

亞洲能源物流  
**ASIA ENERGY**  
Logistics



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

**INTERIM REPORT 2012**

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## Management Discussion and Analysis

### Business Review

During the period under review, the Company and its subsidiaries (together, the “Group”) is principally engaged in the (i) railway construction and operations; and (ii) shipping and logistics businesses.

### **Railway Construction and Operations**

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

The construction of the whole 121.7 kilometre Zunxiao Railway is scheduled to be completed by the end of 2012. Relevant approvals for the construction of the Zunxiao Railway were obtained in 2008 and major construction work for the first 25 kilometre of the Tangshan Section has been completed and is ready for trial runs. The “Temporary Operation License of the Hebei Railway Administration Bureau” (“河北省鐵路臨時運輸營業許可證”) for the first 25 kilometres of the Zunxiao Railway issued to the Tangcheng Company was renewed on 29 June 2012, effective for one year. The operating range covers Zunhua South Station (遵化南站), which is the transfer station of the national railway, to Santunying Station (三屯營站) (the “Zunsan Line”).

\* for identification purposes only

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

The Memorandum is non-legally binding and that it may not lead to the entering into any formal agreement with respect to the Cooperation Project. The Cooperation Project, if materialized, would provide the 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.

It is expected that further discussions on the possible business cooperation partnership between the parties will take place once the construction of the whole Zunxiao Railway has been completed.

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

The Group has also diversified its business into the dry bulk shipping industry by acquiring the entire interest in Ocean Jade Investments Limited ("Ocean Jade") in May 2010. Ocean Jade holds 50% interest in a company which is a jointly controlled entity (the "JV Company", and together with its subsidiaries, the "JV Group") with Waibert Navigation Company Limited ("Waibert"), a wholly-owned subsidiary of the Guangdong

Province Navigation Holdings Company Limited, one of the key provincial government-owned enterprises. The JV Company is principally engaged in the investment in ship management, dry bulk carrier chartering and operation.

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

Due to the prevailing market conditions, the Parties entered into a supplemental agreement to the JV Agreement and 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. Subsequently, on 31 December 2011, the Parties entered into a further supplemental agreement to the JV Agreement pursuant to which the Parties agreed to amend the JV Agreement such that the shareholders' loan contributed by the shareholders of the JV Company shall, instead of being non-interest bearing, become interest-bearing, details of which were disclosed in the Company's announcement dated 4 January 2012. The Parties also agreed to further postpone the acquisition of the Third Vessel and the Fourth Vessel to 31 December 2012.

On 30 March 2010, the JV Company and a power plant in the Jiangsu Province, the PRC, entered into a contract of affreightment (運輸合同) (the "Contract of Affreightment") 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 Group recorded a revenue of approximately HK\$45,220,000 (30 June 2011: approximately HK\$50,540,000) for the period under review, the loss from this business segment was approximately HK\$5,740,000 (30 June 2011: profit approximately HK\$1,720,000).

### **Financial Review**

During the period under review, the unaudited turnover of the Group from continuing operations was nil (30 June 2011: nil). The Group recorded a loss for the period under review of approximately HK\$51,629,000 (30 June 2011: Loss of approximately HK\$92,945,000). Loss per share was HK0.38 cent (30 June 2011: HK0.70 cent).

### **Liquidity and Financial Resources**

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

As at 30 June 2012, the Group had bank and cash balances of approximately HK\$291,477,000.

As at 30 June 2012, the Group had secured bank loans of approximately HK\$61,000,000 repayable within one to two years, approximately HK\$552,000,000 repayable within two to five years and approximately HK\$654,000,000 repayable after five years. The average effective interest rate for the period was 8.46% (2011: 8.16%).

The gearing ratio of the Group as at 30 June 2012, which is calculated as net debt divided by total capital, was approximately 59% (30 June 2011: approximately 50%).

## Capital Structure

As at 30 June 2012, 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 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. For the period under review, 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 280,400,000 share options are approximately HK\$47,107,000. The Company recognized a share option expense (a non-cash expense item) of approximately HK\$4,524,000 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 acceptable range. Therefore, no hedging devices or other alternatives have been implemented.

