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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the “Board”) of China Public Procurement Limited (the “Company”) hereby announces the unaudited consolidated interim results and financial position of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012 with comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	5	–	5,281
Cost of sales		–	(5,037)
Gross profit		–	244
Other income		351	21
Gain on disposal of a subsidiary		1,026	–
Administrative and other operating expenses		(32,989)	(19,173)
Non-cash share option expenses		(18,375)	–
		(49,987)	(18,908)
Finance costs		–	(30)
LOSS BEFORE TAX	6	(49,987)	(18,938)
Income tax	7	–	–
LOSS FOR THE PERIOD		(49,987)	(18,938)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on transaction of foreign operations		458	920
Release of exchange differences upon disposal of a subsidiary		(550)	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX OF NIL		(92)	920
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(50,079)	(18,018)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
<i>Notes</i>			
Loss attributable to:			
Equity holders of the Company		(48,913)	(18,533)
Non-controlling interests		(1,074)	(405)
		<u>(49,987)</u>	<u>(18,938)</u>
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		(48,960)	(17,713)
Non-controlling interests		(1,119)	(305)
		<u>(50,079)</u>	<u>(18,018)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted:			
For loss for the period	8	<u>HK\$(0.68) cents</u>	<u>HK\$(0.56) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		10,667	10,954
Goodwill	9	5,369,545	5,369,898
Prepayment for acquisition of intangible asset		27,346	—
Intangible assets		28,618	18,426
Total non-current assets		5,436,176	5,399,278
CURRENT ASSETS			
Trade and other receivables	10	58,382	301,394
Amount due from a non-controlling interest of a subsidiary	16(a)	9,766	9,774
Cash and bank balances		217,247	97,033
Total current assets		285,395	408,201
CURRENT LIABILITIES			
Accruals and other payables	11	27,645	26,302
Consideration payable	12	—	5,369,545
Amount due to a non-controlling interest of a subsidiary	16(a)	—	52,135
Amount due to a related company	16(a)	—	2,724
Tax payable		9,964	10,653
Total current liabilities		37,609	5,461,359
NET CURRENT ASSETS/(LIABILITIES)		247,786	(5,053,158)
Net assets		5,683,962	346,120
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	113,703	33,163
Reserves		5,564,149	305,728
		5,677,852	338,891
Non-controlling interests		6,110	7,229
Total equity		5,683,962	346,120

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Issued capital	Share premium	Merger reserve	Share option reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2012	33,163	1,254,676	8,390	44,276	3,125	(1,004,739)	338,891	7,229	346,120
Loss for the period	-	-	-	-	-	(48,913)	(48,913)	(1,074)	(49,987)
Other comprehensive income/(loss) for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	334	-	334	124	458
Release of exchange differences upon disposal of a subsidiary	-	-	-	-	(381)	-	(381)	(169)	(550)
Total comprehensive loss for the period	-	-	-	-	(47)	(48,913)	(48,960)	(1,119)	(50,079)
Equity-settled share option arrangements	-	-	-	18,375	-	-	18,375	-	18,375
Issuance of shares (note 13)	80,540	5,289,006	-	-	-	-	5,369,546	-	5,369,546
As at 30 June 2012	113,703	6,543,682*	8,390*	62,651*	3,078*	(1,053,652)*	5,677,852	6,110	5,683,962
As at 1 January 2011	33,163	1,254,676	8,390	55,691	1,509	(992,716)	360,713	4,279	364,992
Loss for the period	-	-	-	-	-	(18,533)	(18,533)	(405)	(18,938)
Other comprehensive income/(loss) for the period:									
Exchange differences arising on translation of foreign operations	-	-	-	-	820	-	820	100	920
Total comprehensive income/(loss) for the period	-	-	-	-	820	(18,533)	(17,713)	(305)	(18,018)
As at 30 June 2011	33,163	1,254,676	8,390	55,691	2,329	(1,011,249)	343,000	3,974	346,974

* These reserve accounts comprise the consolidated reserve of HK\$5,564,149,000 (31 December 2011: HK\$305,728,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	213,871	(6,055)
Net cash used in investing activities	(39,405)	(5,799)
Net cash used in financing activities	(54,859)	(3,675)
Net increase/(decrease) in cash and cash equivalents	119,607	(15,529)
Cash and bank balances at beginning of the period	97,033	48,771
Effect of foreign exchange rate changes	607	210
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>217,247</u>	<u>33,452</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting of policies and the basis of preparation or adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under historical cost convention. These condensed consolidated financial statements are presented in Hong Kong dollars and all value are rounded to the nearest thousand, except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes: Deferred Tax – Recovery of Underlying Assets

The adoption of the above new and revised HKFRSs has had no significant financial impact on these condensed financial statements.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans ²
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1 (Revised)	Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements Projects	Annual Improvements 2009-2011 Cycle ²

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 are (i) public procurement operation and (ii) energy trading operation. Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focused on the two main operations of the Group which are identified in accordance with the business nature and the size of the operations. This basis is also consistent with the basis of organisation in the Group, where management has organised the Group around these two operations.

