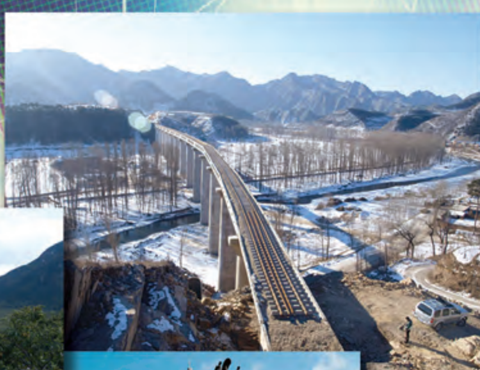
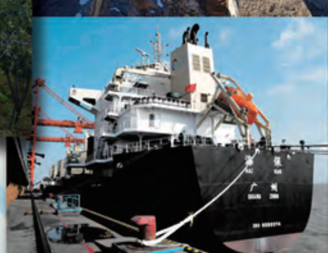
Annual Report 2012

Carrying the World's Future





亞洲能源物流
ASIA ENERGY
Logistics

亞洲能源物流集團有限公司
Asia Energy Logistics Group Limited
(Incorporated in Hong Kong with limited liability)
STOCK CODE: 0351

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liang Jun
Mr. Fung Ka Keung, David
Ms. Yu Sau Lai

Non-Executive Directors

Mr. Yu Baodong *(Chairman)*
Ms. Sun Wei
Mr. Tse On Kin

Independent Non-Executive Directors

Mr. Chan Chi Yuen
Mr. Zhang Xi
Professor Sit Fung Shuen, Victor

COMPANY SECRETARY

Ms. Ho Pui Man

AUDIT COMMITTEE

Mr. Chan Chi Yuen *(Chairman)*
Mr. Zhang Xi
Professor Sit Fung Shuen, Victor

REMUNERATION COMMITTEE

Mr. Zhang Xi *(Chairman)*
Mr. Liang Jun
Mr. Chan Chi Yuen

NOMINATION COMMITTEE

Mr. Yu Baodong *(Chairman)*
Mr. Chan Chi Yuen
Mr. Zhang Xi

PRINCIPAL BANKER

Wing Hang Bank Ltd.

AUDITOR

BDO Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F
Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Rooms 1208–1210, 12/F
Dah Sing Financial Centre
108 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL PLACE OF BUSINESS

Unit 1708, Level 17
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

0351

WEBSITE

www.aelg.com.hk

Dear Shareholders,

I am pleased to present to you the annual report of the Company for the year ended 31 December 2012 on behalf of the board (the "Board") of directors (the "Directors") of the Company.

2012 was a challenging year for the Company in its business operations and development as a whole. During this year, under the joint efforts of the Directors, the management and all the staff, the Company actively coped with the difficulties encountered in the railway construction and the tough market condition caused by the global financial crisis by adjusting its business and operation strategies and strengthening its internal control.

For the year ended 31 December 2012, the turnover of the Company and its subsidiaries (together, the "Group") from continuing operations was HK$Nil (2011: HK$ Nil), and the turnover of the Group from discontinued operations was HK$Nil (2011: approximately HK$49,472,000). The loss for the year ended 31 December 2012 amounted to approximately HK$54,762,000 (2011: loss approximately HK$144,219,000) included a loss of approximately HK$54,762,000 (2011: loss approximately HK$142,928,000) from continuing operations. The basic and diluted loss per share from continuing operations for the year was HK0.37 cents (2011: loss per share HK1.06 cents). The basic and diluted loss per share from continuing and discontinued operations for the year was HK0.37 cents (2011: loss per share HK1.07 cents).

During the year under review, the Group was principally engaged in (i) railway construction and operations, and (ii) shipping and logistics.

RAILWAY CONSTRUCTION AND OPERATIONS

The Group's investment in railway construction and operations started in July 2009. The Group acquired 100% equity interest in Gofar Holdings Limited ("Gofar") which indirectly holds a 62.5% equity interest in each of 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company") and 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively called the "Gofar Group"). The business scope of the Gofar Group is the construction and operation of a 121.7 kilometre single-track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People's Republic of China (the "PRC").

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. As disclosed in the Company's previous financial reports, due to a delay in the processing of a major loan facility of RMB1.033 billion granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) in November 2010, the completion of the construction was delayed to the end of 2012. Although continuous efforts were made with a view to speed up the construction process, the target completion date was not able to be achieved. Based on the latest assessment of the construction progress, it was estimated that the completion of the construction would be further delayed to the end of 2013.

* *for identification purposes only*

SHIPPING AND LOGISTICS

As the global economy remained lackluster during 2012, China's economy grew at a slower pace and as a result of the still very much uncertain world economy, the dry bulk shipping market was in a poor state.

In view of the unfavourable market conditions, the Group adjusted its shipping operation strategy by expanding its customer base and improving service quality. However, due to the weakened shipping market, the joint venture company which is engaged in shipping business (the "JV Company" and together with its subsidiaries the "JV Group") had recorded a loss for the year under review.

During the year under review, the JV Group recorded a revenue of approximately HK$78.371 million (2011: approximately HK$115.602 million), and a loss of HK$17.165 million (2011: profit of approximately HK$3.061 million) attributable to the Group.

Since the acquisition of the two Handy-size Vessels on 30 April 2010 and 10 August 2010, respectively, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. The parties to the JV Group (the "Parties") considered that under the current market conditions, it was not the right time to make the move in acquiring the remaining two vessels. The Parties are in negotiation to extend the deadline for the acquisition of the other two vessels and further announcement will be made by the Company as and when appropriate.

PROSPECTS

The Group continues to engage in the railway construction and operations and the shipping and logistics businesses.

Railway Construction and Operations

The acquisition of the railway construction and operations business diversified and intensified the Company's involvement in the development of infrastructure projects in the PRC. Upon completion of the construction of the Zunxiao Railway and the obtaining of all necessary permits from the PRC government authorities, which is expected to be the end of 2013, the railway will commence commercial operation. Should there be heavy demand on the Zunxiao Railway, the Company may consider expanding the Zunxiao Railway from a single-track railway to a double-track railway to further increase its transportation capacity.

Shipping and Logistics

As the dry bulk shipping market remained flat without a clear sign of recovery, the directors of the JV Company consider that it is better to monitor the shipping market condition and wait until the market outlook improves before proceeding to acquire the remaining two vessels. It is contemplated that the JV Company will seek to acquire additional vessels if market conditions are favourable to increase its transportation volume and expand its customer base to steel mills and traders, importers, exporters and/or end users of bulk cargo of any types.

The Board will actively seek other investment opportunities and to explore the feasibility of expanding into other business sectors to diversify the Group's business portfolio and to enhance the Group's profitability and its shareholders' value.

APPRECIATION

As we continue to pursue strategy to achieve sustainable growth with prudence, I, on behalf of the Board, would like to thank our staff and management for their dedication, effort and contribution towards the Company. I would also like to take this opportunity to express my heartfelt gratitude to all shareholders and business associates for their continuous and valuable support for Asia Energy Logistics Group Limited.

Yu Baodong
Chairman and
Non-Executive Director

Hong Kong
21 March 2013

LIQUIDITY AND FINANCIAL RESOURCES

The Company and its subsidiaries (together, the "Group") is mainly financed by various borrowings, shareholders' equity and internally generated cash flows.

As at 31 December 2012, the Group had bank and cash balances of approximately HK$113 million (2011: approximately HK$211 million).

As at 31 December 2012, the Company had secured bank loans of approximately HK$62 million (2011: HK$Nil) repayable within one year, approximately HK$123 million (2011: approximately HK$62 million) repayable within one to two years, approximately HK$678 million (2011: approximately HK$555 million) repayable within two to five years and approximately HK$410 million (2011: approximately HK$393 million) repayable after five years. The effective interest rate for the year ranged between 7.86% to 8.46% (2011: 6.59% to 8.09%) per annum.

The gearing ratio of the Group as at 31 December 2012, which is calculated as net debt divided by total capital, was approximately 59% (2011: approximately 50%).

CAPITAL STRUCTURE

As at 31 December 2012, the share capital of the Company was HK$128,570,271 divided into 12,857,027,100 shares of HK$0.01 each (the "Shares") (2011: 12,857,027,100 Shares).

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary Shares of HK$0.01 each were granted, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. Subsequently, 39,200,000 share options have lapsed following the cessation of employment of the relevant grantees. The exercise price of the share option is HK$0.168 per Share. The expected aggregate proceeds from the exercise of all the outstanding 273,000,000 share options are approximately HK$45,864,000. The Company recognized a share option expense (a non-cash expense item) of approximately HK$7,617,000 (2011: approximately HK$22,810,000) during the year under review.

SEGMENT INFORMATION

During the year under review, the Group was principally engaged in railway construction and operations and shipping and logistics businesses.

Railway Construction and Operations

The Group's investment in railway construction and operations started in July 2009 when the Group acquired a 70% equity interest in Gofar Holdings Limited ("Gofar"). In February 2010, the Group acquired the remaining 30% interest in Gofar. Gofar indirectly holds a 62.5% equity interest in each of 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company") and 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively called the "Gofar Group"). The business scope of the Gofar Group is the construction and operation of a 121.7 kilometre single-track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People's Republic of China (the "PRC").

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The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, due to a delay in the processing of a major loan facility of RMB1.033 billion granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) in November 2010, the completion of the construction was delayed to the end of 2012. Although continuous efforts were made with a view to speed up the construction process, the target completion date was not able to be achieved. Based on the latest assessment of the construction progress, it was estimated that the completion of the construction would be further delayed to the end of 2013.

Relevant approvals for the construction of the Zunxiao Railway were obtained in 2008 and the construction work for the first 25 kilometres of the Zunxiao Railway has been completed. Tangcheng Company obtained the "Temporary Operation License of the Hebei Railway Administration Bureau"* ("河北省鐵路臨時運輸營業許可證") for the first 25 kilometres of the Zunxiao Railway, which is valid for one year, on 29 June 2011 which was subsequently renewed for a further year on 26 June 2012. The operating range covers Zunhua South Station (遵化南站), which is also the transfer station of the national railway, to Santunying Station (三屯營站).

In a bid to test the train traction capacity of the first 25 kilometres to ensure a high standard and efficient operation of the Zunxiao Railway when put into operation, the Zunxiao Railway, in cooperation with the Beijing Railway Bureau, launched a three-day trial test of train traction (from 30 June 2011 to 2 July 2011). The test involved three train journeys pulling 13,410 tonnes in total, with the largest train pulling up to 4,976 tonnes, to Santunying Station. The above trial was carried out on the condition that the trains were subject to multiple s-shaped bends and gradients of up to 1.5% (15 in 1,000).

The Group was satisfied with the fact that the three-day trial test was able to meet the safety standard of the Beijing Railway Bureau and was completed smoothly. This signified a major milestone for the Group, bringing it a step closer to the commercial operation of the Zunxiao Railway.

On 13 January 2011, Gofar Group entered into a non-legally binding memorandum of understanding (the "Memorandum") with China Railway Leasing Corporation Limited ("CRLC"), an independent third party, in relation to, among other things, the establishment of a business cooperation partnership between the parties in four major areas of strategic cooperation (the "Cooperation Project") with respect to (i) the purchasing, financing and leasing services for various facilities, equipment and accessories for railway construction and operations in the PRC; (ii) the further cooperation on the project development and operation of the self-owned rail wagon chartering services; (iii) the cooperation in respect of rail-transport logistics, storage and trading in the PRC; and (iv) introduction of prospective rail transport business partners by CRLC to Gofar Group.

The Memorandum is non-legally binding and may or may not lead to the entering into any formal agreement with respect to the Cooperation Project. The Cooperation Project, if materialised, would provide Gofar Group with, among others, a stable supply of railway facilities and equipment, reliable services in leasing and project financing, secured supply of railway facilities and rail-transport, and possible new railway related business, all of which are vital for the further development of the Group's business in the railway construction and operations in the PRC.

Shipping and Logistics

Following the completion of the acquisition of the entire equity interest in Ocean Jade Investments Limited ("Ocean Jade") on 19 May 2010, the Group further diversified its business into the dry bulk shipping industry. Ocean Jade holds 50% interest in a joint venture company (the "JV Company" and together with its subsidiaries the "JV Group"), which is engaged in the investment in ship assets and provision of coal shipment services and accounted for as a jointly controlled entity of the

* *for identification purposes only*

Group. The other shareholder of the JV Company is Waibert Navigation Company Limited ("Waibert") which is a wholly-owned subsidiary of Guangdong Province Navigation Holdings Company Limited (one of the key provincial government-owned enterprises) and is principally engaged in ship management, dry bulk carrier chartering and operation.

Under the shareholders' agreement among Ocean Jade, Waibert and the JV Company (collectively, the "Parties") dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement"), the JV Group intended to acquire two Handy-size Vessels and two Panamax or Supramax Vessels. The two Handy-size Vessels of about 35,000 metric tonnes deadweight each were acquired at the consideration of RMB175 million and RMB178.8 million on 30 April 2010 and 10 August 2010, respectively, which were subsequently delivered in August 2010 and January 2011, respectively.