## 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\$1,267,000,000 at 30 June 2012 (30 June 2011: approximately HK\$872,000,000). In return for the GCL's guarantee, the Group provided a counter-indemnity up to approximately HK\$739,000,000 (30 June 2011: approximately HK\$724,000,000) and a share mortgage of its shares in China Railway Logistic Holdings Limited ("CRL") and equity and asset pledges of CRL's subsidiaries in favour of GCL. Therefore, there was contingent liabilities of approximately HK\$739,000,000 for the Group as at 30 June 2012 (30 June 2011: approximately HK\$724,000,000).

## **Litigation**

Since a bankruptcy order had been issued against Mr. Chan Tat Chee ("Mr. Chan") on 22 November 2010, all the properties of Mr. Chan had become vested in the Official Receiver, including the cause of action of the outstanding litigation cases involving Mr. Chan. A joint application made by the Official Receiver and Trustee for Mr. Chan and the Company by way of Consent Summons was filed on 22 March 2012 and an order was granted to discontinue the following outstanding litigation cases with no costs and further claims against each other:

- (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.

## **Prospects**

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

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

On 14 February 2012, Tangcheng Company and Hebei Jinxi Iron and Steel Company Limited ("Jinxi Iron and Steel") entered into a contract whereby the former undertakes to provide transportation and other services to Jinxi Iron and Steel in the order of approximately 200,000 tonnes per annum along the Zunsan Line. Tangcheng Company is also in negotiations with the other iron and steel producers regarding the service arrangements along the Zunsan Line. Once the construction work of the whole 121.7 kilometre Zunxiao Railway has been completed and all necessary permits from the relevant PRC government authorities have been obtained, operation will begin and there will be a significant revenue contribution to the Group.



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

Although the dry bulk shipping market has come down considerably signaling a possible opportunity to further invest in this sector, due to the economic uncertainty as a result of the present Euro crisis and slowdown of global economic growth, the directors of the JV Company consider that it would be prudent approach to keep on monitoring the situation and wait until the markets have a clearer direction before proceeding to acquire the Third Vessel and the Fourth Vessel.

### **Employee and Remuneration Policy**

As at 30 June 2012, the Group had 135 (31 December 2011: 140) full-time employees, 117 of whom were based in the PRC. Staff costs of the Group from continuing operations for the period under review, including directors' remuneration, were approximately HK\$15,236,000 (30 June 2011: approximately HK\$23,390,000). The Group decides 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 2012, the following person(s) is/are Directors or the chief executive of the Company who had or was deemed to have an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which (i) were required to be notified to the Company and the Stock Exchange 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</b> <i>(Note)</i>	<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:*

- (1) These are share options granted by the Company to the Directors under the share option scheme adopted by the shareholders of the Company on 20 August 2008 and refreshed on 3 June 2010. Such share options can be exercised by the Directors at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$0.168 per Share.
- (2) The approximate percentage of shareholding was calculated based on the number of shares in issue of 12,857,027,100 Shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, as far as the Board was aware, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the

Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

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

As at 30 June 2012, 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*

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares and underlying Shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Wong Kin Ting ("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, a trust fund to which Mr. Zhu is both a founder and a beneficiary, details of which are 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 ("APEFL"). APEFL 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 (collectively, the "Agreements"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 1,000,000,000 Shares is subject to the achievement of the profit guarantee as contained in the Agreements.
  
- (4) The approximate percentage of shareholding was calculated based on the number of shares in issue of 12,857,027,100 Shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Share and Debentures" above) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

## 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 period under review:

<b>Directors or category of participant</b>	<b>Outstanding as at 1.1.2012</b>	<b>Exercised during the period</b>	<b>Cancelled during the period</b>	<b>Lapsed during the period</b>	<b>Outstanding as at 30.6.2012</b>
Employees (in aggregate)	700,000 <i>(Note A)</i>	—	—	—	700,000
	500,000 <i>(Note B)</i>	—	—	—	500,000

Notes:

- (A) These share options were granted on 26 May 2005 which may be exercised during the period from 26 May 2005 to 25 May 2015 at an exercise price of HK\$0.69 per Share.
- (B) These share options were granted on 3 August 2005 which may be exercised during the period from 3 August 2005 to 2 August 2015 at an exercise price of HK\$0.688 per Share.

During the period under review, no options under the 2002 Option Scheme were exercised, cancelled or lapsed.

