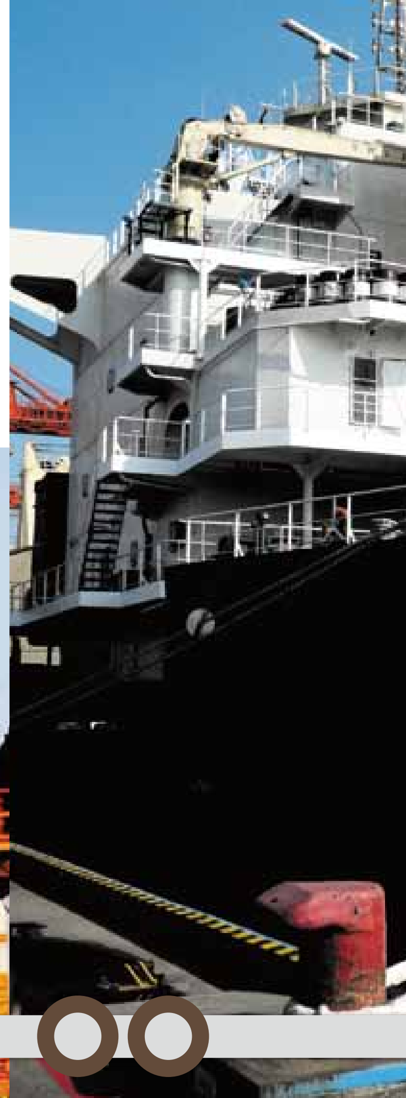
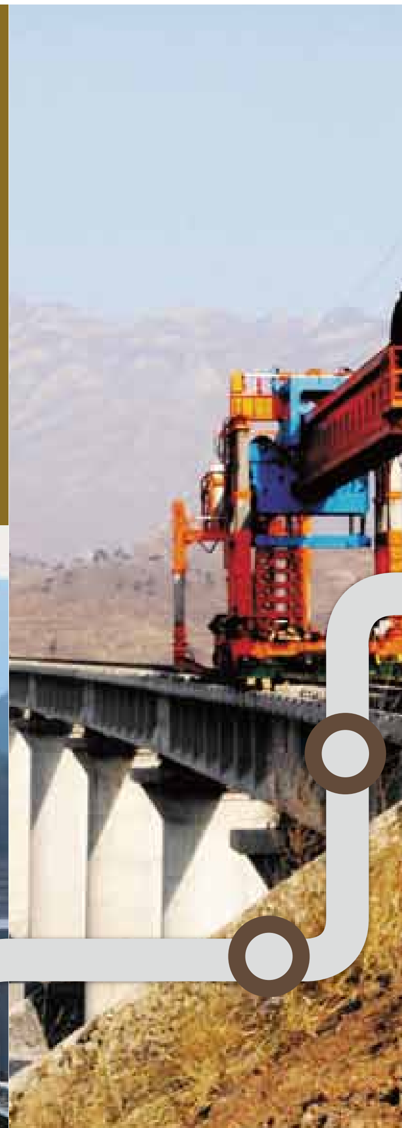
亞洲能源物流
ASIA ENERGY
Logistics

Annual Report **2010**






Carrying
the World's Future

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

CORPORATION 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. Liang Jun *(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

FINANCIAL REVIEW

For the year ended 31 December 2010, the turnover of the Group was approximately HK$130,101,000 (2009: approximately HK$111,687,000), representing an increase of approximately 16.49% as compared with that of last year. During the year, loss before income tax was approximately HK$107,562,000 (2009: profit approximately HK$1,231,000). Loss after income tax was approximately HK$106,831,000 (2009: loss approximately HK$6,078,000). Loss per share was HK0.81 cent (2009: loss HK0.04 cent).

BUSINESS REVIEW

The Company is an investment holding company whose subsidiaries are principally engaged in municipal solid waste incineration power generation business and railway construction and operations. Plans to diversify the business to dry bulk shipping took a step forward with the purchase and operation of two 35,000 metric tonne vessels through a joint venture (the "JV Company") formed between the Group and Waibert Navigation Company Limited ("Waibert") in 2010 and 2011 respectively. With the construction of Zunxiao Railway likely to be completed before the end of 2011, this year will be both exciting and challenging for the Company.

Railway Construction and Operations

In July 2009, the Group expanded its business into railway construction and operations through the acquisition of 70% equity interest in Gofar Holdings Limited ("Gofar"). On 11 February 2010, the Group acquired the remaining 30% equity interest in Gofar. Gofar indirectly holds 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 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").

The railway under construction is a 121.7 km single-track railway connecting 2 major municipalities in Hebei Province (河北省), namely, Tangshan City (唐山市) and Chengde City (承德市) ("Zunxiao Railway"). Starting from Zunhua South (遵化南), Tangshan City (唐山市), and ending at Xiaosigou (小寺溝), Chengde City (承德市), Zunxiao Railway passes through important mining areas in Hebei Province (河北省). Altogether there are 12 stations along Zunxiao Railway.

The construction of Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, due to a delay in the processing of the major loan facility of RMB1.033 billion, the completion of the construction has been delayed to the end of 2011. It is estimated that construction costs will amount to approximately RMB1.6 billion.

To meet the financial commitments in this business segment, Zunxiao Company, Kuanping Company and Tangcheng Company each entered into conditional loan agreements (collectively, the "Loan Agreements") on 1 November 2010 with 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) (the "Bank") in respect of loan facilities in aggregate of up to RMB1.033 billion for a 10-year term. These loans will be utilized to finance the construction of the Zunxiao Railway project. As disclosed in the circular of the Company dated 17 November 2010, the Loan Agreements are guaranteed by Golden Concord Holdings Limited ("GCL", a company incorporated in Hong Kong with limited liability which is beneficially owned by Mr. Zhu Gongshan, a director of various subsidiaries of the Company and also a shareholder of the Company). In addition, on 1 November 2010, China Railway Logistic Holdings Limited, a wholly-owned subsidiary of the Company and GCL entered into the guarantee agreement (the "Guarantee Agreement") in respect of the Loan Agreements. The requisite shareholders' approval for the Guarantee Agreement was subsequently obtained at the extraordinary general meeting of the Company held on 3 December 2010. Further details of the Loan Agreements and the Guarantee Agreement are set out in the section headed "Connected Transactions" below.

As Zunxiao Railway has yet to commence operation, no revenue has been recognized by each of Kuanping Company, Zunxiao Company and Tangcheng Company since their respective establishment in this business segment during the reporting period.

Shipping and Logistics Business

Following the completion of the acquisition of the entire equity interest in Ocean Jade Investments Limited ("Ocean Jade") on 19 May 2010, the Group has further diversified its business into the dry bulk shipping industry.

Pursuant to a shareholders' agreement dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement") between Ocean Jade and Waibert, the JV Company was formed with the aim to, *inter alia,* procure the business of (a) investment in ships assets (dry bulk carriers); and (b) providing coal shipment services for a power plant (the "COA Provider") located in Jiangsu Province (江蘇省), the PRC. Waibert, a wholly-owned subsidiary of Guangdong Province Navigation Holdings Company Limited ("GPNHC") (one of the key provincial government-owned enterprises), is principally engaged in ship management, dry bulk carrier chartering and operation.

On 30 March 2010, a contract of affreightment (運輸合同) (the "Contract of Affreightment") was entered into between the JV Company and the COA Provider for the provision of coal shipment services by the JV Company to the COA Provider.

Under the JV Agreement, the JV Group acquired two Handy-size vessels (each about 35,000 metric tonne deadweight, hereinafter referred to as the "First Vessel" and the "Second Vessel") 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.

Further, due to the then prevailing market conditions, Ocean Jade and Waibert agreed to extend the deadline for the acquisition of the other two vessels (either Panamax or Supramax type)(the "Third Vessel" and the "Fourth Vessel", respectively) as mentioned in the JV Agreement to 30 June 2011.

Under the Contract of Affreightment, the COA Provider shall provide full employment with its own coal cargo throughout the life span of the First Vessel and the Second Vessel.

As the First Vessel began operation in September 2010 and the Second Vessel in February 2011, the contribution from this business segment was minimal in 2010.

Waste Incineration Power Generation

During the period under review, the turnover of our waste incineration power plant in the PRC was approximately HK$130,101,000, representing an increase of approximately 16.49% as compared with that of last year.

On 11 February 2010, Palace View International Limited ("Palace View"), a wholly-owned subsidiary of the Company, renewed the operation consultation agreement dated 13 February 2009 (the "First Operation Consultation Agreement") with 上海保利協鑫電力運行管理有限公司 (Shanghai GCL-Poly Electricity Operating Management Co. Ltd.#) ("Shanghai GCL") for a further term of one year (the "Second Operation Consultation Agreement").

Under the Second Operation Consultation Agreement, Shanghai GCL agreed to continue providing consultation services with respect to the operation of the municipal solid waste incineration power plant owned by 東莞中科環保電力有限公司 (Dongguan China Sciences Conservational Power Limited#) ("Dongguan CSCP"), an indirect wholly-owned subsidiary of Palace View.

As was the case with the First Operation Consultation Agreement, the Second Operation Consultation Agreement constituted a continuing connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and details of which have been set out in the Company's announcement dated 12 February 2010.

PROSPECTS

The acquisition of Gofar 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 governmental authorities, which is expected to be at the end of 2011, the railway will commence operation. Should there be heavy demand on Zunxiao Railway, the Company may consider expanding Zunxiao Railway from a single-track railway to a double-track railway to further increase its transportation capacity.

The major revenue of Zunxiao Railway will arise from the carriage of natural resources (coal, iron ore powder, etc.). The other revenues of Zunxiao Railway will include charges for cargo loading and/or unloading services, charges for storage services of goods.

On 13 January 2011, Zunxiao Company, Kuanping Company and Tangcheng Company 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 others, the establishment of a business cooperation partnership between the parties to the Memorandum 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 Zunxiao Company, Kuanping Company and Tangcheng Company.

CRLC, which was established in February 2006 with its headquarters situate at Pudong, Shanghai, is jointly-owned and funded by the China Railway Materials Commercial Corporation of the PRC and ORIX Corporation of Japan. CRLC was established with the aim of supporting the rapid development of the railway industry of the PRC. CRLC provides professional services for railway equipment and leasing services for railway operation, railway construction, railway production and urban rail transit.

The Memorandum is non-legally binding and that it may or may not lead to the entering into of any formal agreement with respect to the Cooperation Project. The Cooperation Project, if materialized, would provide Zunxiao Company, Kuanping Company and Tangcheng Company with, among others, a stable supply of railway facilities and equipment, reliable services in leasing and project financing, secured support in various logistical aspects in relation to 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.

In respect of the Group's shipping and logistic business, after the delivery of the First Vessel and the Second Vessel as reported under the section headed "Business Review" above, the Company expects to take delivery of the Third Vessel and the Fourth Vessel in the first half of 2011. The Third Vessel and the Fourth Vessel will also be bare-boat chartered to GNG Ocean Shipping Co. Ltd, a state-owned enterprise and a wholly owned subsidiary of GPNHC. As it may take some time for application for dual flag registration in the PRC to complete, these two vessels will be chartered in the international market for the first year after their respective acquisition pending the outcome of the application. Upon obtaining the relevant license, the Third Vessel and the Fourth Vessel will be able to perform chartering out business in both the international market and the PRC domestic market and the board of directors of the JV Company will determine as to which market these two vessels shall enter.

Both the Group and Waibert agreed that investment in dry bulk carriers will be one of the main business operations of the JV Company and all vessels to be acquired shall be of the type, design and age reasonably suitable to perform the function of domestic and international coal cargo shipment for the COA Provider in order to enhance the business synergy between the JV Company and the COA Provider so as to ensure full employment of the vessels as well as to maximize the effectiveness of the ocean shipping costs of the coal cargo of COA Provider.

