shares for acquisition of a subsidiary *(Note ii)*	945,635,485	9,456
Issue of shares upon exercise of share options *(Note iii)*	55,922,000	560
Issue of shares upon exercise of warrants *(Note iv)*	1,000,000	10
At 31 December 2009	3,219,582,485	32,196

Notes:

(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 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, as set out in note 29.

(iii) During the year ended 31 December 2009, share options were exercised to subscribe for 55,922,000 (2008: 2,240,000) ordinary shares in the Company at a consideration of HK$29,152,000 (2008: $1,142,000) of which HK$560,000 (2008: HK$22,000) was credited to share capital and the balance of HK$28,592,000 (2008: HK$1,120,000) was credited to the share premium account. HK$12,864,000 (2008: $526,000) has been transferred from the share-based compensation reserve to the share premium account.

(iv) During the year ended 31 December 2009, warrants were exercised to subscribe for 1,000,000 (2008: 9,000,000) ordinary shares in the Company at a consideration of HK$400,000 (2008: HK$3,600,000) of which HK$10,000 (2008: HK$90,000) was credited to share capital and the balance of HK$390,000 (2008: HK$3,510,000) was credited to share premium. HK$80,000 (2008: $720,000) has been transferred from the warrant reserve to the share premium account.

15. RESERVES

Group

	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 2008	122,333	–	8,390	12,043	738	(1,814)	(247,646)	(105,956)
Change in fair value of available-for-sale investments	–	–	–	–	–	(32,458)	–	(32,458)
Capital reduction	–	–	–	–	–	–	305,099	305,099
Warrants issued	–	25,440	–	–	–	–	–	25,440
Premium arising on issue of shares	376,000	–	–	–	–	–	–	376,000
Exercise of warrants	4,230	(720)	–	–	–	–	–	3,510
Exercise of share options	1,646	–	–	(526)	–	–	–	1,120
Conversion of convertible bonds	14,200	–	–	–	–	–	–	14,200
Equity settled share-based payment transactions	–	–	–	45,579	–	–	–	45,579
Reserves transferred upon disposal of subsidiaries	–	–	–	–	(750)	–	–	(750)
Exchange differences arising on translation of foreign operations	–	–	–	–	(63)	–	–	(63)
Net loss for the year	–	–	–	–	–	–	(507,027)	(507,027)
As at 31 December 2008	518,409	24,720	8,390	57,096	(75)	(34,272)	(449,574)	124,694

Group

	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 *(note 24)*	**–**	**(24,640)**	**–**	**–**	**–**	**–**	**24,640**	**–**
Premium arising on issue of shares *(note 23(ii))*	**620,999**	**–**	**–**	**–**	**–**	**–**	**–**	**620,999**
Exercise of warrants *(note 23(iv))*	**470**	**(80)**	**–**	**–**	**–**	**–**	**–**	**390**
Exercise of share options *(note 23(iii))*	**41,456**	**–**	**–**	**(12,864)**	**–**	**–**	**–**	**28,592**
Forfeiture of share option *(note 25 (b))*	**–**	**–**	**–**	**(47,156)**	**–**	**–**	**47,156**	**–**
Equity settled share-based payment transactions *(note 25)*	**–**	**–**	**–**	**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**

Company

	Share Premium	Warrant reserve	Contributed surplus *(Note b)*	Share-based compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2008	122,333	–	27,210	12,043	(57,106)	104,480
Reduction of par value of share capital	–	–	305,099	–	–	305,099
Warrants issued	–	25,440	–	–	–	25,440
Premium arising on issue of shares	376,000	–	–	–	–	376,000
Exercise of warrants	4,230	(720)	–	–	–	3,510
Exercise of share options	1,646	–	–	(526)	–	1,120
Conversion of convertible bonds	14,200	–	–	–	–	14,200
Equity settled share-based payment transactions	–	–	–	45,579	–	45,579
Loss for the year	–	–	–	–	(854,946)	(854,946)
As at 31 December 2008	518,409	24,720	332,309	57,096	(912,052)	20,482
Premium arising on issue of ordinary shares *(note 24 (ii))*	620,999	–	–	–	–	620,999
Warrants expired *(note 25)*	–	(24,640)	–	–	24,640	–
Exercise of warrants *(note 24(iv))*	470	(80)	–	–	–	390
Exercise of share options *(note 24(iii))*	41,456	–	–	(12,864)	–	28,592
Forfeiture of share options *(note 26(b))*	–	–	–	(47,156)	47,156	–
Equity settled share-based payment transactions *(note 26)*	–	–	–	29,315	–	29,315
Loss for the year	–	–	–	–	(745,028)	(745,028)
As at 31 December 2009	1,181,334	–	332,309	26,391	(1,585,284)	(45,250)

Notes:

(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.