Since the acquisition of the two Handy-size Vessels on 30 April 2010 and 10 August 2010, respectively, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. The latest deadline for the acquisition of the other two vessels was extended to 31 December 2012 pursuant to the third memorandum of mutual understanding dated 4 January 2012. The Parties considered that under the current market conditions, it is not a good time to make the move in acquiring the remaining two vessels. The Parties are in negotiation to extend the deadline for the acquisition of the other two vessels and further announcement will be made by the Company as and when appropriate.

On 31 December 2011, the Parties entered into the third supplemental agreement to the JV Agreement pursuant to which the Parties agreed to amend the JV Agreement such that the shareholders' loan contributed by the shareholders of the JV Company shall, instead of being non-interest bearing, become interest-bearing. Details of the third memorandum of mutual understanding and supplemental agreement were disclosed in the Company's announcement dated 4 January 2012.

The JV Group recorded a revenue of approximately HK$78.371 million (2011: approximately HK$115.602 million) for the year under review, the loss attributable to the Group from this business segment was approximately HK$17.165 million (2011: Profit of approximately HK$3.061 million). During the year under review, the two vessels made a total of 51 voyages with approximately 1.76 million tonnes of cargos being transported.

Details of the business segments of the Group are set out in Notes 7 and 20 to the financial statements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Golden Concord Holdings Limited ("GCL") had provided a guarantee to a financial institution in respect of the bank loan facilities, in aggregate, up to RMB1,033 million (equivalent to approximately HK$1,274 million), granted to certain non-wholly owned subsidiaries of the Company in the PRC. In return for GCL's guarantee, the Group provided a counter-indemnity to indemnify GCL to the extent of the percentage of equity interest held by the Group in each of the subsidiaries of up to approximately RMB602 million (equivalent to approximately HK$743 million) and a share mortgage of its shares in China Railway Logistic Holdings Limited ("CRL"), an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of CRL's subsidiaries in favour of GCL. As at 31 December 2012, the outstanding bank loans amounted to approximately RMB1,033 million (equivalent to approximately HK$1,274 million). Therefore, according to the Group's percentage equity interest holdings in the subsidiaries, there was a contingent liability of approximately RMB602 million (equivalent to approximately HK$743 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollar or Renminbi. As the exchange rate of the US dollar to Renminbi is relatively stable due to the PRC foreign currency exchange policy and the Hong Kong dollar is pegged to the US dollar, the Directors consider that the Group's currency exchange risk is within acceptable range. Therefore, no hedging devices or other alternatives have been implemented.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012, the Group had 135 (2011: 140) full-time employees, 118 of whom were based in the PRC. Staff costs, including directors' remuneration and share option expense, of the Group for the year ended 31 December 2012 were approximately HK$30,824,000. The Group decides the remunerations and compensation payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved Mandatory Provident Fund scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees.

SUBSEQUENT EVENT

Regarding the shipping and logistics business, the Parties are in negotiation to extend the deadline for the acquisition of the other two vessels and further announcement will be made by the Company as and when appropriate.

EXECUTIVE DIRECTORS

Mr. Liang Jun

Mr. Liang, aged 46, has been an executive director (the "Executive Director") of the Company since 12 June 2006. He is also a member of the remuneration committee (the "Remuneration Committee") of the Company. Previously, he was the chairman (the "Chairman") of the Company until he resigned from such position on 26 January 2010. Mr. Liang has over 20 years of experience in business development in China. He graduated from Tong Ji University (previously known as Tie Dao University of Shanghai) with a bachelor's degree in telecommunications engineering.

Mr. Fung Ka Keung, David

Mr. Fung, aged 49, has been an Executive Director since 26 January 2010. He holds a master's degree in Business Administration from the University of Leicester. Mr. Fung possesses more than 25 years of experience in accounting and finance, and is currently the director of finance in Golden Concord Holdings Limited as well as an independent non-executive director of Vongroup Limited, a company listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Fung is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Yu Sau Lai

Ms. Yu, aged 50, has been an Executive Director since 31 March 2009. She has over 25 years of experience in administrating different kinds of companies and also has extensive exposure in information technology and business management in trading, wholesale and retail businesses.

Ms. Yu is currently also an executive director, the compliance officer, the process agent and the authorized representative of Chinese Food and Beverage Group Limited, a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. She is also a director of Full Century International Limited, a wholly-owned subsidiary of China Bio-Med Regeneration Technology Limited, a company listed on GEM.

Ms. Yu was an executive director of New Environmental Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange, until 27 May 2011.

NON-EXECUTIVE DIRECTORS

Mr. Yu Baodong *(Chairman)*

Mr. Yu, aged 49, has been a non-executive director (the "Non-Executive Director") of the Company since 31 March 2009 and the Chairman of the Company since 26 January 2010. He is also the chairman of the nomination committee (the "Nomination Committee") of the Company. He has over 10 years of experience in project investment and corporate management. He holds a master's degree in Economics from the People's University of China and a doctorate degree in Economics from the Wuhan University.

Mr. Yu is also an executive director and the vice president of GCL-Poly Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Ms. Sun Wei

Ms. Sun, aged 41, has been a Non-Executive Director since 26 January 2010. Ms. Sun holds a doctorate degree in Business Administration. She possesses over 10 years of experience in power plant investment and management. Ms. Sun is currently an executive director of GCL-Poly Energy Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Tse On Kin

Mr. Tse On Kin, aged 51, was appointed as the Chairman and an Executive Director of the Company on 10 March 2006. He was re-designated as a Non-Executive Director and ceased to be the Chairman, both with effect from 1 April 2007. Mr. Tse has over 20 years of management experience covering corporate planning, restructure, business development, project injection, merger and acquisition. Mr. Tse has a bachelor's degree in Public Policy and Administration from York University in Canada.

Mr. Tse was the chairman and an executive director of Kong Sun Holdings Limited from April 2007 to December 2011, Climax International Company Limited from March 2010 to November 2011, China Grand Forestry Green Resources Group Limited from September 2009 to December 2010, New Times Energy Corporation Limited from May 2007 to April 2009, all of which are listed on the Main Board of the Stock Exchange. Mr. Tse was also an independent non-executive director of Value Convergence Holdings Limited from January 2010 to January 2012 and a non-executive director of New Times Energy Corporation Limited from May 2009 to November 2009, all of which are listed on the Main Board of the Stock Exchange.

Ms. Ho Pui Man, the Company Secretary and the Financial Controller of the Company, is the niece of Mr. Tse.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen

Mr. Chan, aged 46, has been an independent non-executive director (the "Independent Non-Executive Director") of the Company since 30 September 2004. He is the chairman of the audit committee (the "Audit Committee") of the Company, a member of the Remuneration Committee and Nomination Committee.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (formerly Sam Woo Holdings Limited) and Kong Sun Holdings Limited, an independent non-executive director of New Times Energy Corporation Limited, China Gamma Group Limited, China Gogreen Assets Investment Limited, China Sandi Holdings Limited (formerly China Grand Forestry Green Resources Group Limited), Media Asia Group Holdings Limited and U-RIGHT International Holdings Limited, all of which are listed on the Main Board of the Stock Exchange.

Mr. Chan was an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011, Richly Field China Development Limited from February 2009 to August 2010 and Superb Summit International Timber Company Limited from April 2007 to June 2010, all of which are listed on the Main Board of the Stock Exchange.

Mr. Chan holds a bachelor's degree in Business Administration and a master of science degree in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Zhang Xi

Mr. Zhang, aged 43, has been an Independent Non-Executive Director since 10 March 2006. He is the chairman of the Remuneration Committee, a member of Audit Committee and Nomination Committee. He has over 10 years of experience in the financial sector. He is currently a CFA charterholder. Mr. Zhang graduated with a bachelor's degree in science (electrical engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an international master of business administration (finance) from York University in Canada in September 1998.

Professor Sit Fung Shuen, Victor

Prof. Sit, aged 64, was appointed as an Independent Non-Executive Director on 7 June 2010. He is a member of the Audit Committee. He is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University and is currently its Chair Professor in Geography. He has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the People's Republic of China (the "PRC"). He had been a Professor of the Department of Geography of The University of Hong Kong from 1977 to 2007 and was the Head of Department of Geography and Geology of The University of Hong Kong from 1993 to 1998.

Prof. Sit is currently a member of both the City Planning Commission of Shenzhen Municipal Government of the PRC and Sanmin Municipal Government of Fujian Province of the PRC. Prof. Sit had also assumed the posts of Deputy to the National People's Congress of the PRC from 1993 to 2008 and Advisor to the Governor of Guangdong Province of the PRC from 2000 to 2005. He was formerly a member of the Preparatory Committee of the Hong Kong Special Administrative Region ("HKSAR") of the National People's Congress of the PRC, Port and Marine Board of the HKSAR Government, Committee on Port and Harbour Development and the Port Development Board of the HKSAR Government.

Prof. Sit is currently a non-executive director of CIAM Group Limited, a company listed on the Main Board of the Stock Exchange.

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Hong Kong with limited liability. The Company acts as an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in Note 19 to the financial statements.

The analysis of segment information of the Group during the financial year is set out in Note 7 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the section headed "Consolidated Statement of Comprehensive Income" on page 32 of this report.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 36 of this report and Note 33 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company did not have any reserves available for distribution to shareholders as calculated in accordance with the provisions of section 79B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). In addition, the Company's share premium account in the amount of approximately HK$1,268,576,000 may be distributed in the form of fully paid bonus shares.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 92 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and of the Company during the year are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 31 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

BANK BORROWINGS

Particulars of the Group's bank borrowings are set out in Note 27 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2012 and up to the date of this report is as follows:

Executive Directors

Mr. Liang Jun
Ms. Yu Sau Lai
Mr. Fung Ka Keung, David

Non-executive Directors

Mr. Yu Baodong *(Chairman)*
Ms. Sun Wei
Mr. Tse On Kin

Independent Non-executive Directors

Mr. Chan Chi Yuen
Mr. Zhang Xi
Professor Sit Fung Shuen, Victor

The Company has received annual confirmations from each of the independent non-executive directors (the "Independent Non-Executive Directors") of the Company with regard to his independence and considers that each Independent Non-Executive Director is independent.

Pursuant to Articles 101A and 101B of the articles of association (the "Articles of Association") of the Company, Ms. Yu Sau Lai, Mr. Chan Chi Yuen and Mr. Zhang Xi shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

During the year under review, each Director has a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Articles of Association.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 10 to 12 of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee (the "Remuneration Committee") of the Company on the basis of their merit, qualification and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in the section headed "Share Options" below.

Details of the emoluments of the Directors and the five highest paid individuals are set out in Note 11 to the financial statements.

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in making mandatory provident fund contributions for its Hong Kong employees. The Group has also complied with the relevant PRC laws and regulations in making contributions to the various social insurance funds for its PRC employees.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the following person(s) is/are Directors or the chief executive of the Company who had or was deemed to have an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Long Position in the Shares and underlying Shares

Name of Director	**Capacity**	**Number of Shares held**	**Number of underlying Shares held under equity derivatives** *(Note 1)*	**Total**	**Approximate percentage of shareholding** *(Note 2)*
Mr. Liang Jun	Beneficial Owner	2,000,000	50,000,000	52,000,000	0.40%
Mr. Fung Ka Keung, David	Beneficial Owner	—	10,000,000	10,000,000	0.08%
Ms. Yu Sau Lai	Beneficial Owner	—	10,000,000	10,000,000	0.08%
Mr. Yu Baodong	Beneficial Owner	—	50,000,000	50,000,000	0.39%
Ms. Sun Wei	Beneficial Owner	—	50,000,000	50,000,000	0.39%
Mr. Tse On Kin	Beneficial Owner	—	5,000,000	5,000,000	0.04%

Notes:

(1) These are share options granted by the Company to the Directors under the share option scheme adopted by the shareholders of the Company on 20 August 2008 and refreshed on 3 June 2010. Such share options can be exercised by the Directors at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK$0.168 per Share.

(2) The approximate percentage of shareholding was calculated based on the number of shares in issue of 12,857,027,100 Shares as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, as far as the Board was aware, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 set out in Appendix 10 to the Listing Rules.

SHARE OPTIONS

2002 Option Scheme

On 27 May 2002, a share option scheme (the "2002 Option Scheme") was adopted by the Company. The purpose of the 2002 Option Scheme was to enable the Group to grant options to selected participants as incentives or reward for their contributions to the Group. The participants included (i) any eligible employee; (ii) any supplier of goods or services to any member of the Group or any entity in which any member of the Group held any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provided research, development or other technological support to the Group or any Invested Entity; (v) any shareholder or any member of the Group or any Invested Entity; and (vi) any company wholly owned by any participant. The 2002 Option Scheme would remain in force for a period commencing on 27 May 2002 and expiring at the close of business on the business day preceding the tenth anniversary.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2002 Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the issued share capital of the Company.

The subscription price will be determined by the Directors, which shall not be less than the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of the options. Options may generally be exercised in whole or part at any time during the period commencing on the first business day from the date of grant of the options and expiring on the close of business on the last day of such period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options).

The following table sets out the movements in the Company's share options under the 2002 Option Scheme during the year:

								Market Value per Share	
Date of grant of share options	Exercise period of share options	Exercise price of share options	As at 1.1.2012	Granted during the year	Exercise during the year	Lapsed during the year	As at 31.12.2012	Immediately preceding the grant date of share options (HK$)	Immediately preceding the exercise date of share options (HK$)
Employees — In aggregate									
26.05.2005	26.05.2005 to 25.05.2015	0.69	700,000	—	—	—	700,000	0.68	—
03.08.2005	03.08.2005 to 02.08.2015	0.688	500,000	—	—	—	500,000	0.66	—

Note: The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as the date of the exercise of the share options was the weighted average closing price of the shares immediately before the date on which the share options within the disclosure category were exercised.