It is also contemplated that the JV Company will seek to acquire further vessels if market conditions are favourable in order to increase its maximum transportation volume and mutual consent and approval should be obtained from the JV Shareholders in respect of the purchase, acquisition, price and model of the vessels. Moreover, in the future, the Company intends to expand its customer base including power plants, steel mills and traders, importers, exporters and/or end users of bulk cargo of raw material and grain in bulk requiring dry bulk shipping services.

The Board will continue to seek other investment opportunities and to explore the feasibility of expanding into other business sectors to diversify the Group's business portfolio so that the Group's profitability and its shareholders' value can be enhanced.

Finally, I would like to express my immense gratitude to the directors, management team and staff, both in HK and the PRC for their dedication and conscientiousness towards the Company. I also extend my gratitude to our shareholders and business partners for their continuous support.

Yu Baodong
Chairman and
Non-Executive Director

Hong Kong
30 March 2011

For identification purposes only

LIQUIDITY AND FINANCIAL RESOURCES

The Group is mainly financed by various borrowings, shareholders' equity and internally generated cash flows.

As at 31 December 2010, the Group had bank and cash balances of approximately HK$565 million.

As at 31 December 2010, the Company had secured bank loans of approximately HK$603 million repayable within two to five years and approximately HK$499 million repayable after five years. The average effective interest rate for the year was 6.11% (2009: 6.29%) per annum.

The gearing ratio of the Group as at 31 December 2010, which is calculated as net debt divided by total capital, was approximately 41% (2009: approximately 46%).

CAPITAL STRUCTURE

As at 31 December 2010, the share capital of the Company was HK$128,570,271 divided into 12,857,027,100 shares of HK$0.01 each ("Shares") (2009: 10,257,027,100 Shares).

During the year under review, convertible bonds in the principal amount of HK$5,000,000 were converted into 100,000,000 new Shares. Furthermore, 1,500,000,000 and 1,000,000,000 new Shares were respectively allotted and issued pursuant to the Subscription as defined in the section headed "Fund Raising Activities" below and the sale and purchase agreement dated 24 August 2009 in relation to the acquisition of the remaining 30% equity interest in Gofar as disclosed in the section headed "Business Review" above.

FUND RAISING ACTIVITIES

On 15 January 2010, King Castle Enterprises Limited (the "Vendor"), CITIC Securities Brokerage (HK) Limited, the Company and Mr. Ko Fong (as the warrantor) entered into the conditional agreement in relation to (i) the placing (the "Placing") of a maximum of 1,500,000,000 existing Shares held by the Vendor (the "Placing Shares") and (ii) the subscription ("the Subscription") of a maximum of 1,500,000,000 new Shares by the Vendor. Both the Placing and Subscription were completed on 29 January 2010, which the 1,500,000,000 Placing Shares were fully placed to not fewer than six placees at the placing price of HK$0.159 per Placing Share while 1,500,000,000 new Shares were allotted and issued under the general mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 27 July 2009 to the Vendor at the subscription price of HK$0.159 per new Share. Details of the Placing and the Subscription have been disclosed in the Company's announcements dated 17 January 2010, 22 January 2010 and 29 January 2010, respectively. The gross and net proceeds amounted to approximately HK$238.5 million and HK$230.15 million, respectively, which will mainly be used for the Group's investment in the shipping and logistic business, the working capital of railway construction and operations business as well as general working capital of the Group.

SEGMENTAL INFORMATION

During the year under review, the Group was principally engaged in municipal solid waste incineration power generation business and railway construction and operations.

Details of the business segments of the Group are set out in Note 7 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

As disclosed in the Company's circular dated 23 November 2009, Sharprise Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Fast Sky Holdings Limited (as the vendor) for the acquisition of the remaining 30% equity interest in Gofar. This acquisition constituted a connected transaction for the Company under the Listing Rules and was completed on 11 February 2010, whereupon Gofar became an indirect wholly-owned subsidiary of the Company.

On 18 December 2009, Ocean Path Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Golden Concord Group Limited ("Golden Concord") for the acquisition of the entire equity interest in Ocean Jade Investment Limited ("Ocean Jade"). This acquisition constituted a major and connected transaction for the Company under the Listing Rules and was completed on 19 May 2010, thereafter Ocean Jade became an indirect wholly-owned subsidiary of the Company.

Further details of the above two acquisitions are set out in the section headed "Business Review" above. Save as aforesaid, the Group did not make any material acquisitions and disposal of subsidiaries during the year under review.

SIGNIFICANT INVESTMENTS AND DISPOSALS

From 2 February 2010 to 17 February 2010, Bright Master Investments Limited ("Bright Master"), a wholly-owned subsidiary of the Company, acquired a total of 9,000,000 shares in Tack Hsin Holdings Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the open market at a total consideration of HK$20,793,040 (excluding stamp duty and related expenses). This acquisition constituted a discloseable transaction for the Company under the Listing Rules, details of which are set out in the Company's announcement dated 18 February 2010.

On 8 January 2010 and 11 January 2010, Bright Master disposed a total of 5,000,000 shares in China Agrotech Holdings Limited, the shares of which are listed on the main board of the Stock Exchange, in the open market at a total consideration of HK$5,619,060 (excluding stamp duty and related expenses). This disposal constituted a discloseable transaction for the Company under the Listing Rules and details of which are set out in the Company's announcement dated 13 January 2010. The net proceeds from this disposal of approximately HK$5,599,000 were used as general working capital of the Group.

PLEDGE OF ASSETS

Details of pledge of assets are set out in Notes 20 and 29 to the financial statements and the section headed "Connected Transactions" on page 20.

LITGATIONS AND CAPITAL COMMITMENTS

Details of litigations and capital commitments are set out in Note 47 and Note 40, respectively to the financial statements.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars 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 2010, the Group had 267 (2009: 276) full-time employees, 249 of whom were based in the PRC. Staff costs, including directors' remuneration, of the Group for the year ended 31 December 2010 were approximately HK$33,600,000 (2009: approximately HK$22,072,000). 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

On 13 January 2011, Zunxiao Company, Kuanping Company and Tangcheng Company entered into the Memorandum with China Railway Leasing Corporation Limited in relation to the Cooperation Project, details of which are set out in the section headed "Prospects" above.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. Liang Jun

Mr. Liang, aged 44, has been an Executive Director of the Company since 12 June 2006. He is also the Chairman of the Remuneration Committee of the Company. Previously, he was the Chairman of the Company until he resigned from such position on 26 January 2010. Mr. Liang has over 19 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 47, has been an Executive Director of the Company since 26 January 2010. He holds a master's degree in Business Administration from the University of Leicester. Mr. Fung possesses more than 20 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 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 48, has been an Executive Director of the Company since 31 March 2009. She has 28 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 the executive director of New Environmental Energy Holdings Limited, a company listed on the main board of the Stock Exchange. Ms. Yu was an executive director of China Bio-Med Regeneration Technology Limited and an executive director of Heng Xin China Holdings Limited, both of which are listed on the Growth Enterprise Market of the Stock Exchange, until 4 December 2009 and 1 April 2009, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Yu Baodong *(Chairman)*

Mr. Yu, aged 47, has been a Non-Executive Director of the Company since 31 March 2009 and the Chairman of the Company since 26 January 2010. 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 39, has been a Non-Executive Director of the Company since 26 January 2010. Ms. Sun holds a doctorate degree in Business Administration from the Bulacan State University of the Philippines in 2005. 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 49, 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 of the Company and ceased to be the Chairman of the Company, 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 is currently the chairman and an executive director of Kong Sun Holdings Limited and Climax International Company Limited and an independent non-executive director of Value Convergence Holdings Limited, all of which are listed on the main board of the Stock Exchange. Mr. Tse was also the former chairman of China Grand Forestry Green Resources Group Limited from September 2009 to December 2010, the former chairman of New Times Energy Corporation Limited, an executive director of Mexan Limited from March 2005 to July 2007, a non-executive director of Climax International Company Limited from September 2007 to August 2008 and 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 44, has been an Independent Non-Executive Director of the Company since 30 September 2004. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Chan is currently an independent non-executive director of China Gamma Group Limited, China Gogreen Assets Investment Limited. China Grand Forestry Green Resources Group Limited, Rojam Entertainment Holdings Limited and U-RIGHT International Holdings Limited, all of which are listed on the main board of the Stock Exchange. He is also a non-executive director of New Times Energy Corporation Limited, a company listed on the main board of the Stock Exchange. Mr. Chan was an executive director of Kong Sun Holdings Limited from February 2007 to November 2009, Amax Holdings Limited from August 2005 to January 2009 and China E-Learning Group Limited from July 2007 to September 2008 and 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 41, has been an Independent Non-Executive Director of the Company since 10 March 2006. He is a member of both the Audit Committee and Remuneration Committee of the Company. 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 62, was appointed as an Independent Non-Executive Director of the Company on 7 June 2010. He is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University. 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. He had been an independent non-executive director of Jia Sheng Holdings Limited, a company listed on the main board of the Stock Exchange, until May 2007.

The board (the "Board") of directors (the "Directors") of Asia Energy Logistics Group Limited (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 2010.

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

CHANGE OF COMPANY LOGO

The Company adopted its new company logo on 24 January 2011.

RESULTS

The results of the Group for the year ended 31 December 2010 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 2010.

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 36 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, 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 and reclassified as appropriate, is set out on page 96 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 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 34 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 29 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2010 and up to the date of this report is as follows:

Executive Directors	
Mr. Liang Jun	(resigned as Chairman on 26 January 2010)
Ms. Yu Sau Lai	
Mr. Fung Ka Keung, David	(appointed on 26 January 2010)
Non-executive Directors	
Mr. Yu Baodong *(Chairman)*	(appointed as Chairman on 26 January 2010)
Ms. Sun Wei	(appointed on 26 January 2010)
Mr. Tse On Kin	
Independent Non-executive Directors	
Mr. Chan Chi Yuen	
Mr. Zhang Xi	
Professor Sit Fung Shuen, Victor	(appointed on 7 June 2010)
Mr. Tsang Kwok Wa	(resigned on 7 June 2010)

The Company has received annual confirmations from each of the Independent Non-Executive Directors with regard to his independence to the Company and considers that each of the Independent Non-Executive Directors to be independent.

In accordance with Article 92 of the Company's Articles of Association (the "Articles"), Professor Sit Fung Shuen, Victor shall retire and, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company. Pursuant to Articles 101A and 101B of the Articles, Mr. Yu Baodong, Ms. Yu Sau Lai, and Mr. Tse On Kin 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 of Mr. Liang Jun, Mr. Fung Ka Keung, David, Ms. Yu Sau Lai and Professor Sit Fung Shuen, Victor had entered into 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.

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 of the Company on the basis of their merit, qualification and competence. The emoluments of the Directors are decided by the Remuneration Committee of the Company, 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 2010, the following person(s) is/are Directors or the chief executive of the Company who 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 Securities and Futures ordinance (Chapter 571 of the Laws of Hong Kong) (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, were as follows.

Long position in the Shares

Name of Director	Capacity	Number of issued Shares held	Approximate % of shareholding
Liang Jun	Beneficial owner	2,000,000	0.02

Save as disclosed above, 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.

The interests of the Directors in the share options of the Company are separately disclosed under the section headed "Share Options" below.

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 shares in issue.

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:

Date of grant of share options	Exercise period of share options	Exercise price of share options	As at 1.1.2010	Granted during the year	Exercised during the year	Lapsed during the year	As at 31.12.2010	Market value per share immediately preceding the grant date of share options	Market value per share immediately preceding the exercise date of share options
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 Shares in issue.