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, a shareholders' resolution was passed at the annual general meeting held on 26 April 2010 to refresh the scheme mandate limit of the 2008 Option Scheme such that the total number of Shares which may be issued upon exercise of all the options to be granted under the 2008 Option Scheme (as refreshed) would amount to 1,285,702,710 Shares, representing 10% of the issue share capital of the Company as at the date of passing of the resolution. The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; or (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of option; or (iii) the nominal value of a share.

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

On 21 April 2011, 313,200,000 share options were granted at an exercise price of HK\$0.168 per Share under the 2008 Option Scheme, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance



by the grantee within the prescribed time limit. During the period under review, 13,800,000 share options have lapsed following the cessation of employment of the relevant grantees.

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

<b>Directors or category of participant</b>	<b>Outstanding as at 1.1.2012</b>	<b>Exercised during the period</b>	<b>Cancelled during the period</b>	<b>Lapsed during the period</b>	<b>Outstanding as at 30.6.2012</b>
Mr. Liang Jun	20,000,000 <i>(Note A)</i>	—	—	—	20,000,000
	15,000,000 <i>(Note B)</i>	—	—	—	15,000,000
	15,000,000 <i>(Note C)</i>	—	—	—	15,000,000
Mr. Fung Ka Keung, David	4,000,000 <i>(Note A)</i>	—	—	—	4,000,000
	3,000,000 <i>(Note B)</i>	—	—	—	3,000,000
	3,000,000 <i>(Note C)</i>	—	—	—	3,000,000
Ms. Yu Sau Lai	4,000,000 <i>(Note A)</i>	—	—	—	4,000,000
	3,000,000 <i>(Note B)</i>	—	—	—	3,000,000
	3,000,000 <i>(Note C)</i>	—	—	—	3,000,000
Mr. Yu Baodong	20,000,000 <i>(Note A)</i>	—	—	—	20,000,000
	15,000,000 <i>(Note B)</i>	—	—	—	15,000,000
	15,000,000 <i>(Note C)</i>	—	—	—	15,000,000
Ms. Sun Wei	20,000,000 <i>(Note A)</i>	—	—	—	20,000,000
	15,000,000 <i>(Note B)</i>	—	—	—	15,000,000
	15,000,000 <i>(Note C)</i>	—	—	—	15,000,000
Mr. Tse On Kin	2,000,000 <i>(Note A)</i>	—	—	—	2,000,000
	1,500,000 <i>(Note B)</i>	—	—	—	1,500,000
	1,500,000 <i>(Note C)</i>	—	—	—	1,500,000
Employees (in aggregate)	54,880,000 <i>(Note A)</i>	—	—	12,000,000	42,880,000
	32,160,000 <i>(Note B)</i>	—	—	600,000	31,560,000
	32,160,000 <i>(Note C)</i>	—	—	1,200,000	30,960,000
	294,200,000			13,800,000	280,400,000

Notes:

- (A) These share options were granted on 21 April 2011 which may be exercised during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$0.168 per Share.
- (B) These share options were granted on 21 April 2011 which may be exercised during the period from 21 April 2012 to 20 April 2021 at an exercise price of HK\$0.168 per Share.
- (C) These share options were granted on 21 April 2011 which may be exercised during the period from 21 April 2013 to 20 April 2021 at an exercise price of HK\$0.168 per Share.

During the period under review, 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 Corporate Governance Code and Corporate Governance Report (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 2012, 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.

## **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 2012 have been reviewed by the Audit Committee.

## Changes in Director Information

Since the last published annual report of the Company, Mr. Chan Chi Yuen, an independent non-executive director of the Company, has been re-designated from a non-executive director to an independent non-executive director of New Time Energy Corporation Limited (Stock Code: 166) and has also been appointed as a member of its audit committee and the chairman of both of its remuneration committee and nomination committee all with effect from 18 May 2012.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