No operating segment information was presented as the Group did not earn any revenue during the period.

For the period ended 30 June 2011, the operating segment was solely represented energy trading operation.

5. REVENUE

The Group did not earn any revenue, which is also the turnover of the Group during the period. For the period ended 30 June 2011, the Group's turnover was solely generated from energy trading business in the People's Republic of China (the "PRC").

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	2,149	1,791
Amortisation of intangible assets	5	–

During the six months ended 30 June 2012, the Group spent approximately HK\$12,059,000 (year ended 31 December 2011: approximately HK\$5,799,000) on acquisition of items of property, plant and equipment and intangible assets.

7. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2012 and 2011.

No Enterprise Income Tax under the law of the PRC has been provided as the subsidiaries operating in the PRC did not generate any assessable profits arising during the period (six months ended 30 June 2011: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the period attributable to equity holders of the Company, and weighted average of 3,316,333,000 (2011: 3,316,333,000) ordinary shares and 3,849,948,000 (2011: Nil) of convertible non-redeemable preference shares in issue during the period.

In respect of the diluted loss per share amount presented, no adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2012 and 2011 as the impact of the share options and potential dilution of its loss per share in respect of convertible non-redeemable preference shares outstanding during these period either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts presented.

9. GOODWILL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
At beginning of period/year:		
Cost	6,114,373	744,828
Accumulated impairment	<u>(744,475)</u>	<u>(744,475)</u>
Net carrying amount	<u>5,369,898</u>	<u>353</u>
Net carrying amount:		
At beginning of period/year	5,369,898	353
Adjustment (note)	–	5,369,545
Disposal of a subsidiary	<u>(353)</u>	<u>–</u>
At end of period/year	<u>5,369,545</u>	<u>5,369,898</u>
At end of period/year		
Cost	6,114,020	6,114,373
Accumulated impairment	<u>(744,475)</u>	<u>(744,475)</u>
Net carrying amount	<u>5,369,545</u>	<u>5,369,898</u>

Note: As set out in note 19 to the annual financial statements for the year ended 31 December 2011 dated 27 April 2012, the amount represented the adjustment to the final consideration payable in respect of acquisitions of subsidiaries.

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 condensed consolidated statement of financial position and therefore, no impairment loss is necessary.

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	1,019	2,584
Prepayments and deposits	14,544	2,196
Other receivables	4,868	25,814
Amount receivable for EMC projects	<u>37,951</u>	<u>270,800</u>
Trade and other receivables	<u>58,382</u>	<u>301,394</u>

None of the other receivables is either past due or impaired and there is no recent history of default.

The aged analysis of the trade receivables as at the end of reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Overdue		
31-60 days	–	1,565
Over 1 year	<u>1,019</u>	<u>1,019</u>
	<u>1,019</u>	<u>2,584</u>

11. ACCRUALS AND OTHER PAYABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Accruals	830	830
Other payables	<u>26,815</u>	<u>25,472</u>
	<u>27,645</u>	<u>26,302</u>

Other payables are non-interest bearing and have average term of 3 months.

12. 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 years 2011 and 2010 financial statements, 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.

As at 30 June 2012, the condition was fulfilled with cash receipt of aggregated amount of more than HK\$200 million and accordingly, 8,053,914,537 preferred shares (note 13) have been allotted and issued by the Company at an issue price of HK\$0.6667 for settlement of the acquisition, where based on the formulas calculated above. Further details of which the issue of preferred shares are set out in the Company's announcement dated 5 April 2012.

13. SHARE CAPITAL

	30 June 2012		31 December 2011	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:				
Ordinary shares of the Company of HK\$0.01 each (note)	20,000,000	200,000	10,000,000	100,000
Convertible non-redeemable preference shares of the Company (note)	10,000,000	100,000	10,000,000	100,000
Issued and fully paid:				
Ordinary shares				
At beginning and at end of period/year	3,316,332	33,163	3,316,332	33,163
Convertible non-redeemable preference shares				
At beginning of period/year	—	—	—	—
Issued during the period (note 12)	8,053,915	80,539	—	—
At end of period/year	8,053,915	80,539	—	—
At end of period/year	11,370,247	113,702	3,316,332	33,163

Note: Pursuant to a ordinary resolution passed at annual general meeting of the Company on 28 June 2012, the Company's authorised share capital was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of 10,000,000,000 ordinary shares of HK\$0.01 each.

14. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms of 3 years. As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within one year	2,864	3,778
In the second to fifth years inclusive	716	2,148
	3,580	5,926

15. CAPITAL COMMITMENTS

As at 30 June 2012, the Group had the following capital commitments:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Contracted, but not provided for:		
Acquisition of technical know-how	11,720	5,498

16. RELATED PARTY TRANSACTIONS

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

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
Amounts due from:			
China Public Procurement (Hong Kong) Technology Company Limited	(i)	–	10,800
Guocai Science & Technology Company Limited	(i)	9,766	9,774
Amounts due to:			
Guocai Science & Technology Company Limited	(i)	–	(52,135)
Beijing Rongxin Dentsu Science & Technology Development Limited	(ii)	–	(2,724)
		=====	=====

Notes:

- (i) The above companies have common directorship with the Company. Guocai Science & Technology Company Limited is non-controlling interest of a subsidiary of the Company in the PRC. China Public Procurement (Hong Kong) Technology Company Limited is a wholly-owned subsidiary of Guocai Science & Technology Company Limited.
- (ii) Mr. Lu Xing, the director of the Company, has controlling interest over Beijing Rongxin Dentsu Science & Technology Development Limited.

The above balances with related parties are unsecured, interest free and repayable on demand.

- (b) Compensation to key management personnel of the Group:

	Six months ended 30 June 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries and other short term employee benefits	6,306	4,973
Equity-settled share option	13,678	–
Pension scheme contribution	36	34
	=====	=====
	20,020	5,007

17. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board of Directors on 30 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2012, the Group recorded a loss of approximately HK\$50 million (six months ended 30 June 2011: approximately HK\$19 million), loss increased by approximately HK\$31 million, mainly due to the equity settled share-based payment expenses arisen from ungranted share options in the period. The details are contained in the consolidated financial statements of this report. The loss attributable to shareholders was HK0.68 cent per share (six months ended 30 June 2011: HK0.56 cents per share).

During the period under review, the Company was more focused on the businesses of electronic public procurement transaction service and energy management contracting service. However, the implementation cycle of the above two businesses was relatively long, therefore the corresponding revenues of the businesses were unable to realise in the period under review and have to be deferred. Meanwhile, due to the intensified competition of the domestic energy trading industry in which the Company engaged, the Company's results in the period under review experienced a downturn as compared with last year. The Board will capitalise on the good prospects for the growth of global public procurement and energy saving sectors, endeavour to improve the operating situation faced by the Company during the period under review, and strive to achieve substantial business growth and generate good revenue in the future.

Prospects

Looking forward, the Group will continue to tap into the vast opportunities of the EMC services and electronic public procurement platform business. The Board believes that there are huge potentials in these two sectors and will continue to devote efforts and resources to explore their potentials.

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. This year, the Group has been authorized to implement construction cooperation agreement with governments in Hubei, Hebei, Nanhai, Qinghai and Hainan to development electronic procurement platforms in these regions. Looking forward, we will leverage on the huge markets potentials and continue to actively develop its public procurement business.

As for EMC service, as indicated in the "12th Five-Year Plan" issued by the Chinese government, during the Five-Year Plan period, EMC will end its promotion phase at present, and step into rapid development phase. During the first half of 2012, the Group has entered into agreement with 廣東利能 to operate the public lighting in Xuqian City, Jiangsu Province, PRC. Looking forward, we will continue to develop the project and explore opportunities in other regions in PRC.

Liquidity and Financial Resources

As at 30 June 2012, the Group maintained cash, fixed deposits and bank balances of HK\$217.247 million (31 December 2011: approximately HK\$97.033 million) without any bank borrowings (31 December 2011: nil). As at 30 June 2012, the Group's working capital (net current (liabilities)/ assets) and current ratio were net current liabilities of HK\$247.786 million (31 December 2011: net current assets of approximately HK\$315.522 million) and 0.07 (31 December 2011: 3.34) respectively. The existing available cash and bank balances are considered sufficient for the Group's operating requirements.

Gearing Ratios

As at 30 June 2012, the Group's gearing ratios, calculated as total liabilities divided by total assets was 0.66% (31 December 2011: 94.04%).

Pledge of Assets

As at 30 June 2012, there were no assets pledged by the Company (31 December 2011: Nil).

Contingent Liabilities

As at 30 June 2012, the Company had no contingent liabilities.