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 last 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.

During the year under review, no share option was granted under the 2008 Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under 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 under the section headed "Connected Transactions" below and in Note 42 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 2010, 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 positions in the Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Mr. Ko Fong ("Mr. Ko")	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 *(Note 3)*	15.56%

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Ko on 12 February 2010, Mr. Ko 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 which comprised (i) 2,000,000,000 Shares held under Asia Pacific Energy Fund (as described in Note 3 below), and (ii) 137,450,000 Shares directly held by Profit Act Limited which in turn is wholly-owned by Profit Times International Limited, a company wholly-owned 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.

Notes: (continued)

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.

Save as disclosed above, 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.

CONNECTED TRANSACTIONS

Details of the material related party transactions for the year ended 31 December 2010 are set out in Note 42 to the financial statements, some of which also constituted connected transactions and continuing connected transactions for the Company under the Listing Rules. Details of the connected transaction(s) and continuing connected transaction(s) of the Group for the year under review is required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

On 11 February 2010, Palace View International Limited ("Palace View"), a wholly-owned subsidiary of the Company, entered into a second renewal of an operation consultation agreement with Shanghai GCL in relation to the appointment of Shanghai GCL to provide consultation services for the operation of a municipal solid waste incineration power plant owned by a subsidiary of Palace View, details of which are set out in Note 42 to the financial statements.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-Executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2010 and confirmed that such transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or on terms no less favourable to the Group than those available from independent third parties; and

3. in accordance with the relevant agreement governing them and on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the year under review, the aggregate volume of transactions for the provision of consultation services by Shanghai GCL to the Group did not exceed RMB2,000,000 (equivalent to approximately HK$2,276,000).

In respect of the continuing connected transactions mentioned above, the Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review.

The Company has also received a letter from the auditor in respect of the provision of consultation services by Shanghai GCL to the Group stating that:

1. the transactions have been approved by the Company's board of directors;

2. the transactions have been carried out and conducted in accordance with the terms of the agreement governing the transactions; and

3. the annual amount of the transactions has not exceeded the annual cap as disclosed in the announcement of the Company dated 11 February 2010.

As reported under the "Business Review" section above, as further funding is anticipated to finance the construction of the Zunxiao Railway project. The Loan Agreements in respect of loan facilities in aggregate of up to RMB1.033 billion for a 10-year term were entered into by Zunxiao Company, Kuanping Company and Tangcheng Company (the "Borrowers") with the Bank, respectively. The Guarantee Agreement in respect of the provision of counter-indemnity by the Company in favour of GCL (the "Financial Assistance") was entered into by the Company and GCL on 1 November 2010. Since GCL is a company beneficially owned by Mr. Zhu and Mr. Zhu is a director of various subsidiaries of the Company, GCL is a connected person and that the relevant percentage ratios for the Financial Assistance exceeds 25%, the Financial Assistance constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules.

Pursuant to the terms of the Guarantee Agreement, GCL agreed to execute and deliver the GCL Deeds of Guarantee to the Bank subject to the fulfillment (or waiver, as the case may be) of the conditions precedent set out in the Guarantee Agreement, which included among others, the approval of the Guarantee Agreement, the counter-indemnity, the Share Mortgage the Equity Pledges and the Asset Pledges and the transactions contemplated thereunder by the independent shareholders of the Company in accordance with the Listing Rules.

Pursuant to the terms of the counter-indemnity, the Company shall indemnify GCL for its obligations under the GCL Deeds of Guarantee to the extent of the percentage of equity interest held by the Group in each of the Borrowers as of the date of the counter-indemnity. On the basis that the loan facilities granted to the Borrowers by the Bank would not exceed RMB1.033 billion, the maximum liability of the Group under the counter-indemnity would be RMB602,155,000 (excluding all related accrued interest, costs and expenses incurred, if any).

Pursuant to the terms of the Share Mortgage, the entire issued share capital of China Railway Logistic, an indirect wholly-owned subsidiary of the Company holding 62.5% equity interests of Chengde Zunxiao, 62.5% equity interests of Chengde Kuanping and 51% equity interests of Tangshan Tangcheng, shall be charged by way of first fixed charge in favour of GCL.

Pursuant to the terms of the Equity Pledges and the Asset Pledges, the equity interests of each of the Borrowers held by the Group and the entire assets of each of the Borrowers shall be charged in favour of GCL.

The management of the Group is of the view that obtaining the loan facilities can provide immediate funding to the Borrowers to finance the railway construction and operation without requiring the Company to provide further funding by granting loans which would immediately and directly drain the liquidity and internal resources of the Company, or by issuing new Shares which would be time consuming and cannot provide immediate funding to the Borrowers. It is a common practice for the banks in the PRC to request provisions of satisfactory collaterals as guarantees or securities to secure the performance of the borrower's obligations in the PRC banking industry. In view of the fact that the Borrowers are currently still in the stage of constructing the Zunxiao Railway and thus no revenue has yet been recorded by the Borrowers since their respective establishments, the Bank requested GCL, a company which the Bank had business relationship previously, to provide guarantee to the Bank in respect of the loan facilities to be granted to the Borrowers by the Bank. GCL, being a company connected with the Company, agreed to provide the GCL Deeds of Guarantee with the condition, among others, that the Company shall enter into or procure the execution of the counter-indemnity, Share Mortgage, Asset Pledges and Equity Pledges. The Company and GCL entered into the Guarantee Agreement to rationalize the Financial Assistance arrangement.

The requisite shareholders' approval for the Guarantee Agreement, the counter-indemnity, the Share Mortgage, the Equity Pledges and the Asset Pledges and the transactions contemplated thereunder were subsequently obtained at the extraordinary general meeting of the Company on 3 December 2010.

LITIGATION

Details of the material litigation of the Group are set out in Note 47 to the financial statements.

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.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 44% to the Group's total purchases for the year under review and the aggregate amount of purchases attributable to the Group's top five suppliers represented 90% of the Group's total purchases.

The Group's largest customer accounted for 77% of the Group's turnover (excluding guaranteed return) and 99% of the total turnover (excluding guaranteed return) of the Group was attributable to the Group's top five customers.

None of the Directors, their associates or any shareholders of the Company (which to the best of the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the Group's major suppliers or customers noted above.

CORPORATE GOVERNANCE

Throughout the year in 2010, the Company has complied with the applicable code provisions and principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules except for the deviations mentioned in the Corporate Governance Report on pages 24 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 2010 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2010 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, 30 March 2011

CORPORATE GOVERNANCE PRACTICE

It is one of the continuing commitments of the Board and of the management of the Company to maintain high standards of corporate governance. The Company has adopted and applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. The Company considers that effective corporate governance makes significant contribution to corporate success and enhancement of shareholders' value.

Throughout the year ended 31 December 2010, the Company has complied with the CG Code, save for the exceptions specified and explained below:

Code Provision A.2.1

The post of Chief Executive Officer ("CEO") has remained vacant since March 2009. The duties of CEO have been performed by other Executive Directors of the Company. As there exists a clear division of responsibilities of each Director in the Group, the vacancy of the CEO position did not have any material impact on the operations of the Group. However, the Board will keep reviewing the current structure from time to time. If a candidate with suitable knowledge, skill and experience is identified, the Company will make an appointment to fill the post of CEO as appropriate.

Code Provision A.4.1

Save that Professor Sit Fung Shuen, Victor had entered into a service contract with the Company, all existing Non-Executive Directors do not have a specific term of appointment. All Non-Executive Directors are subject to retirement by rotation and re-election pursuant to the Articles. According to the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 in 2010 confirmed that they have complied with the code throughout the year ended 31 December 2010.

BOARD OF DIRECTORS

(1) Composition of the Board of Directors

The Board currently comprises three Executive Directors ("EDs"), three Non-Executive Directors ("NEDs") and three Independent Non-Executive Directors ("INEDs"). The biographical details of each Director are shown in the Directors' Profile on pages 10 to 12 of this report.

As at 31 December 2010, the Board comprised three EDs, three NEDs and three INEDs.

For the year ended 31 December 2010 and up to the date of this report, the Board has undergone some changes, those changes can be found in the section headed "Directors and Directors' Service Contracts" on page 14 of this report.

Save that Mr. Yu Baodong and Ms. Sun Wei who are also directors of GCL-Poly Energy Holdings Limited, a company listed on the main board of the Stock Exchange, the Board members do not have any family, financial or business relations with each other.

(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; and
- ensuring that the Company communicates with shareholders and the relevant stakeholders transparently and promptly.

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

(3) Board Meetings

There were nine board meetings held during the year. The attendance of Directors at the board meetings was as follows:

	Attendance **No. of meetings attended/** **No. of meetings held during term of service**
Executive Directors	
Mr. Liang Jun	8/9
Mr. Fung Ka Keung, David (appointed on 26 January 2010)	7/9
Ms. Yu Sau Lai	9/9
Non-Executive Directors	
Mr. Yu Baodong *(Chairman)* (appointed as Chairman on 26 January 2010)	5/9
Ms. Sun Wei (appointed on 26 January 2010)	2/9
Mr. Tse On Kin	3/9
Independent Non-Executive Directors	
Mr. Chan Chi Yuen	4/9
Mr. Zhang Xi	5/9
Professor Sit Fung Shuen, Victor (appointed on 7 June 2010)	4/4
Mr. Tsang Kwok Wa (resigned on 7 June 2010)	1/5

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The key role of the Chairman is to provide leadership to the Board. In performing his duties, the Chairman shall ensure that the Board functions effectively in the discharge of its responsibilities. The Chairman also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Company and the Group.

The key role of the CEO is to be responsible for the day-to-day management and operations of the Company and business of the Group. His duties mainly include:

- providing leadership and supervising the effective management of the Company;
- monitoring and controlling the financial and operational performance of various divisions; and
- implementing the strategy and policies adopted by the Company, setting and implementing objectives and development plans.

During the year, the post of CEO has been vacant and the duties of CEO were performed by the other executive Directors of the Company.

(5) NON-EXECUTIVE DIRECTORS

Save that Professor Sit Fung Shuen, Victor, an independent non-executive Director had entered into a service contract with the Company on 7 June 2010 for a fixed term of 3 years commencing from 7 June 2010, during the year under review and up to the date of this report, all NEDs have not been appointed for a specific term of service.

Pursuant to the Articles, all NEDs shall be subject to retirement by rotation at least once every three years at annual general meeting of the Company and shall be eligible for re-election.

REMUNERATION COMMITTEE

A remuneration committee was established in 2006 and its function is to make recommendations to the Board on policies relating to the remuneration of other Directors. In accordance with the Listing Rules, the majority of the members of the remuneration committee are INEDs.

Pursuant to its terms of reference, the remuneration committee's duties and responsibilities include but are not limited to:

- determining the specific remuneration packages of all executive directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment; and
- consulting with the Chairman of the Company where to position the Company relative to comparable companies in terms of remuneration level and board composition.

The written terms of reference of the remuneration committee comply with the Listing Rules, namely Code Provision B.1.3 of the CG Code.

During the year under review and up to the date of this report, the remuneration committee members comprised Mr. Liang Jun, Mr. Chan Chi Yuen and Mr. Zhang Xi. Mr. Liang Jun is the chairman of the remuneration committee of the Company.

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

	Attendance **No. of meetings attended/** **No. of meetings held during term of service**
Mr. Liang Jun *(Chairman)*	2/2
Mr. Chan Chi Yuen	2/2
Mr. Zhang Xi	2/2

NOMINATION COMMITTEE

As at the date of this report, the Company has not set up any nomination committee. Since the Board follows a formal, considered and transparent procedure for the appointment of new Directors, the Board does not consider it necessary to establish a nomination committee to review new appointments of directors and senior executives as well as management succession plans for executive directors and senior executives. The appointment of a new Director is a collective decision of the Board, taking into consideration the candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group.