(b) Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares of the Company issued in a share for share exchange and the fair value of the aggregate net assets of the subsidiaries acquired.

Under the Bermuda Companies Act 1981, contributed surplus of the Company is available for distribution, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

As at 31 December 2009 and 31 December 2008, no reserve of the Company was made available for distribution as the aggregate of the contributed surplus and the accumulated losses are in debit balance.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND DIVIDEND

For the period ended 31 December 2009, the Group recorded a turnover of approximately HK$19 million, representing a decrease of approximately 91% as compared to the previous year of approximately HK$209 million while the gross profit margin increased from 2.7% to 5%.

The Group recorded a loss attributable to shareholders amounted to approximately HK$819 million (2008: HK$507 million) representing a loss of HK$27.95 cents per share. The significant increase in operating loss was largely because of the full provision of goodwill amounted to an approximate of HK$744 million (2008: HK$366 million) overwhelmed (i) the effective measures in place to control the administrative and operating expenses such that the costs thereof were greatly reduced from last year's HK$91,342,000 to this year's HK$62,835,000, of which an approximate of HK$29,315,000 was non-cash equity settled share-based payment expense; and (ii) no impairments of trade and receivables from continuing operations occurred in this year which were incurred approximately HK$61 million provided in 2008. Had the goodwill not been impaired, the loss from continuing operations would have been greatly reduced to approximately HK$60,969,000. The Board recommend that no dividend will be paid for the year ended 31 December 2009.

GOODWILL

The Group review the goodwill at least annually in accordance with the Hong Kong Accounting Standards to check for any impairment indications. The goodwill was recognized as a result of the completion of acquisition in relation to public procurement business by issuing the initial Consideration Shares as per the circular of the Company dated 16 January 2009. Due to the business being developed in the initial stage as at 31 December 2009, the management of the Company did not have sufficient convincing grounds to estimate the carrying value of goodwill when performing annual review, although the management were in the opinion that no impairment indications were identified. For the sake of conservatism, the Group has provided the goodwill in full, amounting to approximately HK$744 million (31 December 2008: HK$366 million). Please refer to note 15 of the Notes to the Financial Statements.

OPERATING ENVIRONMENT AND OPERATION REVIEW

2009 is a challenging year for almost everyone as many people suffered from the aftermath of financial crisis broken out in late 2008. With the active intervention of the central banks by easing the monetary base, many countries managed to relieve from stopping the slump of asset prices and global share markets recovered most of the lost ground. China is an exception as it is able to maintain the economic growth in 2009 where it is expected that the annual GDP growth can reach to 9%. While the global economy remains weak, it is anticipated that China will rely more on domestic demand rather than export in order to stabilize the China's economy and one of the important measure to achieve this is through fiscal expansion, i.e., government expenditure. Therefore, the Company has grasped the chance to start up the public procurement business in the PRC.

Acquisition of Public Procurement Business

In mid April 2009, the Group has successfully completed the acquisition of public procurement business. The concept of this new business is that in the long run, the Group will construct the electronic platform that links up with all the PRC government procurement centres of all grades to transact public procurement in a faster, more effective and more cost-saving manner from which the Group charges a certain percentage of procurement amount as the service charge. In order to provide the sufficient capital to kick start the construction, the Company has injected RMB27 million to Guocai (Beijing) Technology Company Limited ("Guocai"), the subsidiary in PRC responsible for the business, in July 2009 by means of increasing Guocai's registered capital. During 2009, the Group has cooperated with Tsinghua University to build up the e-platform and has chosen three government procurement centres, including two provincial and one municipal government procurement centres, as trial centres. As at 31 December 2009, the construction is completed and the trial centres will proceed to a series of testings on the capability, functionality as well as the user-friendliness on both the hard and software of the e-platform.

