

亞洲能源物流  
**ASIAENERGY**  
Logistics



**Carrying**  
the World's Future

INTERIM REPORT 2011



**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

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## Management Discussion and Analysis

### Business Review

The Company and its subsidiaries (together, the “Group”) are principally engaged in the (i) railway construction and operations; (ii) shipping and logistics; and (iii) waste incineration power generation businesses.

### **Railway Construction and Operations**

The Group’s investment in railway construction and operations started in July 2009 when the Group acquired a 70% equity interest in Gofar Holdings limited (“Gofar”). In February 2010, the Group acquired the remaining 30% interest in Gofar. Gofar indirectly holds a 62.5% equity interest in each of 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited\*) (“Kuanping Company”) and 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited\*) (“Zunxiao Company”), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited\*) (“Tangcheng Company”) (collectively called the “Gofar Group”). The business scope of the Gofar Group is the construction and operations of a 121.8 kilometre single-track railway (the “Zunxiao Railway”) with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People’s Republic of China (“PRC”).

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, due to a delay in the processing of a major loan facility of RMB1.033 billion granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) in November 2010, completion of the construction has been delayed to the end of 2011. It is estimated that the construction costs will amount to approximately RMB1.6 billion.

Relevant approvals for the construction of the Zunxiao Railway were obtained in 2008 and construction work for the first 25 kilometres of the Zunxiao Railway has been completed. Tangcheng Company obtained the “Temporary Operation License of the Hebei Railway Administration Bureau”\* (“河北省鐵路臨時運輸營業許可證”) for the

\* for identification purposes only

first 25 kilometres of the Zunxiao Railway, which is valid for one year, on 29 June 2011. The operating range covers Zunhua South Station (遵化南站), which is also the transfer station of the national railway, to Santunying Station (三屯營站).

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

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

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



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

### ***Shipping and Logistics***

Following the completion of the acquisition of the entire equity interest in Ocean Jade Investments Limited ("Ocean Jade") on 19 May 2010, the Group has further diversified its business into the dry bulk shipping industry. Ocean Jade holds 50% interest in a joint venture company (the "JV Company", and together with its subsidiaries, the "JV Group") which is engaged in the investment in ship assets and provision of coal shipment services and accounted for as a jointly controlled entity of the Group. The other shareholder of JV Company is Waibert Navigation Company Limited ("Waibert") which is a wholly-owned subsidiary of Guangdong Navigation Holdings Company Limited (one of the key provincial government-owned enterprises) and is principally engaged in ship management, dry bulk carrier chartering and operation.

Under the shareholders' agreement among Ocean Jade, Waibert and the JV Company dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement"), the JV Group acquired two Handy-size vessels of about 35,000 metric tonnes deadweight each (the "First Vessel" and the "Second Vessel" respectively) 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.

Due to the prevailing market conditions, Ocean Jade, Waibert and the JV Company agreed to extend the completion date for the acquisition of the other two vessels (either Panamax or Supramax type) (the "Third Vessel" and the "Fourth Vessel", respectively) to 31 December 2011.

On 30 March 2010, a contract of affreightment (運輸合同) (the "Contract of Affreightment") was entered into between the JV Company and a power plant in the Jiangsu Province, the PRC, for the provision of coal shipment services by the JV Company to the said power plant. Under the Contract of Affreightment, the power plant in the Jiangsu Province shall provide full employment with its own coal cargo throughout the life span of the First Vessel and the Second Vessel.

The JV Company recorded a revenue of approximately HK\$50.54 million for the period under review, the contribution from this business segment was approximately HK\$1.72 million.

#### ***Waste Incineration and Power Generation***

During the period under review, the turnover of the waste incineration power plant in the PRC then owned by the Group was approximately HK\$49.47 million, representing a decrease of approximately 29% as compared to that of the previous corresponding period.

Due to the continuing disappointing performance of the business of waste incineration power generation, the subsidiaries operating the said business were disposed of by the Group in July 2011. Details of the disposal are set out in the section headed "Material Disposal of Subsidiaries" below.