No option under the 2002 Option Scheme was cancelled or lapsed during the year. As at the date of this report, the 2002 Option Scheme was terminated with the passing of an ordinary resolution at the extraordinary general meeting of the Company held on 20 August 2008. The outstanding options were exercisable in accordance with the terms of the 2002 Option Scheme.

2008 OPTION SCHEME

On 20 August 2008, a new share option scheme (the "2008 Option Scheme") was adopted by the Company. The purpose of the 2008 Option Scheme was to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The participants are as follows:

(i) any full-time employee and Director (including Non-Executive Director and Independent Non-Executive Director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively, "Employee");

(ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively, "Business Associate"); and

(iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

The 2008 Option Scheme is valid and effective for a period of ten years commencing on the date of adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the 2008 Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2008 Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Since there was a substantial increase in the issued share capital of the Company after the adoption of the 2008 Option Scheme, the Directors had gained shareholders' approval at the annual general meeting to increase the total number of Shares which may be issued upon exercise of all options to 1,285,702,710 Shares, representing 10% of the issued share capital of the Company as at 26 April 2010. The subscription price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; or (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option; or (iii) the nominal value of a share.

Options may generally be exercised in whole or part at any time during the period commencing on the first business day from the date of grant of the options and expiring on the close of business on the last day of such period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

On 21 April 2011, 313,200,000 share options were granted at an exercise price of HK$0.168 per Share under the 2008 Option Scheme, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. For the year under review, 21,200,000 share options (2011: 18,000,000) have lapsed following the cessation of employment of the relevant grantees.

The following table sets out the movements in the Company's share options under the 2008 Option Scheme during the year:

Directors or Category of participant	Exercise period of the share options	Exercise price of share options HK$	As at 1.1.2012	Granted during the year	Exercised during the year	Lapsed during the year	As at 31.12.2012
Directors							
Mr. Liang Jun	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Fung Ka Keung, David	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
	21.4.2013 to 20.4.2021	0.168	3,000,000	—	—		3,000,000
Ms. Yu Sau Lai	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
	21.4.2013 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Mr. Yu Baodong	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Ms. Sun Wei	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Tse On Kin	21.4.2011 to 20.4.2021	0.168	2,000,000	—	—	—	2,000,000
	21.4.2012 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
	21.4.2013 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
Employees (in aggregate)	21.4.2011 to 20.4.2021	0.168	54,880,000	—	—	12,800,000	42,080,000
	21.4.2012 to 20.4.2021	0.168	32,160,000	—	—	600,000	31,560,000
	21.4.2013 to 20.4.2021	0.168	32,160,000	—	—	7,800,000	24,360,000
		Total	**294,200,000**			**21,200,000**	**273,000,000**

As at the date of this report, no options under the 2008 Option Scheme were exercised.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures" and "Share options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive, or any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Directors and Directors' Service Contracts" above and in Note 11 to the financial statements, no contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in Note 38 to the financial statements, there was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries, where "controlling shareholder" is defined in paragraph 16 of Appendix 16 to the Listing Rules at any time during the year under review.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors, as at 31 December 2012, the following persons (not being a Director or chief executive of the Company) had interests in the Shares or underlying Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding *(Note 4)*
Mr. Wong Kin Ting ("Mr. Wong") (formerly known as Mr. Ko Fong)	Interest of controlled corporations	4,552,970,325 *(Note 1)*	35.41%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of a discretionary trust & interest of controlled corporations	2,137,450,000 *(Note 2)*	16.62%
Credit Suisse Trust Limited ("CST")	Trustee	2,000,000,000 *(Note3)*	15.56%

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Wong on 17 May 2011, Mr. Wong was deemed to be interested in 4,552,970,325 Shares through his interests in the following corporations which are 100% owned by him:

(i) 295,000,000 Shares held by Delight Assets Management Limited, and

(ii) 4,257,970,325 Shares held by King Castle Enterprises Limited.

(2) According to the individual substantial shareholder notice filed by Mr. Zhu on 20 May 2010, Mr. Zhu was deemed to be interested in 2,137,450,000 Shares that comprised:

(i) 2,000,000,000 Shares indirectly held by Asia Pacific Energy Fund ("APEF") (as described in Note 3 below), and

(ii) 137,450,000 Shares directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.

(3) According to the corporate substantial shareholder notice filed by CST on 20 May 2010, CST was deemed to be interested in 2,000,000,000 Shares in its capacity as the trustee of these Shares. These 2,000,000,000 Shares were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord. Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.

Out of these 2,000,000,000 Shares, 1,000,000,000 Shares are consideration Shares which may be issued (in whole or in part as appropriate) to Golden Concord or its nominee pursuant to an agreement dated 18 December 2009 (as amended by supplemental agreements on 24 December 2009 and 28 April 2010, respectively) in relation to the acquisition of the entire equity interests in Ocean Jade Investments Limited (collectively, the "Agreements"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 1,000,000,000 Shares is subject to the achievement of the profit guarantee as contained in the Agreements.

(4) The approximate percentage of shareholding was calculated based on the number of shares in issue of 12,857,027,100 Shares as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Share and Debentures" above) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best of knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Throughout the year in 2012, the Company has complied with the applicable code provisions and principles as set out in Appendix 14 (the Code on Corporate Governance Practices which was amended as the Corporate Governance Code and Corporate Governance Report with most of the amended provisions coming into effect on 1 April 2012) to the Listing Rules. except for the deviations mentioned in the Corporate Governance Report on pages 22 to 29 of this report.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three Independent Non-Executive Directors, namely, Mr. Chan Chi Yuen (Chairman), Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.

The audited financial results of the Group for the year ended 31 December 2012 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by BDO Limited. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Liang Jun
Executive Director

Hong Kong,
21 March 2013

CORPORATE GOVERNANCE PRACTICES

It is a continuing commitment of the board (the "Board") of directors (the "Directors") of the Company and the management of the Company to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has adopted and applied the principles as set out in Appendix 14 (the Code on Corporate Governance Practices ("CG Code") which was amended as the Corporate Governance Code and Corporate Governance Report ("Revised CG Code") with most of the amended provisions coming into effect on 1 April 2012) to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the year ended 31 December 2012, the Company has complied with both the CG Code and the Revised CG Code, save for the deviations specified and explained below.

Code Provision A.2.1

The post of Chief Executive (formerly known as Chief Executive Officer) of the Company has remained vacant since March 2000. The duties of Chief Executive have been performed by other executive directors of the Company. As there is a clear division of responsibilities of each Director, the vacancy of the post of Chief Executive did not have any material impact on the operations of the Group. However, the Board will review the current Board structure from time to time and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of Chief Executive as appropriate.

Code Provision E.1.2

Mr. Yu Baodong, the chairman (the "Chairman") of the Board, did not attend the annual general meeting (the "AGM") of the Company held on 17 May 2012 due to pre-arranged business commitments. In his absence, Mr. Liang Jun, an executive director of the Company, acted as the chairman of the AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Having made specific enquiry, all Directors who held office during the year ended 31 December 2012 confirmed that they have complied with the code throughout the year.

BOARD OF DIRECTORS

(1) Board Composition

The Board currently comprises three Executive Directors ("Executive Directors"), three Non-Executive Directors ("Non-Executive Directors") and three Independent Non-Executive Directors ("Independent Non-Executive Directors"). The biographical details of each Director are shown in the Directors' Profile on pages 10 to 12 of this report and are posted on the Company's website. The Directors during the year under review and up to the date of this report were as follows:

Executive Directors

Mr. Liang Jun
Mr. Fung Ka Keung, David
Ms. Yu Sau Lai

Non-Executive Directors
Mr. Yu Baodong *(Chairman)*
Ms. Sun Wei
Mr. Tse On Kin

Independent Non-Executive Directors
Mr. Chan Chi Yuen
Mr. Zhang Xi
Professor Sit Fung Shuen, Victor

(2) Responsibility of the Board of Directors

It is the function of the Board to assume the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

Other duties include but are not limited to:

- maintaining effective control of the Company;
- giving strategic direction to the Company;
- reviewing, approving and monitoring fundamental financial and business strategies, plans and major corporate actions;
- ensuring that the Company complies with relevant laws, regulations and codes of business practice;
- ensuring that the Company communicates with shareholders and the relevant stakeholders transparently and promptly; and
- monitoring the overall corporate governance functions of the Company.

Although the Board may and have delegated some of their responsibilities and functions to various committees and principal divisions, it acknowledges that it remains ultimately accountable for the performance and affairs of the Company.

(3) Board Meetings and General Meeting

There were nine Board meetings and one general meeting held during the year under review. The attendance of Directors was as follows:

	No. of Board meetings attended/ No. of Board meetings held during the year	No. of general meetings attended/ No. of general meetings held during the year
Executive Directors		
Mr. Liang Jun	9/9	1/1
Mr. Fung Ka Keung, David	8/9	0/1
Ms. Yu Sau Lai	8/9	1/1
Non-Executive Directors		
Mr. Yu Baodong *(Chairman)*	6/9	0/1
Ms. Sun Wei	7/9	0/1
Mr. Tse On Kin	8/9	0/1
Independent Non-Executive Directors		
Mr. Chan Chi Yuen	7/9	1/1
Mr. Zhang Xi	7/9	0/1
Professor Sit Fung Shuen, Victor	8/9	0/1

(4) Continuous Professional Development

For newly appointed Directors, the Company will provide an induction package including necessary information and briefings and Directors are encouraged to participate in professional development courses and seminars to ensure that they are aware of their responsibilities under the Listing Rules and other regulatory requirements. Ongoing professional training had been and will be offered to all Directors in order for them to develop and refresh their knowledge and skills as directors of listed company.

Starting from April 2012, all Directors are provided with monthly updates on the Company's performance, position and prospects, together with latest development on the changes of applicable rules and regulations, to enable the Board as a whole and each Director to discharge their duties.

During the year under review, all Directors have participated in two in-house trainings in relation to the updates in Listing Rules offered by the Company except for Ms. Sun Wei who had participated in one training.

(5) Chairman and Chief Executive

Mr. Yu Baodong is the Chairman of the Board and there is no Chief Executive during the year under review and up to the date of this report.

Chairman and Chief Executive are responsible for the management of the Board and the day-to-day management of the Company. The Company has established and adopted a "Division of Responsibilities of Chairman and Chief Executive" guideline which clearly identified the respective roles of Chairman and Chief Executive. In brief, the Chairman is responsible for providing leadership for the Board and the Chief Executive is responsible for leading the management in the day-to-day running of the Group's business in accordance with the business plans and within the budgets approved by the Board.

During the year under review, the post of Chief Executive has been vacant and the duties of Chief Executive were performed by all Executive Directors of the Company.

(6) Non-Executive Directors

During the year under review and up to the date of this report, all Non-Executive Directors have been appointed for a specific term of service. Pursuant to the articles of association (the "Articles of Association") of the Company, all Non-Executive Directors shall be subject to retirement by rotation at least once every three years at the annual general meeting of the Company and shall be eligible for re-election.

BOARD COMMITTEES

The Board currently has three committees, namely the remuneration committee (the "Remuneration Committee"), the audit committee (the "Audit Committee") and the nomination committee (the "Nomination Committee") of the Company. All the Board committees are empowered by the Board under their own terms of reference which were published on the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

(1) Remuneration Committee

The Remuneration Committee was established in 2006 with specific written terms of reference and its main function is to determine and make recommendations to the Board on policies relating to the remuneration of the Directors. In accordance with the Listing Rules, the majority of the members of the Remuneration Committee comprises Independent Non-Executive Directors.

During the year under review and up to date of this report, the members of the Remuneration Committee are Mr. Liang Jun, Mr. Chan Chi Yuen and Mr. Zhang Xi (chairman). On 26 March 2012, Mr. Liang Jun resigned as the chairman of the Remuneration Committee but remained as the member of the committee and Mr. Zhang Xi was appointed to act as the chairman of the Remuneration Committee.

On 26 March 2012, the Board adopted a set of revised terms of reference so to comply with the Revised CG Code and the latest version is available on the Stock Exchange's website and the Company's website.

During the year under review, the Remuneration Committee has performed the following duties:

- determining, with delegated responsibility, the remuneration packages of individual Executive Director and senior management;
- making recommendations to the Board on the remuneration of Non-Executive Directors; and
- ensuring no Director or any of his associates is involved in deciding his own remunerations.

The Remuneration Committee held one meeting during the year and the attendance of its members was as follows:

	No. of meetings attended/ No. of meetings held during the year
Mr. Zhang Xi *(Appointed as chairman on 26 March 2012)*	1/1
Mr. Chan Chi Yuen	1/1
Mr. Liang Jun *(Resigned as chairman and remained as member on 26 March 2012)*	1/1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 11 to the financial statements.

(2) Audit Committee

The Audit Committee comprising only Independent Non-Executive Directors was established with specific written terms of reference. The main purpose of the Audit Committee is to review and provide supervision over the Group's financial reporting process and internal controls.