Foreign Exchange Exposure

The Group has limited exposure to fluctuation in foreign currencies as most of its transactions are denominated in HK dollars, US dollars and Renminbi. Exchange rates between these currencies with Hong Kong dollars were relatively stable during the period 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, individual qualifications and performance. Staff recruitment and promotion is based on individuals' merit and their development potential for the positions offered. As at 30 June 2012, the Group had approximately 61 employees, and total remuneration of employees (including Directors) was approximately HK\$9,529,000. 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 attract and retain quality personnel and to provide them with incentive to contribute to the business and operation of the Group.

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 12 June 2002 (the “Share Option Scheme”), the Directors may, at their discretion, invite any eligible participants to take up options to subscribe for shares in the capital of the Company. The Share Option Scheme is effective for the period from 12 June 2002 to 11 June 2012. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10% of the number of shares in issue at the date of approval of the Share Option Scheme (the “General Scheme Limit”) provided that, inter-alia, the Company may seek approval of the shareholders of the Company at a general meeting to refresh the General Scheme Limit. The maximum number of shares in respect of which shares may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the share capital of the Company in issue from time to time.

Details of the share options movements during the six months ended 30 June 2012 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options						Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30.06.2012			
Directors										
Ho Wai Kong	26.03.2009	23,000,000	–	–	(23,000,000)	–	–	–	26.03.2009 to 25.03.2012	0.50
Wu Xiaodong (retired on 28 June 2012)	26.03.2009	5,000,000	–	–	(5,000,000)	–	–	–	26.03.2009 to 25.03.2012	0.50
	28.05.2012 (Note 5)	–	30,000,000 (Note 4)	–	–	–	30,000,000	–	28.05.2012 to 27.05.2015	0.76
Lu Xing (retired on 28 June 2012)	26.03.2009	35,000,000	–	–	(35,000,000)	–	–	–	26.03.2009 to 25.03.2012	0.50
	28.05.2012 (Note 6)	–	15,000,000 (Note 4)	–	–	–	15,000,000	–	28.05.2012 to 27.05.2015	0.76
Cheng Zhuo (resigned on 8 May 2012)	14.08.2009	3,000,000	–	–	(3,000,000)	–	–	(Note 1)	14.08.2009 to 13.08.2012	1.00
Wu Fred Fong	14.08.2009	2,000,000	–	–	–	–	2,000,000	(Note 1)	14.08.2009 to 13.08.2012	1.00
	28.05.2012	–	3,300,000 (Note 4)	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.76
Chan Tze See, Kevin	05.01.2010	1,000,000	–	–	–	–	1,000,000	–	05.01.2010 to 04.01.2013	0.78
	28.05.2012	–	3,300,000 (Note 4)	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.76
Chen Bojie	05.01.2010	1,000,000	–	–	–	–	1,000,000	–	05.01.2010 to 04.01.2013	0.78
	28.05.2012	–	3,300,000 (Note 4)	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.76

Name of category	Date of grant of share options	Number of share options						Vesting period	Validity period of share options	Exercise price (HK\$)
		Outstanding as at 01.01.2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30.06.2012			
Cheng Yuanzhong	28.05.2012	–	15,000,000 (Note 4)	–	–	–	15,000,000	–	28.05.2012 to 27.05.2015	0.76
Wang Dingbo	28.05.2012	–	15,000,000 (Note 4)	–	–	–	15,000,000	–	28.05.2012 to 27.05.2015	0.76
Peng Ru Chuan	28.05.2012	–	12,000,000 (Note 4)	–	–	–	12,000,000	–	28.05.2012 to 27.05.2015	0.76
Liu Jie	28.05.2012	–	12,000,000 (Note 4)	–	–	–	12,000,000	–	28.05.2012 to 27.05.2015	0.76
Wang Ning	28.05.2012	–	10,000,000 (Note 4)	–	–	–	10,000,000	–	28.05.2012 to 27.05.2015	0.76
Xu Haigen	28.05.2012	–	3,300,000 (Note 4)	–	–	–	3,300,000	–	28.05.2012 to 27.05.2015	0.76
Subtotal		70,000,000	122,200,000	–	(66,000,000)	–	126,200,000			
Other Employees	14.08.2009	400,000	–	–	–	–	400,000	(Note 1)	14.08.2009 to 13.08.2012	1.00
	09.11.2009	100,000	–	–	–	–	100,000	(Note 2, 3)	09.11.2009 to 08.11.2012	0.77
	05.01.2010	1,600,000	–	–	–	–	1,600,000	–	05.01.2010 to 04.01.2013	0.78
	09.02.2010	60,000,000	–	–	–	–	60,000,000	–	09.02.2010 to 08.02.2013	1.07
	28.05.2012	–	74,200,000 (Note 4)	–	–	–	74,200,000	–	28.05.2012 to 27.05.2015	0.76
Subtotal		62,100,000	74,200,000	–	–	–	136,300,000			
Total		132,100,000	196,400,000	–	(66,000,000)	–	262,500,000			