#### **Financial Review**

During the period under review, the unaudited turnover of the Group was approximately HK\$49,472,000 (30 June 2010: approximately HK\$69,182,000), representing a decrease of approximately 29% as compared to that of the previous corresponding period. The Group recorded a loss for the period under review of approximately HK\$92,945,000 (30 June 2010: Loss of approximately HK\$42,457,000). Loss per share was HK0.70 cent (30 June 2010: HK0.33 cent).



### **Liquidity and Financial Resources**

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

As at 30 June 2011, the Group had bank and cash balances of approximately HK\$330.61 million.

As at 30 June 2011, the Group had secured bank loans of approximately HK\$360.75 million repayable within two to five years and approximately HK\$510.80 million repayable after five years. The average effective interest rate for the period was 8.16% (2010: 6.08%).

The gearing ratio of the Group as at 30 June 2011, which is calculated as net debt divided by total capital, was approximately 50% (31 December 2010: approximately 41%).

### **Capital Structure**

As at 30 June 2011, the share capital of the Company was HK\$128,570,271 divided into 12,857,027,100 shares of HK\$0.01 each.

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary shares of HK\$0.01 each of the Company (the "Share") were granted, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. Subsequently after the period end, a further 13,800,000 share options have lapsed following the cessation of employment of the relevant grantees. The exercise price of the share option is HK\$0.168 per Share. The expected aggregate proceeds from the exercise of all the outstanding share options are approximately HK\$50,131,000. The fair value of the shares options granted during the period under review is approximately HK\$34,984,000. The Company recognised a share option expense (an

non-cash expense item) of approximately HK\$15,659,000 including approximately HK\$1,288,000 attributable to discontinued operations (2010: nil) during the period under review.

### **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 United States dollar to Renminbi is relatively stable due to the PRC foreign currency exchange policy and the Hong Kong dollars is pegged to the United States dollars, the directors of the Company (the "Directors") consider that the Group's currency exchange risk is within an acceptable range. Therefore, no hedging devices or other alternatives have been implemented during the period under review.

### **Material Disposal of Subsidiaries**

As disclosed in the Company's circular dated 10 June 2011, Palace View International Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Wise Track Group Limited for the disposal of the entire equity interest in China Green Power Holdings Limited and its subsidiaries (collectively referred to as the "China Green Power Group") and the shareholder's loan due from the China Green Power Group to the Group. The consideration for the disposal was HK\$50,000,000 and the disposal constituted a very substantial disposal for the Company under the Listing Rules. The disposal was completed on 13 July 2011.

The principal business activity of the China Green Power Group is waste incineration power generation business which did not generate satisfactory performance in the past few years. In order to improve the performance of the incineration business, it is vital to reduce the use of coal as its main sources of fuel by carrying out major upgrading work to the existing power plant and substantial capital expenditures will be required if the upgrading work is to be implemented. In light of these circumstances, the Directors considered it beneficial to the Company to dispose of this loss making business in order to reallocate its resources to the other business segments of the Group which may have better prospects in generating better return for the Company.





The proceeds from the disposal, after deducting expenses incidental to the disposal will be used as general working capital of the Group.

### **Pledge of Assets and Contingent Liabilities**

Golden Concord Holdings Limited ("GCL"), a company beneficially owned by Mr. Zhu Gongshan, a Director of various subsidiaries of the Company, had provided guarantee to the Group's bank loan amounting to approximately HK\$872 million as at 30 June 2011. In return for the GCL's guarantee, the Group provided a counter-indemnity up to approximately HK\$724 million and a share mortgage of its shares in China Railway Logistic Holdings Limited ("CRL"), an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of CRL's subsidiaries in favour of GCL. Therefore, there was a contingent liability of approximately HK\$724 million for the Group as at 30 June 2011.

### **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 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; and
- (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's 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 of the Group.

### **Prospects**

Following the disposal of the waste incineration power generation business, the Group continues to engage in railway construction and operations and the shipping and logistics businesses.