During the year under review and up to date of this report, the members of the Audit Committee are Mr. Chan Chi Yuen (chairman), Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.

On 26 March 2012, the Board adopted a set of revised terms of reference so to comply with the Revised CG Code and the latest version is available on the Stock Exchange's website and the Company's website.

During the year under review, the Audit Committee has performed the following duties:

- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- monitoring the integrity of the financial statements of the Company; and
- reviewing the Company's financial controls, internal control and risk management systems.

The Audit Committee held four meetings during the year and the attendance of its members was as follows:

	No. of meetings attended/ No. of meetings held during the year
Mr. Chan Chi Yuen *(chairman)*	4/4
Mr. Zhang Xi	4/4
Professor Sit Fung Shun, Victor	4/4

(3) Nomination Committee

On 26 March 2012, the Board established a Nomination Committee comprising one Non-Executive Director and two Independent Non-Executive Directors with specific written terms of reference. Its main function is to review and assess the structure, size and composition of the Board and to identify and make recommendation to the Board on the selection, appointment or re-appointment for directorship.

During the year under review and up to date of this report, the members of the Nomination Committee comprised of Mr. Yu Baodong (chairman), Mr. Chan Chi Yuen and Mr. Zhang Xi.

During the year under review, the Nomination Committee has performed the following duties:

- Reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board;

- Assessing the independence of Independent Non-Executive Directors; and

- Making recommendations to the Board on the appointment or re-appointment of director and succession planning for directors, in particular the Chairman and Chief Executive.

The Nomination Committee held one meeting during the year under review and the attendance of its members was as follows:

	No. of meetings attended/ No. of meetings held during the year
Mr. Yu Baodong *(chairman)*	1/1
Mr. Chan Chi Yuen	0/1
Mr. Zhang Xi	1/1

(4) Corporate Governance Function

The Company has not established any committee responsible for the corporate governance function of the Group and the function has been collectively performed by the Board. The Board acknowledges the overseeing of the corporate governance function by the Board collectively.

On 26 March 2012, the Board adopted a set of terms of reference so to comply with the Revised CG Code.

During the year under review, the Board has performed the following corporate governance functions:

- monitoring the Company's policies and practices on corporate governance and making recommendations;
- monitoring the training and continuous professional development of Directors and senior management; and
- monitoring the Company's policies and practices on compliance with legal and regulatory requirements.

AUDITOR'S REMUNERATION

During the year under review, the fees in respect of audit and non-audit services provided by BDO Limited, the external auditor of the Company were HK$800,000 and HK$100,000 respectively.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the results and state of affairs of the Group.

In preparing the financial statements for the year ended 31 December 2012, the Directors have made judgments and estimates that are prudent and reasonable. The assumptions made in the preparation of the financial statements on a going concern basis are disclosed in note 3(b) to the financial statements.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

A statement by the Independent Auditor about its reporting and its responsibilities is set out in the Independent Auditor's Report on pages 30 to 31 of the annual report.

INTERNAL CONTROL

The Board is responsible to maintain sound and effective internal controls of the Group. During the year under review, SHINEWING Risk Services Limited had been engaged to assist the Board in evaluating the internal control environment of the Group.

During the year, the Company conducted reviews on the effectiveness of the Group's internal control systems, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Ho Pui Man, the financial controller of the Company, was appointed by the Board as the Company Secretary and she has complied with Rule 3.29 of the Listing Rules by obtaining no less than 15 hours of relevant professional training during the year under review.

SHAREHOLDERS' RIGHTS

On 26 March 2012, the Board adopted a Shareholder's Communication Policy (the "Policy") which aims at promoting and facilitating effective communication with its shareholders. The objective is to ensure that the Company provides timely, clear, reliable and relevant information for its shareholders in exercising their rights. The Policy includes how shareholders can convene an extraordinary general meeting, the procedures by which enquiries may be put to the Board and the procedures for putting forward proposals at shareholders' meeting. Sufficient contact details for the above could also be found in the Policy. A procedure for election of directors was also adopted on the same day providing guidelines on how shareholders can propose an individual as directors of the Company. The Policy and the procedures for election of directors are published on the Company's website.

INVESTOR RELATIONS

On 17 May 2012, the Company passed a special resolution at the AGM to amend the then existing Articles of Association. The amended Articles of Association is published on the Stock Exchange's website and the Company's website.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 3(b) to the financial statements which indicates that as at 31 December 2012, the Group had financial liabilities comprising principally bank loans and related interest for the construction of the railway that are expected to be repaid within the twelve months from the end of the reporting period as detailed in Note 40(b) to the financial statements in the amount of HK$233,509,000 which is in excess of its current assets of HK$208,774,000. Further, there is capital expenditure in respect of the capital commitment for the construction of the railway as detailed in Note 35 to the financial statements which is expected to be incurred during the year ending 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate number P01330

Hong Kong, 21 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	5	—	—
Other income, gains and losses	6	**12,147**	(66,523)
Depreciation and amortisation	9(a)	**(8,216)**	(7,793)
Staff costs	9(a)	**(30,824)**	(42,000)
Impairment loss on intangible assets	17	**(27,796)**	—
Change in fair value of contingent consideration payable	28	**41,912**	5,204
Share of results of jointly controlled entity	20	**(17,165)**	3,061
Share of loss of an associate	22	—	(85)
Other operating expenses		**(24,820)**	(34,792)
Loss before income tax	9(a)	**(54,762)**	(142,928)
Income tax	10	—	—
Loss for the year from continuing operations		**(54,762)**	(142,928)
Discontinued operations			
Loss for the year from discontinued operations	9(b)	—	(1,291)
Loss for the year		**(54,762)**	(144,219)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations		**(174)**	32,440
Reclassification adjustment upon disposal of subsidiaries		—	(22,072)
Other comprehensive income for the year		**(174)**	10,368
Total comprehensive income for the year		**(54,936)**	(133,851)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(47,996)**	(136,406)
Loss for the year from discontinued operations		—	(1,291)
Loss for the year attributable to owners of the Company	13	**(47,996)**	(137,697)
Non-controlling interests			
Loss for the year from continuing operations		**(6,766)**	(6,522)
Loss for the year from discontinued operations		—	—
Loss for the year attributable to non-controlling interests		**(6,766)**	(6,522)
		(54,762)	(144,219)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(47,974)**	(139,030)
Non-controlling interests		**(6,962)**	5,179
		(54,936)	(133,851)
Loss per share from continuing and discontinued operations			
— **basic and diluted** (HK cents per share)	14	**(0.37)**	(1.07)
Loss per share from continuing operations			
— **basic and diluted** (HK cents per share)	14	**(0.37)**	(1.06)

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**11,202**	14,239
Intangible assets	17	**88,683**	121,555
Construction in progress	18	**1,818,354**	1,538,481
Interest in a jointly controlled entity	20	**—**	3,214
Railway construction prepayment		**89,234**	45,118
		2,007,473	1,722,607
Current assets			
Other receivables and prepayments	23	**21,622**	7,229
Trading securities	24	**55,723**	44,815
Loan to an associate	22	**18,150**	23,417
Cash and cash equivalents	25	**113,279**	211,157
		208,774	286,618
Current liabilities			
Other payables	26	**48,852**	33,199
Bank loans	27	**61,676**	—
Amount due to a jointly controlled entity	20	**13,826**	—
Amount due to a shareholder	38(a)	**—**	238
Amounts due to minority equity owners of subsidiaries	38(a)	**9,021**	6,185
		133,375	39,622
Net current assets		**75,399**	246,996
Total assets less current liabilities		**2,082,872**	1,969,603

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Bank loans	27	**1,212,292**	1,009,792
Contingent consideration payable	28	**10,980**	52,892
		1,223,272	1,062,684
NET ASSETS		**859,600**	906,919
Capital and reserves attributable to owners of the Company			
Share capital	31	**128,570**	128,570
Reserves		**496,912**	537,269
Equity attributable to owners of the Company		**625,482**	665,839
Non-controlling interests		**234,118**	241,080
TOTAL EQUITY		**859,600**	906,919

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013.

Liang Jun
Director

Yu Sau Lai
Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**517,404**	497,646
Current assets			
Other receivables and prepayments	23	**5,634**	172
Cash and cash equivalents	25	**70,261**	98,170
		75,895	98,342
Current liabilities			
Other payables	26	**2,050**	1,350
Amount due to a shareholder	38(a)	**—**	239
		2,050	1,589
Net current assets		**73,845**	96,753
Net assets		**591,249**	594,399
EQUITY			
Share capital	31	**128,570**	128,570
Reserves	33	**462,679**	465,829
Total equity		**591,249**	594,399

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013.

Liang Jun	**Yu Sau Lai**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserves	Share option reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 31)			(Note 32)	(Note)				
As at 1 January 2011	128,570	1,268,576	4,190	5,746	33,270	(658,293)	782,059	235,901	1,017,960
Loss for the year	—	—	—	—	—	(137,697)	(137,697)	(6,522)	(144,219)
Other comprehensive income									
— Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	20,739	—	20,739	11,701	32,440
— Reclassification adjustment upon disposal of subsidiaries	—	—	—	—	(22,072)	—	(22,072)	—	(22,072)
Total comprehensive income for the year	—	—	—	—	(1,333)	(137,697)	(139,030)	5,179	(133,851)
Recognition of share option expenses	—	—	—	22,810	—	—	22,810	—	22,810
As at 31 December 2011	128,570	1,268,576	4,190	28,556	31,937	(795,990)	665,839	241,080	906,919
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(47,996)**	**(47,996)**	**(6,766)**	**(54,762)**
Other comprehensive income									
— Exchange difference arising on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**22**	**—**	**22**	**(196)**	**(174)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**22**	**(47,996)**	**(47,974)**	**(6,962)**	**(54,936)**
Recognition of share option expenses	**—**	**—**	**—**	**7,617**	**—**	**—**	**7,617**	**—**	**7,617**
Forfeiture of share options	**—**	**—**	**—**	**(1,249)**	**—**	**1,249**	**—**	**—**	**—**
As at 31 December 2012	**128,570**	**1,268,576**	**4,190**	**34,924**	**31,959**	**(842,737)**	**625,482**	**234,118**	**859,600**

Note:

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 3(r).

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Loss before income tax	**(54,762)**	(142,928)
Loss before income tax from discontinued operations	**—**	(1,291)
	(54,762)	(144,219)
Adjustments for:		
Gain on disposal of subsidiaries	**—**	(7,905)
Net (gain)/loss on trading securities	**(10,361)**	68,017
Bank interest income	**(715)**	(414)
Depreciation of property, plant and equipment	**3,140**	3,067
Amortisation of concession intangible assets	**—**	8,384
Amortisation of intangible assets	**5,076**	5,076
Loss on disposal of property, plant and equipment	**50**	11
Equity-settled share-based payment expenses	**7,617**	22,810
Interest on bank loans	**—**	8,362
Change in fair value of contingent consideration payable	**(41,912)**	(5,204)
Share of loss of an associate	**—**	85
Impairment loss on intangible assets	**27,796**	—
Impairment loss on loan to an associate	**5,267**	13,583
Share of results of jointly controlled entity	**17,165**	(3,061)
Effect of foreign exchange rate changes	**(1,070)**	(3,909)
Operating cash flows before working capital changes	**(42,709)**	(35,317)
Decrease in inventories	**—**	1,604
(Increase)/decrease in other receivables and prepayments	**(14,393)**	18,331
(Increase)/decrease in trading securities	**(547)**	12,953
Increase/(decrease) in other payables	**6**	(63,317)
Cash used in operations	**(57,643)**	(65,746)
Income tax paid	**—**	(6,578)
Interest paid on bank loans	**(98,988)**	(75,476)
Interest received	**715**	414
Net cash used in operating activities	**(155,916)**	(147,386)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(161)**	(9,456)
Additions to concession intangible assets	—	(2,189)
Payments for construction in progress	**(208,541)**	(360,596)
Disposal of subsidiaries, net of cash disposed	—	40,785
Proceeds from disposal of property, plant and equipment	—	203
Purchase of club membership	—	(1,000)
Net cash used in investing activities	**(208,702)**	(332,253)
Financing activities		
Proceeds from loan due to minority equity owners of subsidiaries	**2,837**	—
Repayment of loan due to minority equity owners of subsidiaries	—	(3,198)
Proceeds from bank loans	**264,364**	115,752
Repayment of bank loans	—	(891)
Repayment of loan due to shareholder	**(238)**	(201)
Net cash generated from financing activities	**266,963**	111,462
Net decrease in cash and cash equivalents	**(97,655)**	(368,177)
Cash and cash equivalents at beginning of the year	**211,157**	564,933
Effect of foreign exchange rate changes	**(223)**	14,401
Cash and cash equivalents at end of the year	**113,279**	211,157

1. ORGANISATION AND OPERATIONS

Asia Energy Logistics Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Rooms 1208–1210, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong and its principal place of business is located at Unit 1708, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Group, comprising the Company and its subsidiaries and jointly controlled entity, is engaged in (i) railway construction and operations and (ii) shipping and logistics. The waste incineration power generation business was discontinued on 13 July 2011.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of amendments to HKFRSs — first effective on 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective date
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle	(ii)
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income	(i)
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities	(iii)
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities	(ii)
HKFRS 9	Financial Instruments	(iv)
HKFRS 10	Consolidated Financial Statements	(ii)
HKFRS 11	Joint Arrangements	(ii)
HKFRS 12	Disclosure of Interests in Other Entities	(ii)
HKFRS 13	Fair Value Measurement	(ii)
HKAS 27 (2011)	Separate Financial Statements	(ii)
HKAS 28 (2011)	Investments in Associates and Joint Ventures	(ii)
HKAS 19 (2011)	Employee Benefits	(ii)
HK(IFRIC) — Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine	(ii)
Amendments to HKFRS 1	Government loans	(ii)
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	(iii)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Effective date:

(i) Effective for annual periods beginning on or after 1 July 2012

(ii) Effective for annual periods beginning on or after 1 January 2013

(iii) Effective for annual periods beginning on or after 1 January 2014

(iv) Effective for annual periods beginning on or after 1 January 2015

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle

The improvements made amendments to five standards.