Notes:

- Of an aggregate 10,600,000 share options granted on 14 August 2009, 5,600,000 share options granted vested on 14 August 2009, i.e. the date of share options granted; 3,000,000 share options granted vested on the first anniversary of 14 August 2009; and 2,000,000 share options granted vested on the second anniversary of 14 August 2009.
- As to the share options granted on 9 November 2009, 5,600,000 share options granted vested on 9 November 2009; 3,000,000 share options granted vested on 1 October 2010; and 2,500,000 share options granted vested on 1 October 2011.
- As to the share options granted on 9 November 2009, the validity period for the 5,500,000 share options granted started from 9 November 2009 to 31 October 2011 and for the 5,600,000 share options granted stated from 9 November 2009 to 8 November 2012.
- Closing price of the shares on the last trading day prior to the date of grant was HK\$0.68 per share.
- Mr. Wu Xiaodong, who was an executive director of the Company, retired on 28 June 2012, but continued to be an employee of a subsidiary of the Company, therefore, the share options are still valid.
- Mr. Lu Xing, who was an executive director of the Company, retired on 28 June 2012, but continued to be a director of a subsidiary of the Company, therefore, the share options are still valid.

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

As at 30 June 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares held	Percentage of the issued share capital as at 30 June 2012
Cheng Yuanzhong	Corporate interest	–	800,000,000 (Note 1)	24.12%
	Beneficial interest	–	15,000,000 (Note 3)	0.45%
Ho Wai Kong	Corporate interest	237,388,901 (Note 2)	1,424,284,725 (Note 2)	50.10%
	Beneficial interest	14,800,000	–	0.45%
	Spousal interest	29,348,000 (Note 4)	250,000,000 (Note 4)	8.42%
Wang Dingbo	Corporate interest	–	749,118,210 (Note 5)	22.59%
	Beneficial interest	1,000,000	15,000,000 (Note 3)	0.48%
	Spousal interest	1,100,000 (Note 6)	–	0.03%
Peng Ru Chuan	Beneficial interest	–	12,000,000 (Note 3)	0.36%
Liu Jie	Beneficial interest	–	12,000,000 (Note 3)	0.36%
Wang Ning	Beneficial interest	–	10,000,000 (Note 3)	0.30%
Wu Fred Fong	Beneficial interest	–	5,300,000 (Note 3)	0.15%
Chan Tze See, Kevin	Beneficial interest	–	4,300,000 (Note 3)	0.13%
	Spousal interest	352,000 (Note 7)	–	0.01%
Chen Bojie	Beneficial interest	–	4,300,000 (Note 3)	0.12%
Xu Haigen	Beneficial interest	–	3,300,000 (Note 3)	0.09%

Notes:

1. Mr. Cheng Yuanzhong is interested in 800,000,000 preferred shares of the Company (the “Preferred Shares”). Under controlled corporation, 800,000,000 shares are held by Metro Factor Limited. The company is wholly and beneficially owned by Capital Excel Holdings Limited, which is wholly and beneficially owned by Mr. Cheng Yuanzhong.
2. Mr. Ho Wai Kong is interested in 1,661,673,626 shares under controlled corporation, of which 1,661,173,626 shares are held by Master Top Investments Limited, an associated corporate of the Company, and 500,000 shares are held by Similan Limited. Both companies are beneficially owned by Mr. Ho Wai Kong. Master Top Investments Limited is also entitled to a maximum of 1,424,284,725 Preferred Shares.
3. These options were granted by the Company under the Share Option Scheme.
4. Mr. Ho Wai Kong is the spouse of Ms. Guo Binni and is therefore deemed to be interested in 29,348,000 shares and 250,000,000 Preferred Shares held by Ms. Guo Binni under the SFO.
5. Mr. Wang Dingbo is interested in 749,118,210 Preferred Shares under controlled corporation, Favor Mind Holdings Limited, which is wholly and beneficially owned by Mr. Wang Dingbo.
6. Mr. Wang Dingbo is the spouse of Ms. Cheung Leng Chau and is therefore deemed to be interested in 1,100,000 shares held by Ms. Cheung Leng Chau under the SFO.
7. Mr. Chan Tze See, Kevin is the spouse of Ms. Lam Lai Chong and is therefore deemed to be interested in the 352,000 shares held by Ms. Lam Lai Chong under the SFO.