#### ***Railway Construction and Operations***

As announced by the Company on 24 November 2009, a co-operative framework agreement was entered into by the Company with China Oriental Group Company Limited ("China Oriental"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), pursuant to which the parties confirmed that they will negotiate in good faith within two years from the date of the co-operative framework agreement to conclude, among other things, a formal agreement relating to the provision by the Gofar Group of railway logistics and transportation services via the Zunxiao Railway to a subsidiary of China Oriental. China Oriental and its subsidiaries are principally engaged in the manufacture and sale of iron and steel products in the Hebei Province in the PRC. In addition, the Gofar Group has obtained letters of intent from nine iron and steel producers indicating the estimated annual demand for freight carriage services from the Zunxiao Railway after the Zunxiao Railway has commenced operations.

The Directors expect that the formal agreement with China Oriental will be signed and the Company will commence negotiations with the other iron and steel producers to formalise the services arrangements. The Gofar Group will generate revenue to the Group from the carriage of natural resources (such as coal and iron ore powder), provision of cargo loading and/or unloading services and storage services of goods once trial operation is underway. The construction work of the Zunxiao Railway is



expected to be completed by the end of 2011 and all necessary permits from the relevant PRC government authorities are expected to be obtained in order for the whole Zunxiao Railway to commence operation in mid-2012.

According to the statistics published by the National Bureau of Statistics of China, freight traffic by railway in China has increased continuously over the past years, with a year-on-year growth of approximately 5.48% per annum from approximately 2.7 billion tonnes in 2005 to approximately 3.3 billion tonnes in 2009. Although the national railway still accounted for the majority of the freight traffic by railway, the contribution of non-government controlled joint venture railways has seen a rapid growth from approximately 196.6 million tonnes (7.30% of total freight traffic by railway) in 2005 to 319.0 million tonnes (9.57% of total freight traffic by railway) in 2009. As mentioned above, the Zunxiao Railway is adjacent to a number of large scale mineral production facilities which constitute a huge and steady demand for transportation logistics. At present, there is a strong reliance on road transport which is more expensive and less reliable, particularly in winter time. The Directors believe that freight railway is more cost efficient and reliable and will become a more favourable and viable alternative to road transport. Having taken these factors into account, the Directors believe that the Zunxiao Railway is well positioned to take advantage of the economic growth in the PRC as well as the expected increasing demand for freight traffic by railway to contribute positively to the Group once it has commenced operations.

### ***Shipping and Logistic Business***

As evidenced by the Baltic Dry Index which is an index that measures the demand for shipping capacity versus the supply of dry bulk carriers and tracks worldwide international shipping prices of commodities, shipping prices have dropped significantly after the financial tsunami, with the index falling from a level of above 11,000 in May 2008 to the level of about 1,200 in early to mid-May 2011. The Directors consider that the shipping market has bottomed and are positive that the market is set to turnaround, as indicated by the Baltic Dry Index which rose to a level of about 1,500 in late May 2011 within a short period of time. In view of this, the JV Company plans to acquire another two bulk carriers of about 55,000 metric tonnes each within

2011 to increase its carriage capacity. It is contemplated that the JV Company will seek to acquire further vessels if market conditions are favourable to increase its transportation volume and expand its customer base to steel mills and traders, importers, exporters and/or end users of bulk cargo of new material and grain in bulk.

The board of Directors (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.

#### **Employee and Remuneration Policy**

As at 30 June 2011, the Group had 268 (31 December 2010: 267) full-time employees, 250 of whom were based in the PRC. Staff costs of the Group for the period under review, including directors' remuneration, were approximately HK\$32,292,000 (2010: approximately HK\$15,933,000) including a share option expense of approximately HK\$15,659,000. The Group determines the remunerations 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.



## Disclosure of Interests

### Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2011, the following person(s) is/are Directors or the chief executive of the Company who had or was deemed to have an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"):

#### *Long Position in the Shares and underlying Shares*

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

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

Save as disclosed above, as at 30 June 2011, as far as the Board was aware, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2011, so far as is known to the Board, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to 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:

#### Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Mr. Wong Kin Ting (formerly known as Mr. Ko Fong) ("Mr. Wong")	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. Wong on 17 May 2011, Mr. Wong was deemed to be interested in 4,552,970,325 Shares through his interests in the following corporations which are 100% owned by him:
  - (i) 295,000,000 Shares held by Delight Assets Management Limited, and
  - (ii) 4,257,970,325 Shares held by King Castle Enterprises Limited.
  