(i) HKFRS 1 First-time Adoption of HKFRS

Issue — repeated application of HKFRS 1

The amendment applies to entities that have applied HKFRS in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with HKFRS. The financial statement preparer in this situation may either prepare financial statements in accordance with HKFRS 1 or apply HKFRS retrospectively in accordance with HKAS 8.

Issue — borrowing costs

The improvement clarifies that a first-time adopter is allowed to carry forward the amount previously capitalised under its previous GAAP in the opening statement of financial position at the date of transition. Borrowing costs incurred on or after the date of transition relating to qualifying assets are accounted for in accordance with HKAS 23, even if the construction of qualifying asset commences before the transition date.

(ii) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41–44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(iii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRSs (Amendments) — Annual Improvements 2009–2011 Cycle (Continued)

(iv) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(v) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 — Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) — Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, these consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement and going concern assumption

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain financial instruments which have been measured at fair value.

As at 31 December 2012, the Group had financial liabilities comprising principally bank loans and related interest for the construction of the railway that are expected to be repaid within the twelve months from the end of the reporting period as detailed in Note 40(b) to the financial statements in the amount of HK$233,509,000 which is in excess of its current assets of HK$208,774,000. Further, there is capital expenditure in respect of the capital commitment for the construction of the railway as detailed in Note 35 to the financial statements which is expected to be incurred during the year ending 31 December 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern as the Group might not have sufficient financial resources to meet its financial obligation payable within the twelve months from the end of the reporting period, and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group is currently negotiating with its existing bank which provided bank loans to the Group for the construction of the railway to provide additional banking facilities and up to the date of approval of these financial statements, the Group has been verbally informed by the existing bank that there will be no obstacle in obtaining the additional banking facilities if sufficient additional equity capital of each of 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company"), 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") is contributed by their respective shareholders. Based on the progress of the negotiation and given that the obligations for contribution by the shareholders of each of Kuanping Company, Zunxiao Company and Tangcheng Company are specifically set out in the articles of association of the respective companies, the directors are confident that the shareholders of each of Kuanping Company, Zunxiao Company and Tangcheng Company will comply with their obligations under the articles of association of the respective companies as and when required and the existing bank will provide additional banking facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

The directors have carried out a detailed review of the cash flow forecast of the Group for the eighteen months ending 30 June 2014 taking into account the additional banking facilities to be obtained as referred to above and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2012. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

* *for identification purposes only*

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB") while the consolidated and the Company's financial statements are presented in Hong Kong dollars ("HK$"). As the shares of the Company are listed on the Main Board of the Stock Exchange, the directors consider that it will be more appropriate to adopt HK$ as the Group's and the Company's presentation currency.

(d) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2011 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Business combination and basis of consolidation (Continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(e) Subsidiaries

Subsidiaries are entities in which the Group is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(f) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount is adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Jointly controlled entity

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

(h) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant 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 to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(i) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination or through acquisition of asset is stated at fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Contract of affreightment	25 years
Club membership	indefinite

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at their historical costs, less any subsequent accumulated depreciation and accumulated impairment losses.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings, plant, and equipment	2%–5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and office equipment	20%–33%
Motor vehicles	20%
Locomotives	10%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(k) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following 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:

- property, plant and equipment;
- intangible assets;
- construction in progress;
- investments in subsidiaries, associates and jointly controlled entity.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of other assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Financial assets

i) Financial assets at fair value through profit or loss

These assets represent trading securities which are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

ii) Loans and receivables

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

iii) Impairment loss on financial assets

Loans and receivables are assessed for indicators of impairment at each reporting date. Loans and receivables are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(I) Financial assets (Continued)

iii) Impairment loss on financial assets (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— for other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses recognised in respect of other receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (Continued)

vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(m) Financial liabilities and equity instrument issued by the Group

i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

iii) Financial liabilities

The Group's other financial liabilities, including bank borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

v) Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The cost of acquiring land use right held under an operating lease is amortised on a straight-line basis over the period of the lease term. Land use rights are stated at cost less accumulated amortisation and any impairment losses.

(p) Provisions 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, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

(q) Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(r) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(r) Foreign currencies (Continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(s) Employees' benefits

i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

ii) Equity-settled share-based payments

The Group issues share options to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Binomial Option Pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(t) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(u) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and returns.

i) Waste incineration power generation income is earned and recognised upon transmission of electricity to the power grid companies.

ii) Waste handling income is recognised when services are provided.

iii) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

iv) Dividend income is recognised when the right to receive the dividend is established.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Going concern basis

As disclosed in Note 3(b), the financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow forecasts for the eighteen months ending 30 June 2014. Such forecasts about the future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

(b) Service concession arrangement

The Group has entered into a service concession arrangement in respect of its waste incineration power generation plant.

The Group concluded that this service concession arrangement is service concession arrangement under HK(IFRIC) — Int 12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. In addition, upon expiry of concession right agreement, the infrastructure will be transferred to the local government at HK$Nil consideration.

The provision for maintenance obligations as mentioned in Note 29 is estimated by the directors based on the data compiled by the engineers of the Group, which includes the major maintenance cycles of each of the key components of the infrastructure and the estimated labour and material costs for such major maintenance cycles.

(c) Impairment of other receivables and loan to an associate

The Group makes provision for impairment of other receivables and loan to an associate based on an estimate of the recoverability of these receivables. Provisions are applied to other receivables and loan to an associate where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of other receivables and loan to an associate requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Impairment of construction in progress

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at weighted average cost of capital. Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(e) Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the future cash flows expected to arise from ownership of the intangible assets and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of intangible assets was HK$88,683,000 (2011: HK$121,555,000), net of impairment of HK$27,796,000 (2011: HK$Nil).

(f) Trading securities

For listed securities which have been suspended from trading as at year end, the fair value was measured with reference to the quoted price of the last dealing date before suspension of trade and other available information consider appropriate by the directors as at 31 December 2012, the carrying amounts of these securities amounted to approximately HK$6,405,000 (2011: HK$Nil).

(g) Contingent consideration payable

The Group has accounted for the contingent consideration in the acquisition of an intangible asset, through the acquisition of subsidiary as detailed in Note 28 in accordance with the provisions of HKFRS 3 (Revised) — Business Combinations. The number of shares of the Company which would be issued as consideration of the acquisition is subject to the results of the acquired subsidiary. The Group determines the provision to be made in respect of the contingent consideration based on the fair value of the shares of the Company at the date of acquisition of the subsidiary and the directors' best estimate and weighted probability analysis of the future profit of the subsidiary. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. Subsequent gain or loss in fair value is recognised in profit or loss. As at 31 December 2012, total provision made in respect of contingent consideration by the Group amounted to HK$10,980,000 (2011: HK$52,892,000) and was included in contingent consideration payable.

(h) Employee benefits — fair value of share-based payments

The directors use their judgement in selecting an appropriate valuation technique used in the valuation of share-based payment. Valuation techniques commonly used by market practitioners are applied. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate, where possible, by observable market prices or rates.

5. TURNOVER

Turnover, which is also revenue, represents the amount received and receivable for waste incineration power generation and waste handling income which was discontinued on 13 July 2011:

	2012 HK$'000	2011 HK$'000
Continuing operations	—	—
Discontinued operations		
Waste incineration power generation income	—	35,266
Waste handling income	—	14,206
	—	49,472
	—	49,472

6. OTHER INCOME, GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Continuing operations		
Net gain/(loss) on trading securities		
Change in fair value of trading securities	10,361	(69,636)
Gain on disposal of trading securities	—	1,619
	10,361	(68,017)
Bank interest income	715	390
Loan interest income	1,113	1,110
Loss on disposal of property, plant and equipment	(50)	(11)
Others	8	5
	12,147	(66,523)

7. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-maker for assessment of segment performance.

The Group has one reportable segment in 31 December 2012 (2011: two). The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Railway construction and operations

— Waste incineration power generation business which was discontinued during the year ended 31 December 2011

7. SEGMENT INFORMATION (CONTINUED)

The following tables present information regarding revenue, profit or loss, assets and liabilities for each reportable segment:

Year ended 31 December 2012	Continuing Operations			Discontinued Operations	Total
	Railway construction and operations HK$'000	Unallocated HK$'000	Subtotal HK$'000	Waste incineration power generation business HK$'000	HK$'000
Segment revenue from external customers	—	—	—	—	—
Segment loss	(13,908)	(36,511)	(50,419)	—	(50,419)
Interest revenue	—	1,828	1,828	—	1,828
Depreciation of property, plant and equipment	(1,966)	(1,174)	(3,140)	—	(3,140)
Amortisation of intangible assets	—	(5,076)	(5,076)	—	(5,076)
Net gain on trading securities	—	10,361	10,361	—	10,361
Impairment loss on intangible assets	—	(27,796)	(27,796)	—	(27,796)
Impairment loss on loan to an associate	—	(5,267)	(5,267)	—	(5,267)
Change in fair value of contingent consideration payable	—	41,912	41,912	—	41,912
Share of results of jointly controlled entity	—	(17,165)	(17,165)	—	(17,165)
Loss before income tax	(15,874)	(38,888)	(54,762)	—	(54,762)

Year ended 31 December 2011	Continuing Operations			Discontinued Operations	Total
	Railway construction and operations HK$'000	Unallocated HK$'000	Subtotal HK$'000	Waste incineration power generation business HK$'000	HK$'000
Segment revenue from external customers	—	—	—	49,472	49,472
Segment (loss)/profit	(13,689)	(49,526)	(63,215)	7,877	(55,338)
Interest revenue	6	1,494	1,500	23	1,523
Interest expense	—	—	—	(8,362)	(8,362)
Amortisation of concession intangible assets	—	—	—	(8,384)	(8,384)
Depreciation of property, plant and equipment	(1,666)	(1,051)	(2,717)	(350)	(3,067)
Amortisation of intangible assets	—	(5,076)	(5,076)	—	(5,076)
Net loss on trading securities	—	(68,017)	(68,017)	—	(68,017)
Gain on disposal of subsidiaries	—	—	—	7,905	7,905
Share of loss of an associate	—	(85)	(85)	—	(85)
Impairment loss on loan to an associate	—	(13,583)	(13,583)	—	(13,583)
Change in fair value of contingent consideration payable	—	5,204	5,204	—	5,204
Share of results of jointly controlled entity	—	3,061	3,061	—	3,061
Loss before income tax	(15,349)	(127,579)	(142,928)	(1,291)	(144,219)

7. SEGMENT INFORMATION (CONTINUED)

	2012 HK$'000	2011 HK$'000
Segment assets		
Railway construction and operations	**1,957,848**	1,691,286
Intangible assets	**88,683**	121,555
Trading securities	**55,723**	44,815
Loan to an associate	**18,150**	23,417
Other unallocated corporate assets	**95,843**	128,152
Consolidated total assets	**2,216,247**	2,009,225
Segment liabilities		
Railway construction and operations	**1,327,617**	1,045,188
Contingent consideration payable	**10,980**	52,892
Other unallocated corporate liabilities	**18,050**	4,226
Consolidated total liabilities	**1,356,647**	1,102,306

Geographical information and major customers

The Group's entire operations, non-current assets and all its customers are located in the People's Republic of China ("PRC"). The Group did not generate any revenue for the year ended 31 December 2012. Revenue from the Group's largest customer of the waste incineration power generation business segment, which was discontinued on 13 July 2011, represents approximately 71% of the Group's total revenue in previous year. No other customer accounted for 10% or more of the total revenue for the year ended 31 December 2011.