Save as disclosed above, as at 30 June 2012, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2012, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executives of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Percentage of the issued share capital as at 30 June 2012
Capital Excel Holdings Limited (“Capital Excel”) (Note 1)	Corporate interest	800,000,000	–	24.12%
Metro Factor Limited (“Metro Factor”) (Note 1)	Beneficial interest	800,000,000	–	24.12%
Luo Jianjun (Note 2)	Spousal interest	800,000,000	15,000,000	24.57%
Chen Min	Beneficial interest	310,000,000	–	9.35%
Gao Yongzhi (Note 3)	Corporate interest	350,000,000	–	10.55%
Smart Chant Limited (“Smart Chant”) (Note 3)	Corporate interest	350,000,000	–	10.55%

Name of shareholders	Capacity	Number of Preferred Shares interested	Number of shares interested	Percentage of the issued share capital as at 30 June 2012
King Lion Group Limited ("King Lion") (Note 3)	Beneficial interest	350,000,000	–	10.55%
Siu Fung (Note 4)	Corporate interest	262,715,687	–	7.92%
Top Access Overseas Limited ("Top Access") (Note 4)	Corporate interest	262,715,687	–	7.92%
Magical Power Investments Limited ("Magical Power") (Note 4)	Beneficial interest	262,715,687	–	7.92%
Liu Rose (Note 5)	Corporate interest	460,000,000	–	13.87%
Global Vector Limited ("Global Vector") (Note 5)	Beneficial interest	460,000,000	–	13.87%
Chen Jack (Note 6)	Spousal interest	460,000,000	–	13.87%
Tan Keng Sin Patrick (Note 7)	Corporate interest	–	194,288,000	5.86%
Tern Yuh Sheng Joseph (Note 7)	Corporate interest	–	194,288,000	5.86%
Havenport Asset Management Pte. Ltd. ("Havenport Asset") (Note 7)	Investment manager	–	194,288,000	5.86%
Cheung Leng Chau (Note 8)	Beneficial interest	–	1,100,000	0.03%
	Spousal interest	749,118,210	16,000,000	23.07%
Favor Mind Holdings Limited ("Favor Mind") (Note 9)	Beneficial interest	749,118,210	–	22.58%
Guo Binni (Note 10)	Beneficial interest	250,000,000	29,348,000	8.42%
	Spousal interest	1,424,284,725	252,188,901	50.55%
Master Top Investments Limited ("Master Top") (Note 11)	Beneficial interest	1,424,284,725	236,888,901	50.09%
Lu Xing (Note 12)	Corporate interest	347,770,828	68,806,980	12.56%
	Beneficial interest	–	25,296,000	0.76%
Mega Step Investments Limited ("Mega Step") (Note 13)	Beneficial interest	347,770,828	36,806,980	11.60%
Legg Mason, Inc. (Note 14)	Investment manager	–	182,500,000	5.50%
Song Lianzhong (Note 15)	Beneficial interest	–	180,000,000	5.43%
Top Blast Limited ("Top Blast") (Note 16)	Beneficial interest	2,004,280,000	–	60.43%
China Public Procurement (Hong Kong) Technology Company Limited ("CPP (HK) Technology") (Note 16)	Corporate interest	2,004,280,000	–	60.43%
Guocai Science & Technology Company Limited ("Guocai Science") (Note 16)	Corporate interest	2,004,280,000	–	60.43%

Notes:

1. Metro Factor is directly, wholly and beneficially owned by Capital Excel which is directly, wholly and beneficially owned by Mr. Cheng Yuanzhong. Therefore, Metro Factor is indirectly, wholly and beneficially owned by Mr. Cheng Yuanzhong.
2. Ms. Luo Jianjun is the spouse of Mr. Cheng Yuanzhong and is therefore deemed to be interested in 800,000,000 Preferred Shares and 15,000,000 options held by Mr. Cheng Yuanzhong under the SFO.
3. King Lion is directly, wholly and beneficially owned by Smart Chant which is directly, wholly and beneficially owned by Mr. Gao Yongzhi. Therefore, King Lion is indirectly, wholly and beneficially owned by Mr. Gao Yongzhi.
4. Magical Power is directly, wholly and beneficially owned by Top Access which is directly, wholly and beneficially owned by Ms. Siu Fung. Therefore, Magical Power is indirectly, wholly and beneficially owned by Ms. Siu Fung.
5. Global Vector is directly, wholly and beneficially owned by Ms. Liu Rose.
6. Mr. Chen Jack is the spouse of Ms. Liu Rose and is therefore deemed to be interested in 460,000,000 shares held by Ms. Liu Rose under the SFO.
7. Mr. Tan Keng Sin Patrick and Mr. Tern Yu Sheng Joseph each beneficially own 50% of Havenport Asset.
8. Ms. Cheung Leng Chau is the spouse of Mr. Wang Dingbo and is therefore deemed to be interested in 749,118,210 Preferred Shares, 1,000,000 shares and 15,000,000 options held by Mr. Wang Dingbo under SFO.
9. Favor Mind is directly, wholly and beneficially owned by Mr. Wang Dingbo.
10. Ms. Guo Binni is the spouse of Mr. Ho Wai Kong and is therefore deemed to be interested in 1,424,284,725 Preferred Shares and 252,188,901 shares held by Mr. Ho Wai Kong under SFO.
11. Master Top is directly, wholly and beneficially owned by Mr. Ho Wai Kong.
12. Mr. Lu Xing is interested in 416,577,808 shares under controlled corporation, of which 384,577,808 shares are held by Mega Step Investments Limited and 32,000,000 shares are held by Ascher Group Limited. Both companies are beneficially owned by Mr. Lu Xing. Mega Step Investments Limited is also entitled to maximum of 347,770,828 Preferred Shares. Mr. Lu Xing is interested in 15,000,000 options granted by the Company under the Share Option Scheme in the capacity of Director. Mr. Lu Xing retired on 28 June 2012.
13. Mega Step is directly, wholly and beneficially owned by Mr. Lu Xing.
14. These 182,500,000 shares are wholly and beneficially owned by Legg Mason Asset Management Singapore Pte. Limited, a company directly, wholly and beneficially owned by LM International Holding LP, which is directly, wholly and beneficially owned by Legg Mason International Holdings, which is directly, wholly and beneficially owned by Legg Mason, Inc.. Therefore Legg Mason, Inc. is deemed to be interested in these 182,500,000 shares.
15. Mr. Song Lianzhong is interested in 150,000,000 shares of the Company and 30,000,000 options granted by the Company under the Share Option Scheme.
16. Top Blast is directly, wholly and beneficially owned by CPP (HK) Technology which is directly, wholly and beneficially owned by Guocai Science.

Save as disclosed above, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2012.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

CONNECTED TRANSACTION

- (1) On 21 December 2010, Public Procurement Limited (the "Subsidiary") and the transferee, an independent third party ("Transferee"), 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 國採科技股份有限公司 (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.

On 23 December 2010, the PRC Partner, 國采(北京)技術有限公司 (Guocai (Beijing) Technology Company Limited*) (the "EJV") and the Subsidiary 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").

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.

On 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.

On 26 January 2012, it was announced that, as at 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.

On 10 July 2012, it was announced that HK\$3.8 million of the remaining balance of the total consideration were received from the Transferee. As at 10 July 2012, HK\$363.8 million in aggregate had been received from the Transferee and the outstanding balance of the total consideration payable by the Transferee was HK\$36.2 million. On 10 July 2012, the Subsidiary and the Transferee entered into another supplemental agreement to the Disposal Agreement and agreed that HK\$40 million of the total consideration, which were to be settled by 30 June 2012 pursuant to the supplemental agreement dated 20 January 2012 to the Disposal Agreement, shall be settled by 31 December 2012. Pursuant to such supplemental agreement, the Transferee also agreed to pay to the Subsidiary, starting from 1 July 2012, interest at the rate of 3% per annum which shall be calculated on a daily basis in respect of the outstanding balance of the HK\$40 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 December 2012.

Details of the above transaction are published in the Company's announcements dated 25 November 2010, 9 March 2011, 28 April 2011, 16 June 2011, 28 July 2011, 29 December 2011, 26 January 2012, 2 April 2012 and 10 July 2012 and the Company's circular dated 24 August 2011.

- (2) 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.

On 2 May 2012, it was announced that, on 27 April 2012, the PRC Partner Subsidiary, the Subsidiary and the transferee entered into another supplemental agreement to the Project Agreement and agreed that the second installment should be settled by the transferee on or before 31 May 2012 notwithstanding that the implementation of the Wuhan EMC Project and relevant statistical testing on the trial section of the highway in Wuhan, the PRC had been completed. Pursuant to such supplemental agreement, the transferee also agreed to pay to the PRC Partner Subsidiary, starting from 1 April 2012, interest at the rate of 5% per annum which shall be calculated on a daily basis in respect of the outstanding balance of HK\$12 million payable to the PRC Partner 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 May 2012.

On 1 June 2012, it was announced that, the second installment (i.e. HK\$12 million) and approximately HK\$100,000 (being interest in respect of the outstanding balance of HK\$12 million payable to the PRC Partner Subsidiary) were received from the transferee. Out of the HK\$12 million received by the PRC Partner Subsidiary, 90% of which, being approximately HK\$10.8 million, had been received by the Subsidiary. Out of the amount of interest of approximately HK\$100,000, 90% of which, being approximately HK\$90,000, had been received by the Subsidiary. The total consideration (i.e. HK\$30 million) under the Project Agreement had been received from the transferee.