- (2) According to the individual substantial shareholder notice filed by Mr. Zhu on 20 May 2010, Mr. Zhu was deemed to be interested in 2,137,450,000 Shares that comprised:
  - (i) 2,000,000,000 Shares indirectly held by Asia Pacific Energy Fund ("APEF") (as described in Note 3 below), and
  - (ii) 137,450,000 Shares directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.
  
- (3) According to the corporate substantial shareholder notice filed by CST on 20 May 2010, CST was deemed to be interested in 2,000,000,000 Shares in its capacity as the trustee of these Shares. These 2,000,000,000 Shares were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord. Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.

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

Save as disclosed above, as at 30 June 2011, 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.

## 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 incentive 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 was to 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 of any options granted 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 option 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 period under review:

Date of grant of share options	Exercise period of share options	Exercise price of share options	As at 1.1.2011	Granted during the period	Exercise during the period	Lapsed during the period	Market value per Share		
							As at 30.06.2011	Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
<b>Employees — In aggregate</b>									
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 with the disclosure category were exercised.

No option under the 2002 Option Scheme was cancelled during the period under review.

As at the date of this report, the 2002 Option Scheme had already been 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 development 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; 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 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.

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 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.

For the six-month period under review, 313,200,000 share options were granted at an exercise price of HK\$0.168 per Share under the 2008 Option Scheme, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. Subsequently after the period end, a further 13,800,000 share options have lapsed following the cessation of employment of the relevant grantees.

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

## Corporate Governance

It is one of the continuing commitments of the Board and of 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 shareholder value.

Throughout the period of six months ended 30 June 2011, the Company has complied with the CG Code save as specified and explained below:

### Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer ("CEO") should be separate and should not be performed by the same individual. The post of CEO has remained vacant since 30 March 2009, and the duties of CEO were performed by executive Directors so that there existed a clear division of responsibilities. The Board considered that the vacancy of the CEO position did not have any material impact on the operations of the Group. However, the Board will continue reviewing the current structure of the Board from time to time. If a candidate with suitable knowledge, skill and experience is identified, the Company will make appointment to fill the post of CEO as appropriate.

### Code Provision A.4.1

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. In January 2011, three service contracts were entered into by the Company with each of the three non-executive Directors respectively for a period of three years. Up to the date of this report, all non-executive Directors (including the independent non-executive Directors) were appointed for a specific term. According to the Articles, at each annual general meeting of the Company, 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.

### **Model Code of Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors (the "Model Code").

Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the period under review.

### **Audit Committee**

The Company has an audit committee (the "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 Independent Non-executive Directors of the Company.

During the period under review, the Audit Committee performed its duties according to its written terms of reference which complies with Code Provision C.3.3 of the CG Code.

The unaudited consolidated results of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period under review.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	—	—
Other income, gains and losses	4	(35,726)	(27,567)
Depreciation and amortisation		(3,521)	(1,344)
Staff costs		(23,390)	(8,840)
Change in fair value of contingent consideration payable		(4,490)	2,700
Share of (loss)/profit of an associate		(2,048)	6,899
Share of results of jointly controlled entity		1,715	—
Other operating expenses		(12,414)	(18,597)
Finance costs	6	(3,646)	(116)
Loss before income tax	7	(83,520)	(46,865)
Income tax	8	—	—
Loss for the period from continuing operations		(83,520)	(46,865)
<b>Discontinued operations</b>			
(Loss)/profit for the period from discontinued operations	9(b)	(9,425)	4,408
Loss for the period		(92,945)	(42,457)



# Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2011

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
Notes	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income</b>		
Exchange difference arising on translation of financial statements of foreign operations		
— Continuing operations	<b>15,563</b>	4,924
— Discontinued operations	<b>499</b>	504
	<b>16,062</b>	5,428
Total comprehensive income for the period	<b>(76,883)</b>	(37,029)
<b>(Loss)/profit for the period attributable to:</b>		
Owners of the Company		
— Continuing operations	<b>(80,404)</b>	(44,859)
— Discontinued operations	<b>(9,425)</b>	4,408
	<b>(89,829)</b>	(40,451)
Non-controlling interests		
— Continuing operations	<b>(3,116)</b>	(2,006)
— Discontinued operations	<b>—</b>	—
	<b>(3,116)</b>	(2,006)
	<b>(92,945)</b>	(42,457)
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>(79,278)</b>	(36,699)
Non-controlling interests	<b>2,395</b>	(330)
	<b>(76,883)</b>	(37,029)
<b>Basic and diluted loss per share</b>		
(HK cents per share)	10	
From continuing operations	<b>(0.63)</b>	(0.36)
From discontinued operations	<b>(0.07)</b>	0.03

# Condensed Consolidated Statement of Financial Position

As at 30 June 2011

		At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		11,586	8,750
Concession intangible assets		—	330,876
Intangible assets		124,093	125,631
Construction in progress		1,226,448	1,062,977
Investment in associate		—	85
Investment in a jointly controlled entity		1,473	15
		<b>1,363,600</b>	1,528,334
<b>Current assets</b>			
Inventories		—	4,336
Trade and other receivables	12	80,414	41,315
Trading securities	13	76,496	125,785
Loan to an associate		37,000	37,000
Cash and cash equivalents		330,610	564,933
		<b>524,520</b>	773,369
Assets of disposal group classified as held for sale	9(a)	359,707	—
		<b>884,227</b>	773,369
<b>Total assets</b>		<b>2,247,827</b>	2,301,703





# Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2011

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	14	53,554	94,896
Amount due to a shareholder		438	439
Amount due to minority equity owners of subsidiaries		6,242	9,383
Tax payable		—	6,578
		<b>60,234</b>	111,296
Liabilities of disposal group classified as held for sale	9(a)	<b>296,721</b>	—
		<b>356,955</b>	111,296
<b>Net current assets</b>		<b>527,272</b>	662,073
<b>Non-current liabilities</b>			
Bank loans		871,550	1,102,634
Contingent consideration payable		62,586	58,096
Provision for maintenance of concession intangible assets		—	11,717
		<b>934,136</b>	1,172,447
<b>Net assets</b>		<b>956,736</b>	1,017,960
<b>EQUITY</b>			
Share capital	15	128,570	128,570
Reserves		589,870	653,489
Equity attributable to owners of the Company		<b>718,440</b>	782,059
Non-controlling interests		<b>238,296</b>	235,901
<b>TOTAL EQUITY</b>		<b>956,736</b>	1,017,960

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital Reserves	Share option reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010 (Audited)	102,570	914,679	4,190	5,746	15,459	(504,018)	538,626	229,817	768,443
Profit or loss	—	—	—	—	—	(40,451)	(40,451)	(2,006)	(42,457)
Other comprehensive income									
— Exchange difference on translation of foreign operations	—	—	—	—	3,752	—	3,752	1,676	5,428
Total comprehensive income for the period	—	—	—	—	3,752	(40,451)	(36,699)	(330)	(37,029)
Shares issued on conversion of convertible bonds	1,000	18,658	—	—	—	—	19,658	—	19,658
Share issued at premium	15,000	214,867	—	—	—	—	229,867	—	229,867
Capital injection of non-controlling interests	—	—	—	—	—	—	—	3,380	3,380
Acquisition of non-controlling interests	10,000	122,985	—	—	—	(52,250)	80,735	—	80,735
At 30 June 2010 (Unaudited)	128,570	1,271,189	4,190	5,746	19,211	(596,719)	832,187	232,867	1,065,054
As at 1 January 2011 (Audited)	128,570	1,268,576	4,190	5,746	33,270	(658,293)	782,059	235,901	1,017,960
Profit or loss	—	—	—	—	—	(89,829)	(89,829)	(3,116)	(92,945)
Other comprehensive income									
— Exchange difference on translation of foreign operations	—	—	—	—	10,551	—	10,551	5,511	16,062
Total comprehensive income for the period	—	—	—	—	10,551	(89,829)	(79,278)	2,395	(76,883)
Recognition of share based payments	—	—	—	15,659	—	—	15,659	—	15,659
As at 30 June 2011 (Unaudited)	128,570	1,268,576	4,190	21,405	43,821	(748,122)	718,440	238,296	956,736