The appointment of Directors made during the year and up to the date of this report can be found in the section headed "Directors and Directors' Service Contracts" on page 14 of this report.

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$785,000, respectively.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules. The main purpose of the audit committee is to review and provide supervision over the Group's financial reporting process and internal controls. The audit committee comprises three INEDs of the Company.

Pursuant to its terms of reference, the audit committee's duties and responsibilities include but are not limited to:

- 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 financial statements of the Company; and
- reviewing the Company's financial controls, internal control and risk management systems.

The written terms of reference of the audit committee comply with the Listing Rules, namely Code Provision C.3.3 of the CG Code.

The members of the audit committee are Mr. Chan Chi Yuen, Mr. Tsang Kwok Wa (resigned on 7 June 2010), Professor Sit Fung Shuen, Victor (appointed on 7 June 2010) and Mr. Zhang Xi. Mr. Chan Chi Yuen is the chairman of the audit committee.

The audit committee had reviewed and approved the financial statements for the year ended 31 December 2010.

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

	Attendance No. of meetings attended/ No. of meetings held during term of service
Mr. Chan Chi Yuen *(Chairman)*	2/2
Mr. Zhang Xi	2/2
Professor Sit Fung Shuen, Victor (appointed on 7 June 2010)	1/1
Mr. Tsang Kwok Wa (resigned on 7 June 2010)	1/1

INTERNAL CONTROL

The Company's systems of internal control consist of policies and procedures designed to provide management with reasonable assurance that the Company achieves its objectives in the following categories:

- reliability of financial reporting;
- effectiveness and efficiency of operations; and
- compliance with applicable laws and regulations.

The systems of internal control have been maintained within reasonable cost and are assessed on an ongoing basis by the Board and, if considered appropriate and necessary, by external professional bodies. It is the opinion of the Company that given the dynamic and ever-evolving nature of internal operation and industry conditions, the internal control systems can only safeguard against most of the unforeseeable circumstances. Therefore, the Company's internal control systems are subject to occasional reviews and updates.

During the year, the Board appointed an independent accountancy firm to review the effectiveness of certain aspects of the Group's internal control system including financial, operational and compliance controls as well as risk management function. The result has been reported to the Audit Committee. Through the review, no significant weakness was found. The Company will take appropriate measures in respect of those areas that have been indentified for improvement.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2010.

BDO Limited, the auditor of the Company, acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2010.

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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 95, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 judgment, 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 2010 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.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate number P01330

Hong Kong, 30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	5	130,101	111,687
Other income, gains and losses	6	(53,366)	55,392
Fuel costs		(69,450)	(50,342)
Depreciation and amortisation	9	(23,939)	(20,928)
Staff costs	9	(33,600)	(22,072)
Impairment loss on concession intangible assets	15	(24,107)	—
Impairment loss on goodwill	22	(27,550)	—
Change in fair value of contingent consideration payable	30	68,804	—
Change in fair value of the derivative component of convertible bonds	31	2,613	(13,660)
Concession intangible assets maintenance provision	32	(9,579)	(5,970)
Share of profit/(loss) of an associate	23	85	(2)
Other operating expenses		(52,239)	(34,960)
Finance costs	8	(15,335)	(17,914)
(Loss)/profit before income tax	9	(107,562)	1,231
Income tax credit/(expense)	10	731	(7,309)
Loss for the year		(106,831)	(6,078)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations		22,685	477
Reclassification of translation differences upon disposal of foreign operations		2,636	—
		25,321	477
Total comprehensive income for the year		(81,510)	(5,601)
Loss for the year attributable to:			
Owners of the Company		(102,025)	(3,925)
Non-controlling interests		(4,806)	(2,153)
		(106,831)	(6,078)
Total comprehensive income for the year attributable to:			
Owners of the Company		(84,213)	(3,448)
Non-controlling interests		2,703	(2,153)
		(81,510)	(5,601)
Loss per share — basic and diluted (HK cents per share)	13	(0.81)	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**8,750**	10,058
Concession intangible assets	15	**330,876**	363,204
Intangible assets	16	**125,631**	—
Land use rights	17	**—**	4,572
Construction in progress	18	**1,062,977**	816,116
Goodwill	22	**—**	27,312
Investment in associate	23	**85**	—
Pledged bank deposits	20	**—**	17,070
Interest in a jointly controlled entity	21	**15**	—
		1,528,334	1,238,332
Current assets			
Inventories	24	**4,336**	1,618
Trade and other receivables	25	**41,315**	32,515
Trading securities	26	**125,785**	130,994
Loan to an associate	23	**37,000**	37,000
Cash and cash equivalents	27	**564,933**	62,691
		773,369	264,818
Current liabilities			
Trade and other payables	28	**94,896**	154,449
Bank loans	29	**—**	34,140
Amounts due to related companies	42(a)	**—**	80
Amount due to a shareholder	42(a)	**439**	441
Amounts due to minority equity owners of subsidiaries	42(a)	**9,383**	259,230
Tax payable		**6,578**	7,309
		111,296	455,649
Net current assets/(liabilities)		**662,073**	(190,831)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Bank loans	29	**1,102,634**	256,050
Contingent consideration payable	30	**58,096**	—
Provision for maintenance of concession intangible assets	32	**11,717**	3,436
Convertible bonds	31	**—**	19,572
		1,172,447	279,058
NET ASSETS		**1,017,960**	768,443
Capital and reserves attributable to owners of the Company			
Share capital	34	**128,570**	102,570
Reserves		**653,489**	436,056
Equity attributable to owners of the Company		**782,059**	538,626
Non-controlling interests		**235,901**	229,817
TOTAL EQUITY		**1,017,960**	768,443

These financial statements were approved and authorised for issue by the board of directors on 30 March 2011

Liang Jun
Director

Yu Sau Lai
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**659,103**	424,289
Current assets			
Other receivables	25	**182**	22
Cash and cash equivalents	27	**64,396**	10,394
		64,578	10,416
Current liabilities			
Other payables	28	**2,697**	3,968
Amount due to a subsidiary	42(a)	**—**	1,332
Amount due to a shareholder	42(a)	**439**	441
Amounts due to related companies	42(a)	**—**	80
		3,136	5,821
Net current assets		**61,442**	4,595
Non-current liabilities			
Convertible bonds	31	**—**	19,572
Net assets		**720,545**	409,312
EQUITY			
Share capital	34	**128,570**	102,570
Reserves	36	**591,975**	306,742
Total equity		**720,545**	409,312

These financial statements were approved and authorised for issue by the board of directors on 30 March 2011

Liang Jun
Director

Yu Sau Lai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 34)	Share premium HK$'000	Capital reserves HK$'000	Share option reserve HK$'000 (Note 35)	Translation reserve HK$'000 (note)	Accu-mulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2009	81,570	739,908	4,190	5,742	14,982	(493,135)	353,257	3,022	356,279
Profit or loss	–	–	–	–	–	(3,925)	(3,925)	(2,153)	(6,078)
Other comprehensive income									
– Exchange differences on translation of foreign operations	–	–	–	–	477	–	477	–	477
Total comprehensive income for the year	–	–	–	–	477	(3,925)	(3,448)	(2,153)	(5,601)
Acquisition of net assets	–	–	–	–	–	–	–	231,768	231,768
Acquisition of non-controlling interest	–	–	–	–	–	(6,958)	(6,958)	(2,820)	(9,778)
Shares issued at premium	12,000	130,754	–	–	–	–	142,754	–	142,754
Shares issued on conversion of convertible bonds (Note 31)	9,000	44,017	–	–	–	–	53,017	–	53,017
Recognition of share option expenses	–	–	–	4	–	–	4	–	4
As at 31 December 2009	102,570	914,679	4,190	5,746	15,459	(504,018)	538,626	229,817	768,443
Profit or loss	**–**	**–**	**–**	**–**	**–**	**(102,025)**	**(102,025)**	**(4,806)**	**(106,831)**
Other comprehensive income									
– Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**15,175**	**–**	**15,175**	**7,510**	**22,685**
– Reclassification adjustment upon disposal of subsidiary	**–**	**–**	**–**	**–**	**2,636**	**–**	**2,636**	**–**	**2,636**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**17,811**	**(102,025)**	**(84,214)**	**2,704**	**(81,510)**
Acquisition of non-controlling interest	**10,000**	**122,985**	**–**	**–**	**–**	**(52,250)**	**80,735**	**–**	**80,735**
Shares issued at premium	**15,000**	**214,867**	**–**	**–**	**–**	**–**	**229,867**	**–**	**229,867**
Shares issued on conversion of convertible bonds, net of expenses (Note 31)	**1,000**	**16,045**	**–**	**–**	**–**	**–**	**17,045**	**–**	**17,045**
Capital injection of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,380**	**3,380**
As at 31 December 2010	**128,570**	**1,268,576**	**4,190**	**5,746**	**33,270**	**(658,293)**	**782,059**	**235,901**	**1,017,960**

Note: The translation reserve comprises all foreign exchange differences arising from 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).

	2010 HK$'000	2009 HK$'000
Operating activities		
(Loss)/profit before income tax	**(107,562)**	1,231
Adjustments for:		
Loss on disposal of subsidiaries (Note 39)	**3,478**	—
Net loss/(gain) on trading securities	**59,904**	(47,218)
Bank interest income	**(1,754)**	(562)
Depreciation of property, plant and equipment	**3,327**	1,717
Amortisation of land use rights	**48**	82
Amortisation of concession intangible assets	**19,295**	19,129
Amortisation of intangible assets	**1,269**	—
Loss on disposal of property, plant and equipment	**25**	258
Impairment loss on concession intangible assets	**24,107**	—
Impairment loss on goodwill	**27,550**	—
Equity-settled share-based payment expenses	**—**	4
Interest on bank loans	**15,221**	16,280
Imputed interest on convertible bonds	**114**	1,633
Change in fair value of the derivative component of convertible bonds	**(2,613)**	13,660
Change in fair value of contingent consideration payable	**(68,804)**	—
Change in provision for maintenance of concession intangible assets	**8,169**	(1,998)
Share of (profit)/loss of an associate	**(85)**	2
Impairment loss on jointly controlled entity	**242**	—
Effect of foreign exchange rate changes	**(3,523)**	(1,597)
Operating cash flows before working capital changes	**(21,592)**	2,621
(Increase)/decrease in inventories	**(2,718)**	10,694
(Increase)/decrease in trade and other receivables	**(8,800)**	23,433
Decrease in trade and other payables	**(69,214)**	(184,811)
Increase in trading securities	**(54,696)**	(83,776)
(Decrease)/increase in amounts due to related companies	**(80)**	80
Cash used in operations	**(157,100)**	(231,759)
Interest paid on bank loans	**(15,221)**	(16,280)
Interest received	**1,754**	562
Net cash used in operating activities	**(170,567)**	(247,477)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Investing activities		
Purchase of property, plant and equipment	(5,556)	(4,290)
Additions to concession intangible assets	(230)	—
Payments for construction in progress	(205,423)	(171,121)
Disposal of subsidiaries, net of cash disposed (Note 39)	7,391	—
Acquisition of net assets	—	28,381
Proceeds from disposal of property, plant and equipment	1	450
Loan to jointly controlled entity	(257)	—
Loan to an associate	—	(37,000)
Net cash used in investing activities	(204,074)	(183,580)
Financing activities		
Issue of shares	229,867	142,754
Capital injection from non-controlling interest	3,380	—
Acquisition of non-controlling interest	—	(9,778)
Loan from minority equity owners of subsidiaries	—	75,461
Repayment of loan due to minority equity owners of subsidiaries	(169,112)	—
New bank loans	832,020	34,140
Proceeds from pledged bank deposits	17,070	—
Repayment of bank loans	—	(2,936)
Repayment of other borrowings	(47,680)	—
Expenses incurred for redemption of convertible notes	(28)	—
Repayment of loan due to shareholder	(2)	—
Net cash generated from financing activities	865,515	239,641
Net increase/(decrease) in cash and cash equivalents	490,874	(191,416)
Cash and cash equivalents at beginning of the year	62,691	254,092
Effect of foreign exchange rate changes	11,368	15
Cash and cash equivalents at end of the year	564,933	62,691

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 Company acts as an investment holding company. Its principal subsidiaries are principally engaged in waste incineration power generation business and railway construction and operations.