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 July 2011, 29 December 2011, 4 January 2012, 2 May 2012 and 1 June 2012 and the Company's circular dated 24 August 2011.

(3) 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 allotted and issued by the Company have been 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.

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN ZHONGCAI INFORMATION TECHNOLOGY COMPANY LIMITED

On 11 April 2012, it was announced that Victory Group Ltd (the “Purchaser”), an investment holding company and a wholly-owned subsidiary of the Company, entered into the acquisition agreement (the “Acquisition Agreement”) with three PRC individuals, two of whom being the vendors, pursuant to which the Purchaser had conditionally agreed to acquire, and the vendors had conditionally agreed to sell, 69% of the equity interest in 深圳市中采信息技术有限公司 (Shenzhen Zhongcai Information Technology Company Limited*) (“Shenzhen Zhongcai”) held by one of the vendors and 1% of the equity interest in Shenzhen Zhongcai held by another vendor respectively, being in aggregate 70% of the equity interest of Shenzhen Zhongcai at a consideration of RMB30 million (equivalent to approximately HK\$37 million), with a PRC individual being the ultimate controller of Shenzhen Zhongcai. A circular (the “Circular”) for approving the Acquisition Agreement and the transactions contemplated thereunder would be despatched to the shareholders on or before 31 August 2012.

On 17 July 2012 and 27 July 2012, the Company announced that the parties to the Acquisition Agreement and 國採科技股份有限公司 (Guocai Science & Technology Company Limited) (“PRC Partner”) entered into a supplemental agreement on 17 July 2012 (the “Supplemental Agreement”), pursuant to which, among others, (i) the manner of payment of the consideration was amended; (ii) the sharing arrangement regarding profits generated by the Shenzhen Zhongcai was added; and (iii) the PRC Partner agreed to substitute the Purchaser and act as the purchaser in the acquisition in the event that condition (e) as set out in the paragraph headed “Conditions precedent of the Acquisition Agreement” (i.e. “the Acquisition having complied with requirements of the Listing Rules, including but not limited to, the obtaining of the approval regarding the Acquisition at the SGM (if required)”) in the Company’s announcement dated 11 April 2012.

On 30 August 2012, it was announced that, as additional time is required to finalise the Circular, in particular the financial information on Shenzhen Zhongcai to be disclosed in the Circular, the Board expects the date of despatch of the Circular to the shareholders would be delayed to a date falling on or before 31 October 2012.

Details of the above transaction are published in the Company’s announcement dated 11 April 2012, 17 July 2012, 27 July 2012 and 30 August 2012.

DISCLOSEABLE TRANSACTION IN RELATION TO THE PURCHASE OF THE PRC HEADQUARTER

On 4 July 2012, it was announced that Public Procurement Network Technology Limited (公採網絡科技有限公司) (the “Purchaser”), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company entered into the sale and purchase agreements on 4 July 2012 in relation to the purchase of the building comprising 11 floors located at Block B6, Phase II, Optics Valley Financial Harbour, No. 77 Optics Valley Road, Donghu New Technology Development Zone, Wuhan, the PRC (武漢東湖新技術開發區光谷大道77號光谷金融港二期B6棟) (the “Building”) and its basement (the “Basement”) by the Purchaser from the Wuhan Optics Valley Union Company Limited (武漢光谷聯合股份有限公司) (the “Vendor”), a company established in the PRC with limited liability and is a third party independent of and not connected to the Company and its connected person, at an aggregate consideration of approximately RMB135.0 million (equivalent to approximately HK\$164.6 million). The Building and the Basement will function as the headquarter of the Purchaser for future development of its public procurement services.

Details of the above transaction are published in the Company’s announcement dated 4 July 2012.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the period under review except for the code provision A.2.1 of the CG Code.

According to code A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the six months ended 30 June 2012, the roles of the chairman and the chief executive were performed by Mr. Cheng Yuanzhong until the appointment of Mr. Wang Dingbo as the chief executive of the Company on 11 April 2012.

Audit Committee

The Audit Committee comprises four members namely, Mr. Wu Fred Fong (Chairman), Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen. All of them are the independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2012, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

Remuneration Committee

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

Nomination Committee

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

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2012.

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

Hong Kong, 30 August 2012

At the date of this announcement, the Board comprises five executive Directors, Mr. Cheng Yuanzhong (Chairman), Mr. Ho Wai Kong (Honorary Chairman), Mr. Wang Dingbo (Chief Executive & Chief Operating Officer), Mr. Peng Ru Chuan and Ms. Liu Jie; one non-executive Director, Mr. Wang Ning; and four independent non-executive Directors, Mr. Wu Fred Fong, Mr. Chan Tze See, Kevin, Mr. Chen Bojie and Mr. Xu Haigen.