Note: Included in the translation reserve as at 30 June 2011 was an amount of HK\$19,835,000 related to a disposal group classified as held for sale.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Net cash used in operating activities</b>	<b>(139,228)</b>	(21,612)
<b>Net cash used in investing activities</b>	<b>(94,734)</b>	(191,055)
<b>Net cash (used in)/generated from financing activities</b>	<b>(891)</b>	278,882
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(234,853)</b>	66,215
<b>Cash and cash equivalents at beginning of the period</b>	<b>564,933</b>	62,691
<b>Effect of foreign exchange rate changes</b>	<b>8,563</b>	(2,776)
<b>Cash and cash equivalents at end of period</b>	<b>338,643</b>	126,130
<b>Less: Cash and cash equivalents included in assets held for sale (Note 9)</b>	<b>(8,033)</b>	(17,612)
	<b>330,610</b>	108,518

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. Basis of Preparation

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards

The accounting policies and methods of computation adopted in the 2010 annual financial statements have been applied consistently to these unaudited condensed consolidated interim financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKASs"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.



# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 3. Turnover

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>From continuing operations</b>	—	—
<b>From discontinued operations</b>		
Waste incineration power generation income	35,266	53,277
Waste handling income	14,206	15,905
	49,472	69,182
	49,472	69,182

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 4. Other Income, Gains and Losses

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>From continuing operations</b>		
Net loss on trading securities		
Change in fair value of trading securities	<b>(37,955)</b>	(40,821)
Gain on disposal of trading securities	<b>1,619</b>	12,230
	<b>(36,336)</b>	(28,591)
Loan interest income	<b>550</b>	550
Bank interest income	<b>60</b>	62
Others	<b>—</b>	412
	<b>(35,726)</b>	(27,567)
<b>From discontinued operations</b>		
VAT refund on waste incineration power generation income	<b>778</b>	2,639
Bank interest income	<b>24</b>	1,106
Others	<b>1,063</b>	361
	<b>1,865</b>	4,106
	<b>(33,861)</b>	(23,461)



# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 5. Segment Information

The Group has two reportable segments as at 30 June 2011 and 2010. The segments are managed separately as each business offers different products and services and requires different business strategies. The following are the Group's reportable segments:

- Waste incineration power generation business (discontinued operations)
- Railway construction and operations

Unaudited Six months ended	Continuing Operations			Discontinued Operations	Total
	Railway construction and operations	Unallocated	Total	Waste incineration power generation business	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	—	—	—	49,472	49,472
Segment loss	(7,412)	(67,639)	(75,051)	(9,425)	(84,476)
Share of loss of an associate	—	(2,048)	(2,048)	—	(2,048)
Change in fair value of contingent consideration payable	—	(4,490)	(4,490)	—	(4,490)
Share of results of jointly controlled entity	—	1,715	1,715	—	1,715
Finance costs	—	(3,646)	(3,646)	—	(3,646)
Loss before income tax	(7,412)	(76,108)	(83,520)	(9,425)	(92,945)

  

Unaudited Six months ended	Continuing Operations			Discontinued Operations	Total
	Railway construction and operations	Unallocated	Total	Waste incineration power generation business	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers	—	—	—	69,182	69,182
Segment (loss)/profit	(3,939)	(52,409)	(56,348)	4,408	(51,940)
Share of profit of an associate	—	6,899	6,899	—	6,899
Change in fair value of contingent consideration payable	—	2,700	2,700	—	2,700
Finance costs	—	(116)	(116)	—	(116)
(Loss)/profit before income tax	(3,939)	(42,926)	(46,865)	4,408	(42,457)

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 5. Segment Information (Continued)

Unaudited As at 30 June 2011	Continuing Operations		Total HK\$'000	Discontinued Operations	Total HK\$'000
	Railway construction and operations HK\$'000	Unallocated HK\$'000		Waste incineration power generation business HK\$'000	
Segment assets	1,553,148	334,972	1,888,120	359,707	2,247,827
Segment liabilities	916,314	78,056	994,370	296,721	1,291,091
Audited As at 31 December 2010					
Segment assets	1,569,655	367,623	1,937,278	364,425	2,301,703
Segment liabilities	918,173	71,455	989,628	294,115	1,283,743