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.

Previously, the directors considered HK$ as the functional currency of the Company. During the year, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from HK$ to RMB starting from 1 January 2010 as RMB has become the currency that mainly influences the operation of the Group's significant entities. The change of functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effect of Changes in Foreign Exchange Rates".

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK Interpretation 5	Presentation of Financial Statements — Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new/revised standards and interpretations has no significant impact on the consolidated financial statements of the Group for both the current and prior reporting periods.

HKFRS 3 (Revised) — Business Combinations and HKAS 27(Revised) — Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 3 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. During the year, the Group has accounted for the contingent consideration for the acquisition of an intangible asset, as set out in Note 37 to the consolidated financial statements, by an analogy to the revised HKFRS 3, which require the cost of the asset to include the fair value of the contingent consideration at the date of purchase, and recognise the subsequent changes to the contingent consideration in profit or loss.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) *(Continued)*

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has adopted the same treatment in respect of transaction with non-controlling interests in prior year.

HK Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of HK Interpretation 5 has had no impact on the Group's consolidated financial statements as at 31 December 2010 and 2009.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group:

		Effective date
HKFRSs (Amendments)	Improvements to HKFRSs 2010	(i)&(ii)
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	(i)
HKAS 24 (Revised)	Related Party Disclosures	(ii)
Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets	(iii)
HKFRS 9	Financial Instruments	(iv)

Effective date:

(i) Annual periods beginning on or after 1 July 2010

(ii) Annual periods beginning on or after 1 January 2011

(iii) Annual periods beginning on or after 1 July 2011

(iv) Annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs and the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

(b) Basis of preparation of consolidated financial statements

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.

(c) 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.

Business combination from 1 January 2010

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 interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Business combination and basis of consolidation *(Continued)*

Business combination from 1 January 2010 *(Continued)*

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 interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at their proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

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

An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

(d) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) 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.

(f) 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.

(g) Goodwill

Goodwill represents 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.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Goodwill *(Continued)*

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

(h) 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 estimated useful lives of 25 years.

(i) 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%

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment *(Continued)*

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.

(j) 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 with finite useful life;
- construction in progress;
- investments in subsidiaries, associates and jointly controlled entity

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.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs on conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method of costing. Net realisable value is determined by reference to the anticipated sales proceeds of items sold in the ordinary course of business less estimated selling expenses after the reporting date or to management estimates based on prevailing market conditions.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

ii) Loans and receivables

Trade and 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.

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

— for trade and 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

iii) Impairment loss on financial assets *(Continued)*

Impairment losses recognised in respect of trade and 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 trade and 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 of financial assets

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.

(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) Convertible bonds

At initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

iii) Convertible bonds *(Continued)*

The derivative component is subsequently remeasured at fair value with changes in fair value recognised in profit or loss. The liability component is subsequently carried at amortised cost. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components are recognised in profit or loss.

iv) 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.

v) 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.

vi) 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

(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 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 expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 operation 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.

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) Short term employee benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

ii) 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Employees' benefits *(Continued)*

iii) 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 Black-Scholes 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) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of 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) Repair and maintenance costs

Replacement spares and labour costs for the routine repairs of the infrastructure of the concession intangible assets are charged to profit or loss in the period in which they are incurred.

The Group's obligations to maintain or restore the infrastructure of the concession intangible assets are measured and recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provision for maintenance obligations is measured at the present value of the expenditures expected to settle the obligations using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligations.

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) 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-apportioned basis, by reference to the principal outstanding and at the interest rate applicable.

iv) Dividend income from investments is recognised when the shareholders' rights to receive payment have been 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) 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 nil consideration.

The provision for maintenance obligations 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.

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

(b) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables 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.

(c) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the future cash flows expected to arise from the products developed 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. The carrying amounts of goodwill and intangible assets at 31 December 2010 were HK$ Nil (2009: HK$27,312,000) and HK$125,631,000 (2009: Nil) respectively. During the year ended 31 December 2010, impairment loss of approximately HK$27,550,000 (2009: Nil) had been recognised for goodwill.

(d) Suspended Investment

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 approximately HK$24,416,000 (2009: Nil).

(e) Contingent consideration payable

The Group has accounted for the contingent consideration in the acquisition of an intangible asset, through the acquisition of subsidiary, by analogy to HKFRS 3 (Revised) — Business Combinations. The number of shares of the Company would be issued as consideration of the acquisition is subject to the results of the acquired subsidiary. The Group 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 Ocean Jade Investments Limited to determine the provision to be made in respect of such contingent consideration. 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 2010, total provision made in respect of contingent consideration by the Group amounted to HK$58,096,000 and was included in contingent consideration payable.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

5. TURNOVER

Turnover, which is also revenue, represents the amount received and receivable for waste incineration power generation and waste handling income:

	2010 HK$'000	2009 HK$'000
Waste incineration power generation income	99,994	87,382
Waste handling income	30,107	24,305
	130,101	111,687

6. OTHER INCOME, GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Net (loss)/gain on trading securities		
Change in fair value of trading securities	(72,247)	41,015
Gain on disposal of trading securities	12,343	6,203
	(59,904)	47,218
VAT refund on waste incineration power generation income (note)	4,818	6,084
Bank interest income	1,754	562
Property tax refund	1,425	—
Loan interest received	1,110	—
Others	1,151	594
Loss on disposal of subsidiaries (Note 39)	(3,478)	—
Impairment loss on jointly controlled entity	(242)	—
Net exchange gains	—	934
	(53,366)	55,392

Note: 東莞中科 is a designated environmental protection enterprise and was entitled to VAT refund based on the excess of the output VAT on electricity sale over the input VAT on purchases.

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.

The Group has two reportable segments in 2010 (2009: 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:

— Waste incineration power generation business
— Railway construction and operations

7. SEGMENT INFORMATION *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Segment revenue from external customers		
Waste incineration power generation business	**130,101**	111,687
Railway construction and operations	**—**	—
	130,101	111,687
Segment (loss)/profit		
Waste incineration power generation business	**(32,630)**	3,184
Railway construction and operations	**(11,415)**	(1,812)
	(44,045)	1,372
Share of profit/(loss) of an associate	**85**	(2)
Impairment loss on jointly controlled entity	**(242)**	—
Finance costs	**(117)**	(1,849)
Impairment loss on goodwill	**(27,550)**	—
Unallocated corporate income and expenses (net)	**(35,693)**	1,710
(Loss)/profit before income tax	**(107,562)**	1,231

	2010 HK$'000	2009 HK$'000
Segment assets		
Waste incineration power generation business	**364,425**	358,426
Railway construction and operations	**1,569,655**	869,185
Intangible assets	**125,631**	—
Trading securities	**125,785**	130,994
Loan to an associate	**37,000**	37,000
Unallocated corporate assets	**79,207**	107,545
	2,301,703	1,503,150
Segment liabilities		
Waste incineration power generation business	**294,115**	325,029
Railway construction and operations	**918,173**	394,118
Contingent consideration payable	**58,096**	—
Unallocated corporate liabilities	**13,359**	15,560
	1,283,743	734,707

Geographical information and major customers

The Group's entire operations, non-current assets and all its customers; are located in the PRC. Revenue from the Group's largest customer of the waste incineration power generation business segment represents approximately HK$99,994,000 (2009: HK$87,382,000) of the Group's total revenue. No other customer accounted for 10% or more of the total revenue for the year ended 31 December 2010 and 2009.

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings:		
wholly repayable within one year	10,350	—
wholly repayable after two years but within five years	15,218	20,218
wholly repayable after five years	8,514	—
Imputed interest on convertible bonds (Note 31)	114	1,633
Bank overdraft interest	3	215
Other finance cost	—	128
Total borrowing costs	34,199	22,194
Less: Amount capitalised in construction in progress on specific borrowings	(18,864)	(4,280)
	15,335	17,914

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Amortisation of concession intangible assets	19,295	19,129
Depreciation of property, plant and equipment	3,327	1,717
Amortisation of intangible assets	1,269	—
Amortisation of land use rights	48	82
	23,939	20,928
Staff costs, including directors' remunerations:		
Salaries, wages and other benefits	32,450	21,310
Equity-settled share-based payment expenses	—	4
Contributions to defined contribution retirement scheme	1,150	758
	33,600	22,072
Auditor's remuneration	1,585	1,132
Loss on disposal of property, plant and equipment	25	258
Operating lease rentals in respect of land and buildings	4,950	2,834

10. INCOME TAX

(a) Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards.

(b) The income tax (credit)/expense for the year can be reconciled to the accounting (loss)/profit as follows:

	2010 **HK$'000**	2009 HK$'000
(Loss)/profit before income tax	**(107,562)**	1,231
Taxation calculated at PRC enterprise income tax rate of 25%	**(26,891)**	308
Tax effect of expenses not deductible for taxation purpose	**22,322**	4,850
Tax effect of non-taxable items	**(12,749)**	(70)
Tax effect of unrecognised tax losses and temporary differences	**13,601**	2,447
Overprovision in prior years	**(731)**	—
Differential tax rate	**3,717**	(226)
Income tax (credit)/expense for the year	**(731)**	7,309

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Year ended 31 December 2010

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors					
Liang Jun	–	1,300	–	12	1,312
Yu Sau Lai	–	546	–	12	558
Fung Ka Keung (i)	–	606	–	11	617
Non-executive directors					
Tse On Kin	444	–	–	–	444
Sun Wei (i)	414	–	–	–	414
Yu Baodong	–	–	–	–	–
Independent non-executive directors					
Chan Chi Yuen	120	–	–	–	120
Tsang Kwok Wa (iii)	52	–	–	–	52
Zhang Xi	120	–	–	–	120
Sit Fung Shuen (ii)	68	–	–	–	68
	1,218	2,452	–	35	3,705

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2009

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors					
Chan Ka Fat (iv)	—	294	174	4	472
Chan Wai Ming (v)	—	180	—	3	183
Liang Jun	—	810	—	12	822
Yu Sau Lai	—	376	—	9	385
Non-executive directors					
Tse On Kin	396	—	—	—	396
Yu Baodong	—	—	—	—	—
Independent non-executive directors					
Chan Chi Yuen	108	—	—	—	108
Tsang Kwok Wa	113	—	—	—	113
Zhang Xi	108	—	—	—	108
	725	1,660	174	28	2,587

(i) Appointed as director of the Company with effect from 26 January 2010.
(ii) Appointed as director of the Company with effect from 7 June 2010.
(iii) Resigned as director of the Company with effect from 7 June 2010.
(iv) Resigned as director of the Company with effect from 28 April 2009.
(v) Resigned as director of the Company with effect from 30 March 2009.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group included three (2009: two) directors, details of whose emoluments are set out in (a) above. The emoluments of the remaining two (2009: three) highest paid non-director individuals for the years ended 31 December 2010 and 2009, are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,339**	1,412
Contributions to defined contribution retirement scheme	**24**	28
	1,363	1,440

The emoluments of the highest paid individuals, other than the directors of the Company, were within the following band:

	2010 Number of employees	2009 Number of employees
HK$Nil to HK$1,000,000	**2**	3

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group during the year.

12. DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2010 (2009: Nil).

The directors do not recommend the payment of any dividend for 2010 (2009: Nil).

13. LOSS PER SHARE

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

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company	**(102,025)**	(3,925)

(b) Weighted average number of ordinary shares

The weighted average number of ordinary shares in issue during the year ended 31 December 2010 was 12,624,150,388 (2009: 8,879,218,881).

	2010	2009
Basic loss per share (HK cents)	**(0.81)**	(0.04)

(c) Diluted loss per share was not presented for both years as the potential ordinary shares and contingent consideration shares are anti-dilutive.

(d) The consolidated loss attributable to equity owners of the Company includes a loss of HK$59,551,000 (2009: loss of HK$23,902,000) which has been dealt with in the financial statements of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
The Group					
Cost:					
As at 1 January 2009	2,741	733	3,042	894	7,410
Through acquisition of net assets	—	139	513	2,472	3,124
Additions	—	231	1,094	2,965	4,290
Disposals	—	—	(450)	(375)	(825)
Exchange adjustment	5	—	5	9	19
As at 31 December 2009	2,746	1,103	4,204	5,965	14,018
Additions	—	1,391	1,088	3,077	5,556
Disposals	(2,258)	(246)	(243)	(2,497)	(5,244)
Exchange adjustment	33	13	91	181	318
As at 31 December 2010	521	2,261	5,140	6,726	14,648
Accumulated depreciation:					
As at 1 January 2009	466	351	951	587	2,355
Charge for the year	124	281	695	617	1,717
Eliminated on disposals	—	—	(47)	(70)	(117)
Exchange adjustment	1	—	2	2	5
As at 31 December 2009	591	632	1,601	1,136	3,960
Charge for the year	82	459	853	1,933	3,327
Eliminated on disposals	(548)	(196)	(209)	(583)	(1,536)
Exchange adjustment	8	11	48	80	147
As at 31 December 2010	133	906	2,293	2,566	5,898
Carrying amount:					
As at 31 December 2010	388	1,355	2,847	4,160	8,750
As at 31 December 2009	2,155	471	2,603	4,829	10,058

Note:

ASSETS PLEDGED AS SECURITY

The Group has pledged property, plant and equipment having a carrying amount at 31 December 2010 of HK$1,204,000 (2009: HK$1,446,000) to secure banking facilities granted to the Group (Note 29).

15. CONCESSION INTANGIBLE ASSETS

	The Group HK$'000
Cost:	
As at 1 January 2009	400,744
Exchange adjustment	741
As at 31 December 2009	401,485
Additions	230
Exchange adjustment	13,125
As at 31 December 2010	414,840
Accumulated amortisation and impairment:	
As at 1 January 2009	19,083
Charge for the year	19,129
Exchange adjustment	69
As at 31 December 2009	38,281
Charge for the year	19,295
Impairment loss (Note 22)	24,107
Exchange adjustment	2,281
As at 31 December 2010	83,964
Carrying amount:	
As at 31 December 2010	330,876
As at 31 December 2009	363,204

Notes:

a) 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.

b) Assets pledged as security

The Group has pledged concession intangible assets having a carrying amount at 31 December 2010 of HK$330,876,000 (2009: HK$363,204,000) to secure banking facilities granted to the Group (Note 29)

16. INTANGIBLE ASSETS

	Contract of Affreightment The Group HK$'000
Cost:	
As at 31 December 2008 and 2009	—
Additions from acquisition of net assets (Note 37)	126,900
As at 31 December 2010	126,900
Accumulation amortisation:	
As at 31 December 2008 and 2009	—
Charge for the year	1,269
As at 31 December 2010	1,269
Carrying amount:	
As at 31 December 2010	125,631
As at 31 December 2009	—

17. LAND USE RIGHTS

	The Group HK$'000
Cost:	
As at 1 January 2009	4,858
Exchange adjustment	9
As at 31 December 2009	4,867
Disposal	(4,910)
Exchange adjustment	43
As at 31 December 2010	—
Accumulated amortisation:	
As at 1 January 2009	212
Charge for the year	82
Exchange adjustment	1
As at 31 December 2009	295
Charge for the year	48
Disposal	(345)
Exchange adjustment	2
As at 31 December 2010	—
Carrying amount:	
As at 31 December 2010	—
As at 31 December 2009	4,572

Land use rights were held in the PRC under a medium term lease.

18. CONSTRUCTION IN PROGRESS

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
As at beginning of year	**816,116**	—
Additions through acquisition of net assets	**—**	643,698
Additions	**215,094**	171,121
Exchange adjustment	**31,767**	1,297
As at end of year	**1,062,977**	816,116

Construction in progress represents railway construction costs in the PRC.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**912,276**	668,349
	912,277	668,350
Less: Impairment loss	**(253,174)**	(244,061)
	659,103	424,289

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.

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2010 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	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
東莞中科環保電力有限公司 ("東莞中科")	PRC, limited liability company	RMB110,000,000	–	100%	Waste incineration power generation business
Ocean Jade Investments Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Gofar Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
China Railway Logistic Holdings (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 42(e).

(b) Equity and assets pledges were executed in respect of these subsidiaries in favour of a connected party as detailed in Note 42(e).

19. INTERESTS IN SUBSIDIARIES *(Continued)*

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 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.

20. PLEDGED BANK DEPOSITS

As at 31 December 2009, the Group had pledged bank deposits of RMB15,000,000, equivalent to HK$17,070,000 to secure certain bank loans granted to the Group (Note 29). The pledged bank deposits were released during the year ended 31 December 2010.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group HK$'000
Investment in a jointly controlled entity	—
Amount due from a jointly controlled entity	257
Less: impairment loss on jointly controlled entity	(242)
	15

Amount due from a jointly controlled entity are 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 jointly controlled entities are set out in Note 37. The summary financial information related to the Group's interest in jointly controlled entities are as follows:

	The Group HK$'000
Current assets	2
Current liabilities	(244)
Net liabilities	(242)
Revenue	—
Loss for the year	(242)

22. GOODWILL

	The Group HK$'000
Cost:	
As at 1 January 2009	40,747
Exchange adjustment	75
As at 31 December 2009	40,822
Exchange adjustment	1,334
As at 31 December 2010	42,156
Accumulated impairment:	
As at 1 January 2009	13,486
Exchange adjustment	24
As at 31 December 2009	13,510
Impairment on goodwill	27,550
Exchange adjustment	1,096
As at 31 December 2010	42,156
Carrying amount:	
As at 31 December 2010	—
As at 31 December 2009	27,312

Goodwill acquired in a business combination is allocated, on acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to waste incineration power generation operation.

During the year, the Group assessed the recoverable amount of the CGU with reference to an independent valuation, and determined that goodwill of HK$27,550,000 and the related intangible assets of HK$24,107,000 (Note 15) should be impaired. The recoverable amounts of the CGUs are determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Key assumptions used for value-in-use calculations are as follows:

	2010 **HK$'000**	2009 HK$'000
Growth rate	**3.00%**	2.50%
Discount rate	**13.69%**	16.73%

Management estimated the budgeted gross margin based on the past performance and their expectations for market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

23. INTEREST IN AN ASSOCIATE

	The Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**85**	—
Loan to an associate (note)	**37,000**	37,000

Note: The loan is unsecured, interest bearing at 3% per annum (2009: 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%

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Total assets	**38,712**	34,625
Total liabilities	**(38,429)**	(37,319)
Net assets/(liabilities)	**283**	(2,694)
Group's share of net assets of associates	**85**	—
Total revenue	**1,874**	1,441
Total profit/(loss) for the period	**2,977**	(2,702)
Group's share of profit/(loss) of associate for the period	**85**	(2)

23. INTEREST IN AN ASSOCIATE *(Continued)*

During the year ended 31 December 2009, the Group had discontinued recognition of its share of loss of the above associate. The amounts of unrecognised share of this associate, both for the year and cumulatively, are as follows:

	2010 HK$'000	2009 HK$'000
Unrecognised share of loss of an associate for the year	–	81
Accumulated unrecognised share of loss of an associate	–	81

24. INVENTORIES

	The Group	
	2010 HK$'000	2009 HK$'000
Fuel and supplies for power generation	4,336	1,618

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade receivables	14,585	16,853	–	–
Other receivables	62,630	93,406	36,082	35,922
Less: Allowance for doubtful debts	(35,900)	(77,744)	(35,900)	(35,900)
Other receivables, net	26,730	15,662	182	22
	41,315	32,515	182	22

i) The movement in the allowance for doubtful debts for other receivables during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At beginning of the year	77,744	77,667	35,900	35,900
Provision attributable to disposed subsidiary	(42,150)	–	–	–
Exchange adjustment	306	77	–	–
At end of the year	35,900	77,744	35,900	35,900

25. TRADE AND OTHER RECEIVABLES *(Continued)*

ii) The Group normally allows an average credit period of 30 days to its trade customers. The ageing analysis of trade receivables as at the reporting date is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables		
0 to 30 days	**14,585**	16,853
Over 30 days	**—**	—
	14,585	16,853

iii) The directors consider the carrying amounts of trade and other receivables approximate their fair values.

iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**14,585**	16,853
Less than 1 month past due	**—**	—
	14,585	16,853

Trade receivables that were past due but not impaired last year relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

v) The carrying amounts of trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**5,890**	2,983	**182**	22
Renminbi	**35,425**	29,532	**—**	—
	41,315	32,515	**182**	22

26. TRADING SECURITIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong listed equity securities at fair value	**125,785**	130,994

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 approximately HK$24,416,000 (2009: Nil).

27. 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.

The carrying amounts of cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**92,747**	13,014	**64,396**	10,394
Renminbi	**472,186**	49,677	**—**	—
	564,933	62,691	**64,396**	10,394

Renminbi ("RMB") is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC Government.

28. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables as at the end of reporting period is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables — current and up to 30 days	**13,049**	21,517	**—**	—
Construction cost payables	**56,393**	97,287	**—**	—
Other payables	**25,454**	35,645	**2,697**	3,968
	94,896	154,449	**2,697**	3,968

28. TRADE AND OTHER PAYABLES *(Continued)*

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**5,526**	7,132	**2,697**	3,968
Renminbi	**89,370**	147,317	**—**	—
	94,896	154,449	**2,697**	3,968

The directors consider the carrying amounts of trade and other payables approximate their fair values.

29. BANK LOANS

At 31 December 2010, total bank loans were scheduled to be repaid as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
On demand or within one year (ii)	**—**	34,140
More than two years but not exceeding five years (iii) & (iv)	**603,427**	256,050
After five years (iv)	**499,207**	—
	1,102,634	290,190
Current liabilities	**—**	(34,140)
Non-current liabilities	**1,102,634**	256,050

(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 the loan in the original denominated borrowing currency was RMB30,000,000. The loan borne interest at 6.5% per annum and was repaid in full in February 2010.

29. BANK LOANS *(Continued)*

(iii) The amount of bank loan in the original denominated borrowing currency is RMB213,464,000 equivalent to HK$250,860,000 (2009: RMB225,000,000 equivalent to HK$256,050,000). The average effective interest rate for the year is 6.11% (2009: 6.29%) per annum.