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on bank borrowings:		
— wholly repayable after five years	**98,988**	67,114
Total borrowing costs	**98,988**	67,114
Less: amount capitalised in construction in progress on specific borrowings	**(98,988)**	(67,114)
	—	—

9. LOSS BEFORE INCOME TAX

(a) Loss before income tax is arrived at after charging/(crediting):

Continuing operations

	2012 HK$'000	2011 HK$'000
Depreciation of property, plant and equipment	3,140	2,717
Amortisation of intangible assets	5,076	5,076
	8,216	7,793
Staff cost		
— Salaries, wages and other benefits	22,947	20,020
— Equity-settled share-based payments	7,617	21,754
— Contributions to defined contribution retirement scheme	260	226
	30,824	42,000
Auditor's remuneration	900	1,260
Impairment loss on intangible assets	27,796	—
Impairment loss on loan to an associate	5,267	13,583
Loss on disposal of property, plant and equipment	50	11
Operating lease rentals in respect of land and buildings	4,432	4,415
Net exchange (gain)/loss	(16)	3

(b) Discontinued operations

On 13 May 2011, the Group entered into a conditional sale and purchase agreement with independent third parties, pursuant to which the Group disposed of the entire equity interest of China Green Power Holdings Limited and its subsidiaries ("China Green Power Group") for a consideration of HK$50,000,000. China Green Power Group ceased to be subsidiaries upon completion of the disposal on 13 July 2011. The revenue, results, cash flows and net assets of China Green Power Group were as follows:

	2011 HK$'000
Turnover	49,472
Expenses	(58,668)
	(9,196)
Gain on disposal of subsidiaries	7,905
Loss for the year from discontinued operations	(1,291)
Operating cash flows	1,735
Investing cash flows	(2,194)
Financing cash flows	(891)
Effect of foreign exchange rate changes, net	198
Total cash flows	(1,152)

10. INCOME TAX

The income tax for the year can be reconciled to the accounting loss as follows:

	2012 HK$'000	2011 HK$'000
Loss before income tax (including continuing and discontinued operations)	**(54,762)**	(144,219)
Taxation calculated at PRC Enterprise Income Tax rate of 25% (2011: 25%)	**(13,690)**	(36,055)
Tax effect of differential tax rate	**3,214**	10,155
Tax effect of expenses not deductible for taxation purpose	**15,512**	40,989
Tax effect of non-taxable items	**(8,743)**	(23,955)
Tax effect of unrecognised tax losses and temporary differences	**3,707**	8,866
Income tax for the year	**—**	—

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 25%).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Members of senior management during the year comprised the directors only whose remuneration is set out below.

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2011: 9) directors were as follows:

Year ended 31 December 2012

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors						
Liang Jun	—	1,430	—	1,531	14	2,975
Yu Sau Lai	—	546	—	306	14	866
Fung Ka Keung	—	650	—	306	14	970
Non-executive directors						
Tse On Kin	444	—	—	153	—	597
Sun Wei	444	—	—	1,531	—	1,975
Yu Baodong	360	—	—	1,531	11	1,902
Independent non-executive directors						
Chan Chi Yuen	120	—	—	—	—	120
Zhang Xi	120	—	—	—	—	120
Sit Fung Shuen	120	—	—	—	—	120
	1,608	2,626	—	5,358	53	9,645

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Year ended 31 December 2011

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors						
Liang Jun	—	1,400	—	4,023	12	5,435
Yu Sau Lai	—	546	—	804	12	1,362
Fung Ka Keung	—	650	—	804	12	1,466
Non-executive directors						
Tse On Kin	444	—	—	402	—	846
Sun Wei	444	—	—	4,023	—	4,467
Yu Baodong	—	—	—	4,023	—	4,023
Independent non-executive directors						
Chan Chi Yuen	120	—	—	—	—	120
Zhang Xi	120	—	—	—	—	120
Sit Fung Shuen	120	—	—	—	—	120
	1,248	2,596	—	14,079	36	17,959

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining one (2011: one) individual was as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**1,023**	703
Share-based payments	**284**	709
Contributions to defined contribution retirement scheme	**—**	12
	1,307	1,424

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals (Continued)

The emolument of the highest paid individual, other than the directors of the Company, was within the following band:

	2012 Number of employee	2011 Number of employee
HK$1,000,001 to HK$1,500,000	**1**	1

12. DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2012 (2011: Nil).

The directors do not recommend the payment of any dividend for 2012 (2011: Nil).

13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company includes a loss of HK$14,629,000 (2011: HK$25,094,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) The calculation of basic loss per share attributable to owners of the Company is based on the following data:-

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company		
— Continuing operations	**(47,996)**	(136,406)
— Discontinued operations	**—**	(1,291)
	(47,996)	(137,697)

(b) Weighted average number of ordinary shares

The weighted average number of ordinary shares in issue during the year ended 31 December 2012 was 12,857,027,100 (2011: 12,857,027,100).

	2012	2011
Basic loss per share (HK cents)		
— Continuing operations	**(0.37)**	(1.06)
— Discontinued operations	**—**	(0.01)
— Continuing and discontinued operations	**(0.37)**	(1.07)

(c) Diluted loss per share is the same as basic loss per share for both years as the potential ordinary shares on exercise of share options and contingent consideration shares are anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Locomotives	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group						
Cost:						
As at 1 January 2011	521	2,261	5,140	6,726	—	14,648
Additions	346	—	774	1,983	6,353	9,456
Through disposal of subsidiaries	(533)	—	(1,952)	(857)	—	(3,342)
Written off	—	—	(45)	(782)	—	(827)
Disposals	—	(161)	(47)	(554)	—	(762)
Exchange adjustment	20	18	118	297	147	600
As at 31 December 2011	354	2,118	3,988	6,813	6,500	19,773
Additions	**47**	**—**	**114**	**—**	**—**	**161**
Disposals	**—**	**—**	**(182)**	**—**	**—**	**(182)**
Exchange adjustment	**—**	**—**	**—**	**(1)**	**(1)**	**(2)**
As at 31 December 2012	**401**	**2,118**	**3,920**	**6,812**	**6,499**	**19,750**
Accumulated depreciation:						
As at 1 January 2011	133	906	2,293	2,566	—	5,898
Charge for the year	24	250	803	1,558	432	3,067
Through disposal of subsidiaries	(149)	—	(1,506)	(634)	—	(2,289)
Written off	—	—	(45)	(782)	—	(827)
Eliminated on disposals	—	(161)	(18)	(370)	—	(549)
Exchange adjustment	4	18	55	147	10	234
As at 31 December 2011	12	1,013	1,582	2,485	442	5,534
Charge for the year	**62**	**232**	**739**	**1,524**	**583**	**3,140**
Eliminated on disposals	**—**	**—**	**(132)**	**—**	**—**	**(132)**
Exchange adjustment	**—**	**—**	**1**	**3**	**2**	**6**
As at 31 December 2012	**74**	**1,245**	**2,190**	**4,012**	**1,027**	**8,548**
Carrying amount:						
As at 31 December 2012	**327**	**873**	**1,730**	**2,800**	**5,472**	**11,202**
As at 31 December 2011	342	1,105	2,406	4,328	6,058	14,239

16. CONCESSION INTANGIBLE ASSETS

	The Group HK$'000
Cost:	
As at 1 January 2011	414,840
Addition for 2011	2,189
Exchange adjustment for 2011	9,629
Disposal for 2011	(426,658)
As at 31 December 2011 and 31 December 2012	—
Accumulated amortisation and impairment:	
As at 1 January 2011	83,964
Charge for the year for 2011	8,384
Exchange adjustment for 2011	2,037
Disposal for 2011	(94,385)
As at 31 December 2011 and 31 December 2012	—
Carrying amount:	
As at 31 December 2012	—
As at 31 December 2011	—

Note:

The Group has been granted by the Dongguan Provincial Government the concession for operating waste incineration power generation plant in Dongguan for a period of 25 years from November 2003.

The concession intangible assets are amortised on a straight-line basis over the remaining duration of the concessionary period from 1 January 2008.

17. INTANGIBLE ASSETS

	The Group		
	Contract of Affreightment HK$'000	**Club membership** HK$'000	**Total** HK$'000
Cost:			
As at 1 January 2011	126,900	—	126,900
Additions for 2011	—	1,000	1,000
As at 31 December 2011 and 31 December 2012	**126,900**	**1,000**	**127,900**
Accumulated amortisation and impairment:			
As at 1 January 2011	1,269	—	1,269
Charge for the year	5,076	—	5,076
As at 31 December 2011	**6,345**	**—**	**6,345**
Charge for the year	**5,076**	**—**	**5,076**
Impairment loss	**27,796**	**—**	**27,796**
As at 31 December 2012	**39,217**	**—**	**39,217**
Carrying amount:			
As at 31 December 2012	**87,683**	**1,000**	**88,683**
As at 31 December 2011	120,555	1,000	121,555

18. CONSTRUCTION IN PROGRESS

	The Group	
	2012 **HK$'000**	2011 HK$'000
Cost:		
As at beginning of year	**1,538,481**	1,062,977
Additions	**279,159**	413,161
Exchange adjustment	**714**	62,343
As at end of year	**1,818,354**	1,538,481

Construction in progress represents railway construction costs in the PRC.

19. INTERESTS IN SUBSIDIARIES

	The Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**895,488**	875,730
	895,489	875,731
Less: Impairment loss	**(378,085)**	(378,085)
	517,404	497,646

The amounts due from subsidiaries are unsecured, interest-free and in substance represent the Company's investments in the subsidiaries in the form of quasi-equity loans.

The directors assessed that only a portion of the amounts due from subsidiaries is expected to be recoverable. Consequently, a provision for impairment loss was made.

Particulars of the Company's principal subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Teleroute Enterprises Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Palace View International Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Allpride Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Colour Sunlight Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
CSCP Management Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Talent Will Administration Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Bright Master Investments Limited (耀鋒投資有限公司)	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Ocean Jade Investments Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Company's principal subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Gofar Holdings Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
China Railway Logistic Holdings Limited (Note a)	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Chengde Zunxiao Railway Limited* (承德遵小鐵路有限公司) (Note b)	PRC, limited liability company	RMB224,000,000	—	62.5%	Railway construction and operations
Chengde Kuanping Railway Limited* (承德寬平鐵路有限公司) (Note b)	PRC, limited liability company	RMB129,000,000	—	62.5%	Railway construction and operations
Tangshan Tangcheng Railway Transportation Company Limited* (唐山唐承鐵路運輸有限責任公司) (Note b)	PRC, limited liability company	RMB205,000,000	—	51%	Railway construction and operations
Treasure Delight Holdings Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Chengde Gangtong Railway Logistic Company Limited (承德港通鐵路物流有限公司)	PRC, limited liability company	RMB3,007,224	—	100%	Logistic

Notes:

(a) A share mortgage was executed in respect of this subsidiary in favour of a connected party as detailed in Note 38(d).

(b) Equity and assets pledges were executed in respect of these subsidiaries in favour of a connected party as detailed in Note 38(d).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The consolidated financial statements for both years have not included certain subsidiaries which were in the course of liquidation for which the appointed liquidators had assumed overall control of those companies' financial and operating policies. The results and cash flows of these subsidiaries up to the respective dates of appointment of liquidators have not been consolidated as the amounts involved are immaterial.

* *for identification purposes only*

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group 2012 HK$'000	2011 HK$'000
As at beginning of year	**3,214**	15
Share of results of jointly controlled entity (a)	**(3,339)**	3,061
Loan to a jointly controlled entity (b)	**125**	138
As at end of year	**—**	3,214

(a) The Group recognised 50% of the loss of a jointly controlled entity for the year ended 31 December 2012 of HK$17,165,000 (2011: profit of HK$3,061,000). The share of loss exceeded the Group's interest in the jointly controlled entity as the Group has incurred legal obligations under the shareholders' agreement relating to the formation of the jointly controlled entity to make good such losses. The excess amount is accounted for as liabilities due to a jointly controlled entity.

(b) Loan to a jointly controlled entity is unsecured, non-interest-bearing with no fixed terms of repayment and classified as non-current asset as they are not expected to be recoverable within the next twelve months.

Details of the jointly controlled entity are as follows:

Name	Form of business structure	Place of incorporation and operation	Principal activity	Percentage of ownership interests
Ocean Pro Holdings Limited	Limited liability company	British Virgin Islands	Provide transportation services for shipment	50%

The summarised financial information related to the Group's interest in a jointly controlled entity is as follows:

	The Group 2012 HK$'000	2011 HK$'000
Non-current assets	**402,685**	418,472
Current assets	**13,705**	19,019
Current liabilities	**(7,006)**	(5,736)
Non-current liabilities	**(438,066)**	(425,984)
Net (liabilities)/assets	**(28,682)**	5,771
Income	**78,371**	115,602
Expenses	**(112,701)**	(109,352)
(Loss)/profit before tax	**(34,330)**	6,250
Income tax	**—**	(128)
(Loss)/profit after tax	**(34,330)**	6,122

21. GOODWILL

	The Group HK$'000
Cost:	
As at 1 January 2011	42,156
Exchange adjustment for 2011	979
Derecognised upon disposal of subsidiaries for 2011	(43,135)
As at 31 December 2011 and 31 December 2012	—
Accumulated impairment:	
As at 1 January 2011	42,156
Exchange adjustment for 2011	979
Derecognised upon disposal of subsidiaries for 2011	(43,135)
As at 31 December 2011 and 31 December 2012	—
Carrying amount:	
As at 31 December 2012	—
As at 31 December 2011	—

The above goodwill is related solely to the discontinued waste incineration power generation operation.

22. INVESTMENT IN AN ASSOCIATE

	The Group	
	2012 HK$'000	2011 HK$'000
Loan to an associate		
At cost	**37,000**	37,000
Less: Provision for impairment loss	**(18,850)**	(13,583)
	18,150	23,417

Note: The loan is unsecured, interest bearing at 3% per annum (2011: 3%) and repayable on demand.