## 6. Finance Costs

	For the six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>From continuing operations</b>		
Interest on bank loans	30,059	5,652
Bank overdraft interest	—	2
Imputed interest on convertible bonds	—	114
Interest on other borrowings	3,646	—
Total finance costs	33,705	5,768
Less: Amount capitalised in construction in progress	(30,059)	(5,652)
	3,646	116
<b>From discontinued operations</b>		
Interest on bank loans	8,362	7,623
	12,008	7,739





# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 7. Loss Before Income Tax

Loss for the period is arrived at after charging/(crediting):

	Continuing Operations		Discontinued Operations		Total	
	For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation of concession intangible assets	—	—	8,384	9,554	8,384	9,554
Depreciation of property, plant and equipment	983	1,303	350	361	1,333	1,664
Amortisation of land use rights	—	41	—	—	—	41
Amortisation of intangible assets	2,538	—	—	—	2,538	—
	3,521	1,344	8,734	9,915	12,255	11,259
Staff cost						
— Salaries, wages and other benefits	8,664	8,474	7,118	6,730	15,782	15,204
— Equity-settled share-based payments	14,371	—	1,288	—	15,659	—
— Contributions to defined contribution retirement scheme	355	366	496	363	851	729
	23,390	8,840	8,902	7,093	32,292	15,933
Auditor's remuneration	136	143	—	—	136	143
Loss on disposal of property, plant and equipment	26	—	—	—	26	—
Operating lease rentals in respect of land and buildings	2,205	1,593	287	257	2,492	1,850
Change in fair value of trading securities	37,955	40,821	—	—	37,955	40,821
Change in fair value of contingent consideration payable	4,490	(2,700)	—	—	4,490	(2,700)
Concession intangible assets maintenance provision	—	—	—	3,416	—	3,416
Net exchange loss/(gain)	3	(58)	—	(48)	3	(106)

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 8. Income Tax

No provision for Hong Kong profits tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the six months ended 30 June 2011 and 2010.

No provision for the People's Republic of China ("PRC") enterprise income tax has been made in the financial statements as the Group's operations in the PRC had no assessable profit for the six months ended 30 June 2011 and 2010.

## 9. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

### **Disposal of China Green Power Holdings Limited and its subsidiaries**

The assets and liabilities relating to China Green Power Holdings Limited and its subsidiaries (the "disposal group") as at 30 June 2011 were presented as held for sale as a subsidiary of the Company entered into a conditional sale and purchase agreement for the disposal of the waste incineration power generation business on 13 May 2011. The disposal was completed on 13 July 2011.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

### 9. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

#### Disposal of China Green Power Holdings Limited and its subsidiaries (Continued)

(a) Assets and liabilities of disposal group classified as held for sale

	At 30 June 2011 HK\$'000 (Unaudited)
<b>Assets</b>	
Property, plant and equipment	1,053
Concession intangible assets	332,272
Inventories	2,732
Trade and other receivables	15,617
Cash and cash equivalents	8,033
Assets of disposal group classified as held for sale	359,707
<b>Liabilities</b>	
Trade and other payables	28,949
Bank loans	255,783
Provision for maintenance of concession intangible assets	11,989
Liabilities of disposal group classified as held for sale	296,721
Net assets of disposal group	62,986

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 9. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

### Disposal of China Green Power Holdings Limited and its subsidiaries (Continued)

(b) Analysis of the results of discontinued operations is as follows:

	For the six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>		
Turnover	49,472	69,182
Other income and gains	1,865	4,106
	<b>51,337</b>	73,288
<b>Expenses</b>		
Fuel costs	(29,364)	(34,465)
Depreciation and amortisation	(8,734)	(9,915)
Staff costs	(8,902)	(7,093)
Concession intangible assets maintenance provision	—	(3,416)
Other operating expenses	(5,400)	(6,368)
Finance costs	(8,362)	(7,623)
	<b>(60,762)</b>	(68,880)
(Loss)/profit before income tax	<b>(9,425)</b>	4,408
Income tax	—	—
(Loss)/profit from discontinued operations	<b>(9,425)</b>	4,408