The bank loans at 31 December 2009, were secured by a deposit of RMB15,000,000 equivalent to HK$17,070,000 (Note 20), the pledged deposit was released during the year ended 31 December 2010. In addition, the Group pledged to the bank with property, plant and equipment amounted to RMB1,025,000 equivalent to HK$1,204,000 (Note 14) (2009: RMB1,271,000 equivalent to HK$1,446,000) and concession intangible assets amounted to RMB281,552,000 equivalent to HK$330,876,000 (Note 15) (2009: RMB319,160,000 equivalent to HK$363,204,000) in respect to the waste incineration power generation plant in the PRC, corresponding waste incineration licence and related income generated from the project (including waste handling income and electricity generation income).

(iv) The amount of bank loans in the original denominated borrowing currency is RMB724,800,000 equivalent to HK$851,774,000 as at 31 December 2010. The average effective interest rate for the year is 7.368% per annum. The bank loans were secured by guarantee provided by a connected party. In return, the Company agreed to provide a counter-indemnity, share mortgage, equity and assets pledges in favour of the connected party as detailed in Note 42(e).

30. CONTINGENT CONSIDERATION PAYABLE

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost:		
At beginning of the year	**—**	—
Additions from acquisition of net assets (Note 37)	**126,900**	—
Less: change in fair value	**(68,804)**	—
At end of the year	**58,096**	—

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 in accordance with the agreements. 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.

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 2010, the fair value of contingent consideration was reduced by approximately HK$68.80 million as a result of the directors re-estimation of the fair value of contingent consideration payable.

31. CONVERTIBLE BONDS

On 30 September 2008, the Company issued 2% convertible bonds at a nominal value of HK$200,000,000 with interest payable annually. The convertible bonds have a maximum maturity period of 2 years from the issue date and are convertible into ordinary shares of the Company at a conversion price of HK$0.05 each at the holder's option. This conversion price is subject to adjustments under certain circumstances as stipulated in the terms and conditions of the convertible bonds contemplated under the Subscription Agreements.

As the convertible bonds do not entitle their holders to convert them into a fixed number of equity instruments of the Company at a fixed conversion price, they are regarded as financial liabilities consisting of liability and derivative components.

At the date of issue, the fair value of the derivative component was estimated by a firm of professional valuers using Black-Scholes Option Pricing Model, and this amount is carried as a derivative liability until extinguished on conversion or redemption. The balance of the proceeds of the convertible bonds was allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains or losses recognised in profit or loss. The assumptions of the valuation of the derivative component of the convertible bonds are set out as follows:

	31 December 2009
Share price	HK$0.181
Exercise price	HK$0.040
Expected volatility	72.05%
Expected option life	0.75 year
Expected dividends	Nil
Risk-free interest rate	0.190%

The movement of the convertible bonds is summarised as follows:

	Liability component HK$'000	**Derivative component** HK$'000	**Total** HK$'000
As at 1 January 2009	17,413	39,883	57,296
Imputed interest	1,633	—	1,633
Changes in fair value	—	13,660	13,660
Partial conversion into ordinary shares	(17,122)	(35,895)	(53,017)
As at 31 December 2009	1,924	17,648	19,572
Imputed interest	114	—	114
Changes in fair value	—	(2,613)	(2,613)
Full conversion into ordinary shares	(2,038)	(15,035)	(17,073)
As at 31 December 2010	—	—	—

During the year, convertible bonds in an aggregate principal amount of HK$5,000,000 (2009: HK$45,000,000) were converted into 100,000,000 (2009: 900,000,000) ordinary shares of the Company at a conversion price of HK$0.05 each. All convertible bonds had been converted during the year and no outstanding convertible bond as at 31 December 2010.

32. PROVISION FOR MAINTENANCE OF CONCESSION INTANGIBLE ASSETS

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

	The Group	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**3,436**	5,419
Additional provision	**9,579**	5,970
Utilised during the year	**(1,410)**	(7,968)
Exchange adjustment	**112**	15
At end of the year	**11,717**	3,436

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.

33. 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 2010 and 2009.

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$25,680,000 (2009: HK$16,920,000) and HK$3,660,000 (2009: HK$3,660,000) respectively available for offset against future profits indefinitely.

34. SHARE CAPITAL

(a) Authorised share capital

	Number of ordinary shares of HK$0.01 each		Amount	
	2010	2009	**2010 HK$'000**	2009 HK$'000
Authorised ordinary shares:				
At beginning and end of the year	**120,000,000,000**	120,000,000,000	**1,200,000**	1,200,000

	Number of preference shares of HK$0.01 each		Amount	
			HK$'000	HK$'000
Authorised preference shares class A:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000
Authorised preference shares class B:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**100,000**	100,000

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.

34. SHARE CAPITAL *(Continued)*

(a) Authorised 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.

34. SHARE CAPITAL *(Continued)*

(b) Issued and fully paid share capital

	Number of ordinary shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
At 1 January 2009	8,157,027,100	81,570
New issue and allotment of shares	1,200,000,000	12,000
Issued on the conversion of the convertible bonds (Note 31)	900,000,000	9,000
At 31 December 2009	10,257,027,100	102,570
New issue and allotment of shares (note a)	1,500,000,000	15,000
Issue of shares for acquisition of non-controlling interest (note a)	1,000,000,000	10,000
Issued on the conversion of the convertible bonds (note a and Note 31)	100,000,000	1,000
At 31 December 2010	12,857,027,100	128,570

Note (a):

The issued share capital of the Company was increased to HK$128,570,000 by:

1) the placement of 1,500,000,000 ordinary shares of HK$0.159 each for cash in January 2010 to provide additional working capital to the Company;

2) the issue of 1,000,000,000 ordinary shares for acquisition of the remaining 30% interest in Gofar; and

3) the issue of 100,000,000 ordinary shares at the conversion price of HK$0.05 each on the conversion of the convertible bonds during 2010. Such ordinary shares rank pari passu in all respects with the then existing ordinary shares of the Company.

35. 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.

35. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

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.

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	**2010**	2009	**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.

35. SHARE OPTIONS *(Continued)*

2002 Share Option Scheme *(Continued)*

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

	2010		2009	
	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
Exercisable at the end of the year	**1,200**	**0.6892**	1,200	0.6892

The options outstanding at 31 December 2010 had an exercise price between HK$0.688 and HK$0.69 (2009: HK$0.688 and HK$0.69) and a weighted average remaining contractual life of 0.99 years (2009: 1.99 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 New 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.

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.

35. SHARE OPTIONS *(Continued)*

2008 Share Option Scheme *(Continued)*

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.

As at 31 December 2010 and 2009, no share option had been issued under the 2008 Share Option Scheme.

36. RESERVES

The Company

	Share capital HK$'000 (Note 34)	**Share premium** HK$'000	**Capital reserve** HK$'000	**Share Option reserve** HK$'000 (Note 35)	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 January 2009	81,570	739,908	4,190	5,742	(593,971)	237,439
Total comprehensive income for the year	—	—	—	—	(23,902)	(23,902)
Shares issued at premium	12,000	130,754	—	—	—	142,754
Shares issued on conversion of convertible bonds (Note 31)	9,000	44,017	—	—	—	53,017
Recognition of share option expenses (Note 35)	—	—	—	4	—	4
As at 31 December 2009	102,570	914,679	4,190	5,746	(617,873)	409,312
Total comprehensive income for the year	—	—	—	—	(68,664)	(68,664)
Shares issued at premium	25,000	337,852	—	—	—	362,852
Shares issued on conversion of convertible bonds (Note 31)	1,000	16,045	—	—	—	17,045
As at 31 December 2010	128,570	1,268,576	4,190	5,746	(686,537)	720,545

The Company did not have any reserves available for distribution to shareholders as at 31 December 2010 and 2009. 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.

37. ACQUISITION OF NET ASSETS

On 19 May 2010, the Group had completed the acquisition of 100% equity interest in Ocean Jade Investments Limited ("Ocean Jade") from Golden Concord, a company incorporated in Hong Kong which is beneficially owned by a discretionary trust of which Mr. Zhu, a director of a subsidiary of the Company, and his family are beneficiaries. The acquisition is to be satisfied by the issue of 1,000,000,000 consideration shares to the Vendor, subject to the adjustment as explained below.

Pursuant to the supplemental agreement, the Vendor has undertaken the net profit after tax of Ocean Jade (as shown in the audited consolidated financial statements of Ocean Jade to be prepared in accordance with the HKFRSs for the first 12 months after the commencement of commercial operation of the last of the four vessels acquired in accordance with the jointly controlled agreement, in which Ocean Jade is a party) shall not be less than HK$20,000,000. In the event the guaranteed profit is not met, the number of consideration shares that Golden Concord is entitled shall be reduced pro-rata to the actual shortfall.

Ocean Jade and its jointly controlled entity had started to commence business during the year ended 31 December 2010 and hold primarily 50% interest in the Contract of Affreightment (運輸合同) dated 30 March 2010 ("the COA") in relation to the provision of coal shipment services by the jointly controlled entity. As such, the directors of the Company are of the view that the acquisition of 100% interest in Ocean Jade is a purchase of intangible asset, which does not constitute a business combination for accounting purposes.

Since the transaction is considered as a purchase of asset and the consideration will be settled by the Company's equity instruments, the acquisition is an equity-settled share-based payment transaction in accordance with HKFRS 2 "Share based Payment"; accordingly the fair value of equity instruments should be recognised based on the fair value of the assets acquired. However, in the opinion of the directors, the fair value of the sole asset acquired, the COA, cannot be estimated reliably, therefore, following HKFRS 2, the fair value of the COA was determined by reference to the fair value of the consideration shares to be issued to the Vendor upon completion.

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

38. ACQUISITION OF NON-CONTROLLING INTERESTS

On 24 August 2009, the Group entered into a sales and purchase agreement with Fast Sky Holdings Limited ("Fast Sky"), pursuant to which the Group agreed to acquire from Fast Sky the remaining 30% equity interest in Gofar Holdings Limited ("Gofar") of which the Group is interested in as to 70% at a consideration of HK$61,200,000 satisfied by the Group by procuring the Company to issue 1,000,000,000 consideration shares at HK$0.0612 each upon completion. The acquisition of the remaining 30% interest had been completed on 11 February 2010, and Gofar became the wholly owned subsidiary of the Group.

39. DISPOSAL OF SUBSIDIARIES

On 9 July 2010, the Group entered into a sale and purchase agreement with independent third parties, pursuant to which the Group disposed of the entire equity interest of China Science Green Energy Investments Limited ("China Science Green Energy") for a consideration of HK$5,700,000. China Science Green Energy ceased to be a subsidiary upon completion of the disposal.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

On 31 December 2010, the Group entered into a sale and purchase agreement with independent third parties, pursuant to which the Group disposed of the entire equity interest of East Grand Limited ("East Grand") for a consideration of HK$2,000,000. East Grand ceased to be a subsidiary upon completion of the disposal.

	China Science Green Energy 2010 HK$'000	East Grand 2010 HK$'000	Total 2010 HK$'000
Net assets disposed of:			
Property, plant and equipment	1,770	1,914	3,684
Land use right	4,557	—	4,557
Bank balances and cash	302	—	302
Other payables	(8)	—	(8)
Translation reserve realised upon disposal	2,636	—	2,636
	9,257	1,914	11,171
(Loss)/gain on disposal	(3,564)	86	(3,478)
Total consideration	5,693	2,000	7,693
Satisfied by:			
Cash	5,700	2,000	7,700
Direct expenses incurred in connection with disposal of subsidiary	(7)	—	(7)
	5,693	2,000	7,693
Net cash inflow arising on disposal:			
Cash consideration	5,700	2,000	7,700
Direct expenses incurred in connection with the disposal of subsidiary	(7)	—	(7)
Bank balances and cash disposed of	(302)	—	(302)
	5,391	2,000	7,391

40. CAPITAL COMMITMENTS

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Authorised and contracted for in respect of construction of railway:		
Zunxiao Company	**294,313**	123,180
Kuanping Company	**23,307**	40,330
Tangcheng Company	**286,727**	192,947
	604,347	356,457

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% respectively as at 31 December 2010. (2009: 43.75%, 43.75% and 35.70%)

41. OPERATING LEASE COMMITMENTS

	The Group	
	2010	2009
	HK$'000	HK$'000
Minimum lease payments under operating leases charged as expense in the year	**4,570**	1,864

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**4,591**	1,802
In the second to fifth years inclusive	**5,595**	284
	10,186	2,086

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.