While the e-platform is being built, the Group has been actively seeking business opportunities by reaching bilateral procurement agreements with individual enterprises and PRC government-related authorities. Among the signed procurement agreements, the Company has, in particular, entered into indicative procurement agreements with 中鐵建物資集團華鐵有限公司 ("Hua Tie") and The Economics and Trading Bureau of Economic Development Zone, Liaocheng City, Shangdong Province ("Liaocheng"). These two agreements have a term of three years where Hua Tie will engage the Company to procure not less than RMB100 billion worth of service on procuring equipment, facilities and materials in each of 2010, 2011 and 2012 with a total of RMB300 billion while Liaocheng will engage the Company to procure not less than RMB20 billion worth of the abovementioned goods and services in each of the three years with a total of RMB60 billion. A certain percentage of procurement amount will be paid in advance by Hua Tie and Liaocheng as deposits upon a formal procurement request is made. The Directors believe that entering into these two agreements symbolizes a big step forward of the Group's public procurement business and look forward to material improvement in both revenue and profits in the coming few years as the procurement agreements are crystallized. And with the ample cashflow expected to be generated from the procurement as well as the successful fund raising of HK$40,000,000 by issuing equity-linked debt instruments ("ELDIs") in mid-February 2010 (please refer to "Liquidity and Financial Resources" section below for details), the Group will have more capital to accelerate the construction of the e-platform.

Regarding the RMB700 million worth procurement agreement of cokes entered into with Wulatezhongqi Huachang Mining Co., Ltd. of Inner Mongolia ("Huachang") and Great Rail Logistics Co., Ltd. ("Great Rail") on 3 September 2009, the Company had launched detail negotiation with Huachang and Great Rail on procedures to procuring and transporting of cokes after the signing of the agreement. However, the unexpected early arrival of cold current in Mongolia made transportation of cokes unfeasible as a result of frozen roads that trucks could not move on. Despite the fact that the Company was not able to benefit from this procurement in 2009, the Company is in negotiation to with Huachang and Great Rail to extend the agreement.

Disposal of Prolonged Loss-making Businesses

Before the public procurement business was acquired, the Group was engaged in several businesses, namely coal trading, information technology operations, general trading and corporate administrative support services. Unfortunately, these businesses had been performed disappointingly poor and the losses from segment results were exacerbated over years, from the aggregate losses of less than HK$10 million for the financial year in 2006, to approximately HK$87 million for financial year in 2008, represented a whopping some 700% rise in 2 years. Having considered the fierce competition and suppressed profit margin, the Group had disposed of these old businesses during 2009 in order to better utilize the Group's resources to develop public procurement business.

PROSPECTS

The Directors are confident that the public procurement business is going to be promising based on the following grounds: 1) in 2009, the public procurement business was in the initial stage and has not demonstrated its full potential. The full provision of goodwill was the result of the Board's conservatism towards accounting treatment. With the signed procurement agreements and the benefits arising therefrom, the Group's performance will be spectacular in the near future; 2) while the global economy is widely perceived to have bounced back from the trough, the fundamentals are still weak. In order to maintain the economic growth at an annual rate of 8%, the PRC is expected to rely on domestic demand for a certain period of time, deriving extra advantages to the Group; and 3) with the above advantages enriched, the Company will be able to speed up the construction of e-platform and once it is built, the Group's revenue is expected to grow considerably.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group maintained cash, fixed deposits and bank balances of approximately HK$26 million (31 December 2008: HK$54.6 million) without any borrowings (31 December 2008: nil).

The gearing ratio of the Group as of 31 December 2009 was nil (31 December 2008: nil).

As of 31 December 2009, the Group's working capital (net current assets) and current ratio were approximately HK$27 million (31 December 2008: HK$117.9 million) and 2.0x (31 December 2008: 7.2x) respectively.

On 11 February 2010, a fund raising event took place that the Company has entered into a subscription agreement ("Subscription Agreement") with Standard Bank Plc as the subscriber (the "Subscriber") where the Company agreed to issue and the Subscriber agreed to subscribe for HK$40,000,000 worth one-year ELDIs. 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 request to convert, 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 was increased by approximately HK$38,000,000 which has improved the Company's liquidity.

As at the date of this report, 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 AND CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no assets pledged (31 December 2008: HK$15 million) nor the Group had any significant contingent liabilities as at 31 December 2009.

FOREIGN EXCHANGE EXPOSURE

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars and US dollars. 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 2009, the Group employed approximately 50 employees.

The Company maintains a share option scheme (the "Scheme"), pursuant to which share options are granted to selected directors or employees of the Group, with a view to attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

During the year, 193,900,000 share options were granted to the eligible participants; 55,922,000 share options were exercised and 175,700,000 share options were cancelled.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. 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 2009.

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 2009, 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 and the auditors the audited consolidated annual results of the Group for the year ended 31 December 2009.

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 2009, 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year under review with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, which were in force prior to 1 January 2005.

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.

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

Hong Kong, 30 April 2010

At the date of this announcement, the Company comprises six executive directors, Mr. Ho Wai Kong (Chairman), Mr. Jiang Haoye, Mr. Lu Xing, Mr. Song Lianzhong, 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.