Details of the associate are as follows:

Name	Form of business structure	Place of incorporation and operation	Principal activity	Percentage of ownership interests
Brilliant Success Asia Limited	Limited company	Hong Kong	Investment holding	30%

22. INVESTMENT IN AN ASSOCIATE (CONTINUED)

The Group had discontinued recognition of its share of results of the above associate. The amounts of unrecognised share of this associate, both for the year and cumulatively, are as follows:

	2012 HK$'000	2011 HK$'000
Unrecognised share of profit/(loss) of an associate for the year	**1,595**	(7,250)
Accumulated unrecognised share of loss of an associate	**(5,655)**	(7,250)

The summarised financial information in respect of the Group's associate is set out below:

	The Group	
	2012 HK$'000	2011 HK$'000
Total assets	**21,803**	15,372
Total liabilities	**(40,653)**	(39,539)
Net liabilities	**(18,850)**	(24,167)
Total revenue	**—**	181
Total profit/(loss) for the year	**5,317**	(24,450)
Group's share of profit/(loss) of associate for the year	**—**	(85)

23. OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Other receivables and prepayments	**57,522**	43,129	**41,534**	36,072
Less: Provision for impairment	**(35,900)**	(35,900)	**(35,900)**	(35,900)
Other receivables and prepayments, net	**21,622**	7,229	**5,634**	172

There is no movement in the provision for impairment on other receivables during the years.

The Group and the Company recognised impairment loss on other receivables based on the accounting policy stated in Note 3(l)(iii).

24. TRADING SECURITIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong listed equity securities		
— at fair value	**55,723**	44,815

For investments which have been suspended from trading as at year end, the fair value was measured with reference to the quoted price of the last dealing date before suspension of trade and other available information consider appropriate by the directors. The carrying amounts of these investments are HK$6,405,000 (2011: HK$Nil).

25. CASH AND CASH EQUIVALENTS

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

26. OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction cost payables	**43,582**	27,935	**—**	—
Other payables	**5,270**	5,264	**2,050**	1,350
	48,852	33,199	**2,050**	1,350

27. BANK LOANS

At 31 December 2012, total bank loans were scheduled to be repaid as follows:

	The Group 2012 HK$'000	2011 HK$'000
On demand or within one year	**61,676**	—
More than one year but not exceeding two years	**123,327**	61,687
More than two years but not exceeding five years	**678,274**	555,063
After five years	**410,691**	393,042
	1,273,968	1,009,792
Current liabilities	**(61,676)**	—
Non-current liabilities	**1,212,292**	1,009,792

(i) All bank loans were denominated in Renminbi. The directors estimated that the fair value of the bank loans is not significantly different from its carrying amount.

(ii) The amount of bank loans in the original denominated borrowing currency is RMB1,033,000,000 equivalent to HK$1,273,968,000 (2011: RMB818,640,000 equivalent to HK$1,009,792,000). The average effective interest rate for the year is 8.29% (2011: 8.09%) per annum. The bank loans were secured by guarantee provided by a connected party in aggregate up to RMB1,033,000,000 equivalent to HK$1,273,968,000 (2011: RMB1,033,000,000 equivalent to HK$1,274,000,000). In return, the Company agreed to provide a counter-guarantee to indemnify this connected party to the extent of the percentage of equity interest held by the Group in each of the subsidiaries of up to approximately RMB602,155,000 equivalent to HK$742,620,000 (2011: RMB602,155,000 equivalent to HK$743,000,000), share mortgage, equity and assets pledges in favour of the connected party as detailed in Note 38(d).

28. CONTINGENT CONSIDERATION PAYABLE

	The Group 2012 HK$'000	2011 HK$'000
Cost:		
At beginning of the year	**52,892**	58,096
Change in fair value	**(41,912)**	(5,204)
At end of the year	**10,980**	52,892

On 19 May 2010, the Group had completed the acquisition of 100% equity interest in Ocean Jade Investments Limited ("Ocean Jade") from Golden Concord. The acquisition is to be satisfied by the issue of 1,000,000,000 consideration shares to the Vendor, when the net profit after tax of Ocean Jade shall not be less than HK$20 million for the first 12 months after the start of commercial operation of all 4 vessels in accordance with the agreements. As at 31 December 2011, only 2 vessels had started commercial operation. In the event that this profit target is not met, the number of consideration shares to be issued shall be reduced pro-rata to the actual shortfall.

28. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

The Company's obligation to issue a variable number of shares is accounted for as a liability and carried at fair value at the end of each reporting period, with resulting gain or loss recognised in profit or loss.

At the date of completion, the fair value of the Company's shares is HK$0.141 each and based on the directors' best estimate and weighted probability analysis of the future profit of Ocean Jade, the fair value of consideration shares expected to be issuable is estimated to be HK$126,900,000.

As at 31 December 2012, the fair value of contingent consideration decreased by HK$41,912,000 (2011: HK$5,204,000) as a result of the directors' re-estimation of the fair value of contingent consideration payable.

29. PROVISION FOR MAINTENANCE OF CONCESSION INTANGIBLE ASSETS

The movement in the provision for maintenance of concession intangible assets is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of the year	**—**	11,717
Exchange adjustment	**—**	273
Derecognised upon disposal of subsidiaries	**—**	(11,990)
At end of the year	**—**	—

The provision for maintenance of concession intangible assets has been made for the estimated obligations under the service concession for the maintenance of the waste incineration power generation plant and equipment.

30. DEFERRED TAX

No deferred tax liabilities have been recognised in the consolidated financial statements as the Group and the Company did not have material temporary differences between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2012 and 2011.

A deferred tax asset has not been recognised in the consolidated financial statements in respect of tax losses available to offset future profits due to the uncertainty of the future profits streams against which the asset can be utilised.

At the reporting date, the Group and the Company had unused tax losses of HK$206,967,000 (2011: HK$145,444,000) and HK$10,252,000 (2011: HK$24,814,000) respectively available for offset against future profits indefinitely.

31. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares		Amount	
	2012	2011	**2012**	2011
			HK$'000	HK$'000
Authorised				
Ordinary shares of HK$0.01 each:				
At beginning and end of the year	**120,000,000,000**	120,000,000,000	**1,200,000**	1,200,000
Preference shares class A of HK$0.01 each:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Preference shares class B of HK$0.01 each:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Issued and fully paid				
Ordinary shares of HK$0.01 each:				
At beginning and end of the year	**12,857,027,100**	12,857,027,100	**128,570**	128,570

The preference shares class A and B do not carry a right to vote. On liquidation of the Company, the preference shareholders would participate only to the extent of the issue value (aggregate of par value and the premium paid) of the shares adjusted for any dividends in arrears. The preference shares shall rank for return of capital on liquidation in priority to all other shares in the capital of the Company for the time being in issue.

Preference Shares Class A

The term of the preference shares class A is 3 years and the holders of the preference shares shall be entitled to a fixed cumulative preferential dividend at the rate of 3% per annum on the issue value. The holders of the preference shares may not request the redemption of the preference shares held by them. The Company shall redeem all the preference shares outstanding on the third anniversary of the date of issue of the issue value and any dividends in arrears. The preference shareholders can convert the preference shares into ordinary shares of the Company during the 3-year term using the following formula:

$$\frac{\text{Number of preference shares}}{\text{Adjusting factor}} = \text{Number of ordinary shares to be issued}$$

Adjusting factor is calculated as the higher of (i) 90% of the average of the closing price of the Company's ordinary shares on the Stock Exchange for the five trading days up to and including the conversion date (or, if such day is not a trading day, the last trading day before the conversion day); and (ii) HK$0.50, provided that if trading in the ordinary shares is suspended on any day during such period, the average of the closing prices shall be calculated by reference to the latest five consecutive trading days on which the trading in the ordinary shares is not suspended up to and including the conversion date but subject to a minimum value equivalent to the then nominal value of an ordinary share.

31. SHARE CAPITAL (CONTINUED)

Authorised, issued and fully paid share capital (Continued)

Preference Shares Class B

The term of the preference shares class B is 3 years and the holders of the preference shares shall be entitled to a fixed cumulative preferential dividend at the rate of 3% per annum on the issue value. The holders of the preference shares may not request the redemption of the preference shares held by them. The Company shall redeem all the preference shares outstanding on the third anniversary of the date of issue of the issue value and any dividends in arrears. The preference shareholders can convert the preference shares into ordinary shares of the Company during the 3-year term at a ratio of HK$0.76 subject to an adjusting factor. The adjusting factor is calculated as follows:

Beginning on the date of issue and ending on (and including) the first anniversary of the date of issue	HK$0.76
Beginning from the day after the first anniversary of the date of issue and ending on (and including) the third anniversary of the date of issue	The higher of (i) 90% of the average of the closing prices on the Stock Exchange for one ordinary share for the five trading days up to and including the conversion date; and (ii) HK$0.50, provided that if trading of the ordinary shares is suspended on any date during such period, the average of the closing prices shall be calculated by reference to the latest five consecutive trading days on which the trading of the ordinary shares is not suspended up to and including the conversion date.

During the year, no preference shares have been issued.

32. SHARE OPTIONS

2002 Share Option Scheme

On 27 May 2002, a share option scheme (the "2002 Share Option Scheme") was adopted by the Company. The purpose of the 2002 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. The participants include (i) any eligible employee; (ii) any supplier of goods or services to any member of the Group or any entity in which any member of the Group holds any interest ("Invested Entity"); (iii) any customer of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (v) any shareholder or any member of the Group or any Invested Entity; (vi) any company wholly owned by any participant. The 2002 Share Option Scheme will remain in force for a period commencing on 27 May 2002 and expiring at the close of business on the business day preceding the tenth anniversary.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2002 Share Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period up to and including the date of grant of options shall not exceed 1% of the shares in issue.

32. SHARE OPTIONS (CONTINUED)

2002 Share Option Scheme (Continued)

The subscription price will be determined by the directors, which shall not be less than the higher of the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options or the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of options.

The 2002 Share Option Scheme was terminated with the passing of an ordinary resolution at the extraordinary general meeting of the Company held on 20 August 2008.

(a) The terms and conditions of the options granted that were outstanding at the reporting date:

	Number of options ('000)			
Options granted to employees	**2012**	2011	**Vesting condition**	**Contractual life of options**
On 26 May 2005	**700**	700	note	10 years
On 3 August 2005	**500**	500	note	10 years
	1,200	1,200		

Note:

During the period beginning on the first business day from the date of grant and ending at the close of business on the business day preceding the second anniversary from the date of grant (both dates inclusive), the option holder must not exercise any of the options granted to him on the date of grant.

During the period beginning on the second anniversary from the date of grant and ending at the close of business on the business day preceding the third anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 25% of the share options granted to him on the date of grant.

During the period beginning on the third anniversary from the date of grant and ending at the close of business on the business day preceding the fourth anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 50% of the share options granted to him on the date of grant.

During the period beginning on the fourth anniversary from the date of grant and ending at the close of business on the business day preceding the fifth anniversary from the date of grant (both dates inclusive), the option holder must not exercise more than 75% of the share options granted to him on the date of grant.

During the period beginning on the fifth anniversary from the date of grant, the option holder can exercise the remaining balance of the share options granted to him on the date of grant.

32. SHARE OPTIONS (CONTINUED)

2002 Share Option Scheme (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Number of options '000	**Weighted average exercise price HK$**	Number of options '000	Weighted average exercise price HK$
Outstanding at the beginning and end of the year	**1,200**	**0.6892**	1,200	0.6892
Outstanding and exercisable at the end of the year	**1,200**	**0.6892**	1,200	0.6892

The options outstanding under the 2002 Share Option Scheme at 31 December 2012 had an exercise price between HK$0.688 and HK$0.69 (2011: HK$0.688 and HK$0.69) and a weighted average remaining contractual life of 2.48 years (2011: 3.48 years).

2008 Share Option Scheme

On 20 August 2008, a new share option scheme (the "2008 Share Option Scheme") was adopted by the Company. The purpose of the 2008 Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The participants are as follows:

(i) any full-time employee and director (including non-executive director and independent non-executive director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively "Employee");

(ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criteria of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; and (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively "Business Associate"); and

(iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

32. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the 2008 Share Option Scheme and any other scheme of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the 2008 Share Option Scheme was adopted, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant in any 12-month period shall not exceed 1% of the shares in issue.

The subscription price will be determined by the directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of options; or (iii) the nominal value of an ordinary share.

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary shares of HK$0.01 each of the Company were granted to 51 individuals under the 2008 Share Option Scheme and as refreshed on 3 June 2010. 312,200,000 share options granted were accepted by the grantees and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. The contractual life of options is 10 years.

The fair value of the share options is determined using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past three years.

The following information is relevant in the determination of the fair value of options granted during the year ended 31 December 2011 under the 2008 Share Option Scheme operated by the Group.

Grant date share price	HK$0.168
Exercise price	HK$0.168
Risk-free rate	2.67%
Expected life	10 years
Expected volatility	101.43%
Expected dividend yield	0%

The weighted average fair value of each option granted was HK$0.112.

32. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme (Continued)

The terms and conditions of the options granted that were outstanding at 31 December 2012 and 2011:

	2012		2011	
	Number of options '000	**Weighted average exercise price HK$**	Number of options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**294,200**	**0.1680**	—	—
Granted and accepted during the year	**—**	**—**	312,200	0.1680
Forfeited during the year	**(21,200)**	**0.1680**	(18,000)	0.1680
Outstanding at the end of the year	**273,000**	**0.1680**	294,200	0.1680
Exercisable at the end of the year	**196,140**		124,880	

Notes:

(i) up to 40% of the total number of options will be vested from the date of grant of the options;

(ii) an additional 30% of the total number of options will be vested upon the first anniversary of the date of grant of the options; and

(iii) the remaining 30% of the total number of options will be vested upon the second anniversary of the date of grant of the options.