42. 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, related companies and a subsidiary 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. Total management fee paid during the current year amounted to approximately HK$2,749,000 (2009: HK$2,250,000).

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

(d) On 19 May 2010, the Group had completed the acquisition of 100% equity interest in Ocean Jade Investments Limited ("Ocean Jade") from a related party (Note 37).

(e) On 1 November 2010, Chengde Zunxiao Railway Limited, Chengde Kuanping Railway Limited and Tangshan Tangcheng Railway Transportation Company Limited, ("the three PRC non-wholly owned subsidiaries") entered into the loan agreements with the bank whereby the bank agreed to grant them loan facilities, in aggregate, up to RMB1,033,000,000 equivalent to HK$1,213,966,000 for the purposes of railways construction.

Both China Railway Logistic Holdings ("CRL"), the immediate holding company of the three PRC non-wholly owned subsidiaries, and Golden Concord Holdings Limited ("Golden Concord"), a company incorporated in Hong Kong which is beneficially owned by a discretionary trust of which Mr. Zhu, a director of a subsidiary of the Company, and his family are beneficiaries, shall execute and deliver the deeds of guarantee to the bank to guarantee the performance of the obligations of the three PRC non-wholly owned subsidiaries under the loan agreements.

Also on 1 November 2010, the Company agreed to provide a counter-indemnity to indemnify Golden Concord to the extent of the percentage of equity interest held by the Group in the three PRC non-wholly owned subsidiaries as at the date of the counter-indemnity of up to RMB602,155,000 equivalent to HK$707,641,000 (excluding all related accrued interest, costs and expenses incurred, if any), the share mortgage in respect of the entire issued share capital of CRL, and the equity and assets pledges in respect of the equity interests and the entire assets of each of the three PRC non-wholly owned subsidiaries in favour of Golden Concord. This constitutes continuing connected transactions as defined under the Listing Rules.

43. 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 trade and other payables, as shown in the statement of financial position less pledged bank deposits and cash and bank balances. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

During the year ended 31 December 2010, the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio of not more than 100%.

The gearing ratio as at 31 December 2010 and 2009 were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current liabilities	**111,296**	455,649
Non-current liabilities	**1,172,447**	279,058
Total borrowings	**1,283,743**	734,707
Less: Pledged bank deposits (Note 20)	**—**	(17,070)
Less: Cash and bank balances (Note 27)	**(564,933)**	(62,691)
Net debt	**718,810**	654,946
Total equity	**1,017,960**	768,443
Total capital	**1,736,770**	1,423,389
Gearing ratio	**41%**	46%

44. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, currency risks and equity price risk 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, currency risk and equity price risk arising from movements in its own equity share price.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

The Group does not consider it necessary to use derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 the reporting date, the Group has a concentration of credit risk as over 62% (2009: 63%) and over 83% (2009: 84%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The credit risk arising from the Group's largest customer is not considered to be high as it is a local government authority.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to trade receivables are the carrying amount of trade receivables as stated in the statement of financial position. Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade receivables are set out in Note 25.

(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.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

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:

The Group

2010	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
Trade and other payables	94,896	94,896	94,896	–	–	–
Amounts due to minority equity owners of subsidiaries	9,383	9,383	9,383	–	–	–
Amount due to a shareholder	439	439	439	–	–	–
Bank loans	1,102,634	1,514,616	78,265	215,301	661,899	559,151
	1,207,352	1,619,334	182,983	215,301	661,899	559,151

2009	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
Trade and other payables	154,449	154,449	154,449	–	–	–
Amounts due to minority equity owners of subsidiaries	259,230	259,230	259,230	–	–	–
Amounts due to related companies	80	80	80	–	–	–
Amount due to a shareholder	441	441	441	–	–	–
Convertible bonds	19,572	5,075	5,075	–	–	–
Bank loans	290,190	364,900	50,511	16,093	298,296	–
	723,962	784,175	469,786	16,093	298,296	–

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

2010	**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**
Other payables	**2,697**	**2,697**	**2,697**	**—**
Amount due to a shareholder	**439**	**439**	**439**	**—**
	3,136	**3,136**	**3,136**	**—**

2009	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
Other payables	3,968	3,968	3,968	—
Amount due to a subsidiary	1,332	1,332	1,332	—
Amount due to a shareholder	441	441	441	—
Amounts due to related companies	80	80	80	—
Convertible bonds	19,572	5,075	5,075	—
	25,393	10,896	10,896	—

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(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	**2010 HK$'000**	Effective Interest Rate	2009 HK$'000
Fixed rate borrowings:				
Convertible bonds	**–**	**–**	2.00%	19,572
Bank loans	**7.37%**	**851,774**	6.50%	34,140
Variable rate borrowings:				
Bank loans	**6.21%**	**250,860**	6.29%	256,050
		1,102,634		309,762
Total borrowings				
Fixed rate borrowings as a percentage of total borrowings		**77%**		17%

	The Company			
	Effective Interest Rate	**2010 HK$'000**	Effective Interest Rate	2009 HK$'000
Fixed rate borrowings:				
Convertible bonds	**–**	**–**	2.00%	19,572

At 31 December 2010, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would increase or decrease the Group's loss for the year and accumulated losses by HK$2,509,000 (2009: HK$2,560,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for year ended 31 December 2009.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk

The Group's monetary assets and transactions are principally denominated in HK$ and RMB. The Group is exposed to foreign exchange risk arising from movement in the exchange rate between HK$ and RMB. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

An analysis of the Group's sensitivity to a 4% fluctuation in the exchange rate between RMB and HK$ was performed assuming that the change in the exchange rate had occurred at the reporting date. 4% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rate of RMB against HK$. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 4% change in foreign currency rate. Where RMB strengthens against HK$ by 4%, the Group's loss will be increased by HK$13,443,000 (2009: HK$2,749,000) and the accumulated losses will be increased by the same amount. For a weakening of RMB against HK$, there would be an equal and opposite impact on the loss for the year and accumulated losses.

(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 derivatives of the Group and the share prices of the Group's trading securities at the reporting date. As at the reporting date the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in Note 31.

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 conversion option of the convertible bonds and 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.

44. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Equity price risk *(Continued)*

Sensitivity analysis *(Continued)*

The Group and Company	2010 Increase in the relevant risk variable	2010 Effect on loss for the year and accumulated losses HK$'000	2010 Effect on other components of equity HK$'000	2009 Increase in the relevant risk variable	2009 Effect on loss for the year and accumulated losses HK$'000	2009 Effect on other components of equity HK$'000
– Company's own share price	10%	5,810	–	10%	2,257	–
– financial assets at fair value through profit or loss	10%	(12,579)	–	10%	(13,099)	–
	10%	(6,769)	–	10%	(10,842)	–

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.

45. 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 2010 and 2009 may be categorised as follows:

	The Group	
	2010 HK$'000	2009 HK$'000
Financial assets		
Fair value through profit or loss	**125,785**	130,994
Loans and receivables (including cash and bank balances)	**623,543**	112,276
Financial liabilities		
Fair value through profit or loss		
Contingent consideration payable	**58,096**	—
Derivative component of convertible bonds	**—**	17,648
Financial liabilities measured at amortised cost	**1,207,352**	709,750

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 derivative component of convertible bonds are measured at fair value. During the year, HK$23,576,000 was transferred from level 1 to level 2 there were no transfers between instruments in Level 2 and Level 3 during the year.

At 31 December 2010	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	**101,369**	**23,576**	**840**	**125,785**
Liabilities				
Contingent consideration (Note 30)	**—**	**—**	**58,096**	**58,096**

At 31 December 2009	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	130,994	—	—	130,994
Liabilities				
Derivative component of convertible bonds (Note 31)	—	—	17,648	17,648

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are included in Notes 30 and 31.

46. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Group has acquired equity interests of Ocean Jade and Gofar by the issue of the Company's ordinary shares. Details of these transaction are set out in Notes 37 and 38 respectively.

47. LITIGATIONS

There are two outstanding litigation cases between the Company and Mr. Chan Tat Chee ("Mr. Chan"), a former director of the Company:

(a) On 6 January 2009, the Company sued against Mr. Chan for the return of a sum of HK$3,000,000 being a sum advanced to him in July 2005. Mr. Chan defended and counterclaimed the Company for a total sum of HK$17,046,206 being his loan to the Company.

(b) On 9 March 2009, Mr. Chan claimed against the Company for a sum of HK$1,500,000 being his loan advanced to the Company and the Company defended the suit.

Since a bankruptcy order had been issued against Mr. Chan on 22 November 2010, the two said litigation cases shall not proceed until further discussion with the trustee of property of Mr. Chan. The Company has filed the proof of debt against Mr. Chan' property to the Official Receiver in respect of a judgment debt of HK$25,183,600 together with interests of HK$11,738,428 plus costs thereon owed by Mr. Chan to the Company pursuant to the final judgment and orders granted by the Court under High Court Action No.870 of 2009.

The directors are of the view that the above outstanding litigation cases will not have any material impact on the financial statements.

48. SUBSEQUENT EVENT

On 13 January 2011, Zunxiao Company, Kuanping Company and Tangcheng Company 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 others, to the establishment of a business cooperation partnership between the parties to the Memorandum 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 Zunxiao Company, Kuanping Company and Tangcheng Company.

The Memorandum is non-legally binding and that it may or may not lead to the entering into of any formal agreement with respect to the Cooperation Project. It is contemplated that the Cooperation Project, if materialized, would provide Zunxiao Company, Kuanping Company and Tangcheng Company with, among others, a stable supply of railway facilities and equipment, reliable services in leasing and project financing, secured support in various logistical aspects in relation to 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 operation in the PRC.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000 (restated)	2006 HK$'000
RESULTS					
Turnover:					
Continuing operation	**130,101**	111,687	108,130	81,428	24,965
Discontinued operations	**—**	—	—	—	31,666
	130,101	111,687	108,130	81,428	56,631
Proft/(loss) before income tax:					
Continuing operation	**(107,562)**	1,231	(40,719)	(35,628)	(31,289)
Discontinued operations	**—**	—	—	246	(1,004)
	(107,562)	1,231	(40,719)	(35,382)	(32,293)
Income tax credit/(expense)	**731**	(7,309)	3	—	—
Loss for the year	**(106,831)**	(6,078)	(40,716)	(35,382)	(32,293)
Non-controlling interests	**(4,806)**	(2,153)	(2,851)	(4,271)	(605)
Loss attributable to owners of the Company	**(102,025)**	(3,925)	(37,865)	(31,111)	(31,688)
ASSETS AND LIABILITIES					
Total assets	**2,301,703**	1,503,150	753,310	478,653	433,193
Total liabilities	**(1,283,743)**	(734,707)	(397,031)	(440,498)	(344,302)
	1,017,960	768,443	356,279	38,155	88,891
Equity attribute to owners of the Company	**782,059**	538,626	353,257	32,627	79,559
Non-controlling interests	**235,901**	229,817	3,022	5,528	9,332
	1,017,960	768,443	356,279	38,155	88,891