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

### 9. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations (Continued)

#### Disposal of China Green Power Holdings Limited and its subsidiaries (Continued)

The cash flow information of the discontinued operations was as follows:

	For the six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash generated from operating activities	1,732	111
Net cash (used in)/generated from investing activities	(2,191)	270
Net cash (used in)/generated from financing activities	(891)	9,604
Effect of foreign exchange rate changes, net	198	84
Net (decrease)/increase in cash and cash equivalents	(1,152)	10,069

### 10. Loss per Share

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company from continuing operations of HK\$80,404,193 (six months ended 30 June 2010: HK\$44,858,257), from discontinued operations of HK\$9,424,710 (six months ended 30 June 2010: profit of HK\$4,407,685) and on the weighted average number of ordinary shares of 12,857,027,100 (six months ended 30 June 2010: 12,387,413,840 ordinary shares) in issue during the six months ended 30 June 2011.

Diluted loss per share was not presented for the six months ended 30 June 2011 and 2010 as the potential ordinary shares are anti-dilutive.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 11. Dividend

No dividend has been paid or declared by the Company during the six months ended 30 June 2011 and 2010.

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2011 and 2010.

## 12. Trade and Other Receivables

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Trade receivables — current and up to 30 days	—	14,585
Other receivables, net	<b>80,414</b>	26,730
	<b>80,414</b>	41,315

## 13. Trading Securities

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Hong Kong listed equity securities at market value	<b>76,496</b>	125,785

For investments which have been suspended from trading as at the end of reporting period, the fair value was measured with reference to the quoted price of the last dealing date before suspension of trade and other available information considered appropriate by the Directors. The carrying amounts of these investments are HK\$Nil (2010: HK\$24,416,000).



# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 14. Trade and Other Payables

	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
Trade payables — current and up to 30 days	—	13,049
Construction cost payable	38,159	56,393
Other payables	15,395	25,454
	<b>53,554</b>	<b>94,896</b>

## 15. Share Capital

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
<b>Authorised ordinary shares:</b>		
At 30 June 2011 and 31 December 2010	120,000,000,000	1,200,000
<b>Authorised preference shares class A:</b>		
At 30 June 2011 and 31 December 2010	10,000,000,000	100,000
<b>Authorised preference shares class B:</b>		
At 30 June 2011 and 31 December 2010	10,000,000,000	100,000
<b>Issued and fully paid</b>		
At 1 January 2010	10,257,027,100	102,570
Issue of shares for acquisition of non- controlling interest	1,000,000,000	10,000
Issued on the conversion of the convertible bonds	100,000,000	1,000
New issue and allotment of shares	1,500,000,000	15,000
At 31 December 2010 and 30 June 2011	12,857,027,100	128,570

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

## 16. Share Options

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary shares of HK\$0.01 each of the Company were granted to 51 individuals under the share option scheme of the Company adopted on 20 August 2008 and as refreshed on 3 June 2010. 312,200,000 share options granted were accepted by the grantees and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. The terms and conditions of the options granted that were outstanding at the reporting date:

<b>Options granted to employees</b>	<b>Number of options ('000)</b>	<b>Vesting condition</b>	<b>Contractual life of options</b>	<b>Exercise price</b>
On 21 April 2011	312,200	(Note)	10 years	HK\$0.168 per share
	312,200			

Note:

- (i) up to 40% of the total number of options will be vested from the date of grant of the options;
- (ii) an additional 30% of the total number of options will be vested upon the first anniversary of the date of grant of the options; and
- (iii) the remaining 30% of the total number of options will be vested upon the second anniversary of the date of grant of the options.

Save as disclosed above, no share options were exercised, cancelled or lapsed during the six months ended 30 June 2011.





## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

### 17. Operating Lease Commitments

The Group leases certain of its office premises and staff quarters under operating lease arrangements. 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.

### 18. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 18 August 2011.