The option outstanding under the 2008 Share Option Scheme at 31 December 2012 had an exercise price of HK$0.168 (2011: HK$0.168) and an average remaining contractual life of 8.30 years (2011: 9.30 years).

33. RESERVES

The Company

	Share premium HK$'000	**Capital reserve** HK$'000	**Share option reserve** HK$'000 (Note 32)	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 January 2011	1,268,576	4,190	5,746	(686,537)	591,975
Total comprehensive income for the year	—	—	—	(148,956)	(148,956)
Recognition of share option expenses	—	—	22,810	—	22,810
As at 31 December 2011	1,268,576	4,190	28,556	(835,493)	465,829
Total comprehensive income for the year	**—**	**—**	**—**	**(10,767)**	**(10,767)**
Recognition of share option expenses	**—**	**—**	**7,617**	**—**	**7,617**
Forfeiture of share options	**—**	**—**	**(1,249)**	**1,249**	**—**
As at 31 December 2012	**1,268,576**	**4,190**	**34,924**	**(845,011)**	**462,679**

33. RESERVES (CONTINUED)

The Company (Continued)

The Company did not have any reserves available for distribution to shareholders as at 31 December 2012 and 2011. The Company's share premium may be distributed in the form of fully paid bonus shares.

(a) Share premium

The application of the share premium is governed by section 48B of the Hong Kong Companies Ordinance.

(b) Other reserves are dealt with in accordance with the relevant accounting policies set out in Note 3.

34. DISPOSAL OF SUBSIDIARIES

As referred to in Note 9(b), on 13 July 2011, China Green Power Group ceased to be a subsidiary upon completion of the disposal. The net assets of China Green Power Group at the date of disposal were as follows:

	China Green Power Group 2011 HK$'000
Net assets disposed of:	
Property, plant and equipment	**1,053**
Concession intangible assets	**332,272**
Trade and other receivables	**15,617**
Inventories	**2,732**
Cash and cash equivalents	**8,033**
Other payables	**(28,949)**
Bank loans	**(255,783)**
Provision for maintenance of concession intangible assets	**(11,990)**
	62,985
Translation reserve reclassified upon disposal	**(22,072)**
	40,913
Gain on disposal	**7,905**
Total consideration	**48,818**
Satisfied by:	
Cash consideration	**50,000**
Direct expenses incurred in connection with the disposal of subsidiaries	**(1,182)**
	48,818
Net cash inflow arising on disposal:	
Cash consideration	**50,000**
Direct expenses incurred in connection with the disposal of subsidiaries	**(1,182)**
Bank balances and cash disposed of	**(8,033)**
	40,785

35. CAPITAL COMMITMENTS

Capital commitments outstanding as at the reporting date not provided for in the consolidated financial statements are as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	**157,993**	221,496
— Kuanping Company	**4,440**	14,524
— Tangcheng Company	**183,290**	221,641
	345,723	457,661

These commitments were entered into by three PRC non-wholly owned subsidiaries. The Group's effective interest in Zunxiao Company, Kuanping Company, and Tangcheng Company is 62.50%, 62.50% and 51.00% respectively as at 31 December 2011 and 2012.

36. OPERATING LEASE COMMITMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Minimum lease payments under operating leases charged as expense in the year	**4,224**	4,157

At the reporting date, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,958**	3,894
In the second to fifth years inclusive	**—**	1,636
	1,958	5,530

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. The leases typically run for lease term of one to three years, with an option to renew the lease at which time all terms are renegotiated. None of the lease includes contingent rentals.

37. FINANCIAL GUARANTEE CONTRACT — THE COMPANY

The Company has executed a counter-guarantee to indemnify Golden Concord Holdings Limited ("Golden Concord") up to HK$742,620,000 (2011: HK$742,758,000) (excluding all related accrued interest, costs and expenses incurred, if any), in which Golden Concord has agreed to execute guarantees to financial institution in respect of bank loans granted to certain non-wholly owned subsidiaries of the Company in the PRC (Note 27). Under the counter-guarantee, the Company would be liable to pay Golden Concord in the event of any default. The counter-guarantee was issued by the Company at HK$Nil consideration. The transaction was not at arm's length, and it is not possible to measure reliably the fair value of this transaction in accordance with HKAS 39 had they been at arm's length. Accordingly, the guarantee has not been accounted for as financial liabilities and measured at fair value.

As at the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors do not consider it to be probable that a claim will be made against the Company under the counter-guarantee issued.

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(a) The amounts due to a shareholder, minority equity owners of subsidiaries and related companies are unsecured, interest-free and repayable on demand.

(b) On 13 February 2009, Palace View International Limited, a wholly-owned subsidiary of the Company, entered into an operation consultation agreement with Shanghai GCL — Poly Electricity Operating Management Co. Ltd. ("Shanghai GCL") to provide consultation service in respect of the operation of the municipal solid waste incineration power plant owned by the Group. Mr. Zhu Gongshan ("Mr. Zhu") is a director of the subsidiary of the Company, and also a director and a deemed Controlling Shareholder of GCL-Poly Energy Holdings Limited, the ultimate holding company of Shanghai GCL. Therefore, this transaction also constitutes continuing connected transaction as defined under the Listing Rules. This operation consultation agreement was terminated when the waste incineration power generation segment was disposed in July 2011. Total management fee paid during the year ended 31 December 2011 amounted to approximately HK$1,435,000.

(c) Members of key management during the year comprised the directors only whose remuneration is set out in Note 11.

(d) As disclosed in Note 37, the Company had provided a counter-guarantee to Golden Concord, a company incorporated in Hong Kong which is beneficially owned by Mr. Zhu, a director of a subsidiary of the Company. This constitutes a connected transaction as defined under the Listing Rules.

39. CAPITAL RISK MANAGEMENT

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including borrowings and other payables, as shown in the consolidated statement of financial position less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

During the year ended 31 December 2012, the Group's strategy, which was unchanged from 2011, was to maintain a gearing ratio of not more than 100%.

The gearing ratio as at 31 December 2012 and 2011 were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Current liabilities	**133,375**	39,622
Non-current liabilities	**1,223,272**	1,062,684
Total borrowings	**1,356,647**	1,102,306
Less: Cash and bank balances	**(113,279)**	(211,157)
Net debt	**1,243,368**	891,149
Total equity	**859,600**	906,919
Total capital	**2,102,968**	1,798,068
Gearing ratio	**59%**	50%

40. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business.

The main risks arising from the Groups' financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk arising from movements in its own equity share price and the fair value changes of its trading securities. The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures.

These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

The Group has policies in place to ensure that the sales of goods are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2012 and 2011, since the Group does not have any trade receivable, the Group has no concentration of credit risk.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and the Company can be required to pay:

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The Group

2012	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**
Other payables	**48,852**	**48,852**	**48,852**	**—**	**—**	**—**
Amount due to a jointly controlled entity	**13,826**	**13,826**	**13,826**	**—**	**—**	**—**
Amount due to minority equity owners of subsidiaries	**9,021**	**9,021**	**9,021**	**—**	**—**	**—**
Bank loans	**1,273,968**	**1,722,874**	**161,810**	**218,613**	**886,585**	**455,866**
	1,345,667	**1,794,573**	**233,509**	**218,613**	**886,585**	**455,866**

2011	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Other payables	33,199	33,199	33,199	—	—	—
Amount due to minority equity owners of subsidiaries	6,185	6,185	6,185	—	—	—
Amount due to a shareholder	238	238	238	—	—	—
Bank loans	1,009,792	1,382,149	74,402	136,089	732,822	438,836
	1,049,414	1,421,771	114,024	136,089	732,822	438,836

The Company

2012	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year HK$'000**
Other payables	**2,050**	**2,050**	**2,050**	**—**
Financial guarantee issued				
Maximum amount guaranteed	**—**	**742,620**	**742,620**	**—**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The Company (Continued)

2011	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Other payables	1,350	1,350	1,350	—
Amount due to a shareholder	239	239	239	—
	1,589	1,589	1,589	—
Financial guarantee issued				
Maximum amount guaranteed	—	742,758	742,758	—

As shown in the above analysis, bank loans and other financial liabilities of the Group amounting to HK$233,509,000 are expected to be repaid within the next twelve months from 31 December 2012. The short-term liquidity risk inherent in this contractual maturity date has been addressed in Note 3(b).

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out below:

	The Group			
	Effective Interest Rate %	**2012 HK$'000**	Effective Interest Rate %	2011 HK$'000
Variable rate borrowings:				
Bank loans	**7.86%–8.46%**	**1,273,968**	6.59%–8.09%	1,009,792

Since all bank loans were obtained for the purpose of financing the railway construction, all related interest expenses are capitalised in construction in progress. Accordingly, any change in interest rates, would not affect the Group's loss for the year and accumulated losses.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the functional currency of the operations to which the transactions relate and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of the contingent consideration payable of the Group and the share prices of the Group's trading securities at the reporting date.

Sensitivity analysis

The following table indicates the approximate change in the Group's loss for the year and other components of consolidated equity in response to reasonably possible changes in the Company's own share price for the fair value of the contingent consideration payables and the share prices of the Group's trading securities at the reporting date. A positive number below indicates an increase in loss for the year and accumulated losses and a negative number below indicates a decrease in loss for the year and accumulated losses where the relevant equity prices increased by 10%. Had the relevant equity prices been 10% lower, there would be an equal and opposite effect on the loss for the year and accumulated losses.

	2012			2011		
The Group and Company	**Increase in the relevant risk variable**	**Effect on loss for the year and accumulated losses HK$'000**	**Effect on other components of equity HK$'000**	Increase in the relevant risk variable	Effect on loss for the year and accumulated losses HK$'000	Effect on other components of equity HK$'000
— Company's own share price	**10%**	**1,098**	**—**	10%	5,289	—
— Financial assets at fair value through profit or loss	**10%**	**(5,572)**	**—**	10%	(4,482)	—
	10%	**(4,474)**	**—**	10%	807	—

The sensitivity analysis has been determined assuming that the reasonably possible change in the relevant risk variables had occurred at the reporting date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair value of the Group's equity would change in accordance with the historical correlation with the relevant risk variables and that all other variables remain constant. The stated change represents management's assessment of reasonably possible change in the relevant risk variable over the period until the next annual reporting date.

(f) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2012 and 2011 may be categorised as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss	**55,723**	44,815
Loans and receivables (including cash and bank balances)	**151,415**	239,804
Financial liabilities		
Fair value through profit or loss		
— Contingent consideration payable	**10,980**	52,892
Financial liabilities measured at amortised cost	**1,345,667**	1,049,414

HKFRS 7 requires disclosure for financial instruments that are carried at fair value by level of the following fair value measurement hierarchy:

Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 — Inputs for the asset or liability that are not based on observable market data.

The Group's trading securities and contingent consideration payable are measured at fair value. During the year ended 31 December 2012, trading securities of HK$6,405,000 was transferred from Level 1 to Level 2. There were no transfers of instruments from Level 1 to Level 3 and between Level 2 and Level 3 during both years.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

During the year ended 31 December 2011, the Group had recognised a loss of HK$840,000 for its Level 3 financial assets and included in other income, gains and losses. There were no purchase, sales, issues or settlements of these financial assets during both years.

At 31 December 2012	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	**49,318**	**6,405**	**—**	**55,723**
Liabilities				
Contingent consideration payable	**—**	**—**	**10,980**	**10,980**

At 31 December 2011	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	44,815	—	—	44,815
Liabilities				
Contingent consideration payable	—	—	52,892	52,892

Reconciliation for financial liabilities carried at fair value based on significant unobservable inputs (Level 3) are included in Note 28.

Five-Year Financial Summary

Year ended 31 December 2012

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Turnover					
Continuing operations	—	—	—	—	—
Discontinued operations	—	49,472	130,101	111,687	108,130
	—	49,472	130,101	111,687	108,130
Loss/(profit) before income tax:					
Continuing operations	**(54,762)**	(142,928)	(47,382)	(1,544)	(13,092)
Discontinued operations	—	(1,291)	(60,180)	2,775	(27,627)
	(54,762)	(144,219)	(107,562)	1,231	(40,719)
Income tax credit/(expense)	—	—	731	(7,309)	3
Loss for the year	**(54,762)**	(144,219)	(106,831)	(6,078)	(40,716)
Non-controlling interests	**(6,766)**	(6,522)	(4,806)	(2,153)	(2,851)
Loss attributable to owners of the Company	**(47,996)**	(137,697)	(102,025)	(3,925)	(37,865)
ASSETS AND LIABILITIES					
Total assets	**2,216,247**	2,009,225	2,301,703	1,503,150	753,310
Total liabilities	**(1,356,647)**	(1,102,306)	(1,283,743)	(734,707)	(397,031)
	859,600	906,919	1,017,960	768,443	356,279
Equity attribute to owners of the Company	**625,482**	665,839	782,059	538,626	353,257
Non-controlling interests	**234,118**	241,080	235,901	229,817	3,022
	859,600	906,919	1,017,960	768,443	356,279

Note: The financial information for the years ended 31 December 2008 to 2010 had been restated for the operations discontinued in 2011.