## 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 2012

		<b>For the six months ended 30 June</b>	
	Notes	<b>2012 HK\$'000 (Unaudited)</b>	2011 HK\$'000 (Unaudited)
<b>Continuing operations</b>			
Turnover	3	—	—
Other income, gains and losses	4	<b>(8,206)</b>	(35,726)
Depreciation and amortisation		<b>(4,179)</b>	(3,521)
Staff costs		<b>(15,236)</b>	(23,390)
Change in fair value of contingent consideration payable		<b>(3,971)</b>	(4,490)
Share of loss of an associate		—	(2,048)
Share of results of jointly controlled entity		<b>(5,737)</b>	1,715
Other operating expenses		<b>(14,300)</b>	(12,414)
Finance costs	6	—	(3,646)
Loss before income tax	7	<b>(51,629)</b>	(83,520)
Income tax	9	—	—
Loss for the period from continuing operations		<b>(51,629)</b>	(83,520)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	8	—	(9,425)
Loss for the period		<b>(51,629)</b>	(92,945)

## Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2012

		<b>For the six months ended 30 June</b>	
	Notes	<b>2012 HK\$'000 (Unaudited)</b>	2011 HK\$'000 (Unaudited)
<b>Other comprehensive income</b>			
Exchange difference arising on translation of financial statements of foreign operations		<b>(3,569)</b>	16,062
Total comprehensive income for the period		<b>(55,198)</b>	(76,883)
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(48,496)</b>	(89,829)
Non-controlling interests		<b>(3,133)</b>	(3,116)
		<b>(51,629)</b>	(92,945)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(50,577)</b>	(79,278)
Non-controlling interests		<b>(4,621)</b>	2,395
		<b>(55,198)</b>	(76,883)
<b>Loss per share from continuing and discontinued operations</b>			
— basic and diluted (HK cent per share)	10	<b>(0.38)</b>	(0.70)
<b>Loss per share from continuing operations</b>			
— basic and diluted (HK cent per share)	10	<b>(0.38)</b>	(0.63)

## Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>12,595</b>	14,239
Intangible assets		<b>119,017</b>	121,555
Construction in progress		<b>1,656,060</b>	1,538,481
Interest in a jointly controlled entity		—	3,214
Railway construction prepayment		<b>78,520</b>	45,118
		<b>1,866,192</b>	1,722,607
<b>Current assets</b>			
Other receivables		<b>8,515</b>	7,229
Trading securities	12	<b>36,196</b>	44,815
Loan to an associate		<b>17,197</b>	23,417
Cash and cash equivalents		<b>291,477</b>	211,157
		<b>353,385</b>	286,618
<b>Total assets</b>		<b>2,219,577</b>	2,009,225

## Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2012

	Notes	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
<b>Current liabilities</b>			
Other payables	13	36,252	33,199
Amount due to a shareholder		238	238
Amounts due to minority equity owners of subsidiaries		2,839	6,185
		<b>39,329</b>	39,622
<b>Net current assets</b>		<b>314,056</b>	246,996
<b>Total assets less current liabilities</b>		<b>2,180,248</b>	1,969,603
<b>Non-current liabilities</b>			
Bank loans		1,267,140	1,009,792
Contingent consideration payable		56,863	52,892
		<b>1,324,003</b>	1,062,684
<b>Net assets</b>		<b>856,245</b>	906,919
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	14	128,570	128,570
Reserves		491,216	537,269
Equity attributable to owners of the Company		<b>619,786</b>	665,839
Non-controlling interests		<b>236,459</b>	241,080
<b>TOTAL EQUITY</b>		<b>856,245</b>	906,919



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital Reserves	Share option reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2012 (Audited)	128,570	1,268,576	4,190	28,556	31,937	(795,990)	665,839	241,080	906,919
Loss for the period	—	—	—	—	—	(48,496)	(48,496)	(3,133)	(51,629)
Other comprehensive income									
— Exchange difference arising on translation of financial statements of foreign operations	—	—	—	—	(2,081)	—	(2,081)	(1,488)	(3,569)
Total comprehensive income for the period	—	—	—	—	(2,081)	(48,496)	(50,577)	(4,621)	(55,198)
Recognition of share based payments	—	—	—	4,524	—	—	4,524	—	4,524
As at 30 June 2012 (Unaudited)	128,570	1,268,576	4,190	33,080	29,856	(844,486)	619,786	236,459	856,245

For the six months ended 30 June 2011

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital Reserves	Share option reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Loss for the period	—	—	—	—	—	(89,829)	(89,829)	(3,116)	(92,945)
Other comprehensive income									
— Exchange difference arising on translation of financial statements 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

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash used in operating activities</b>	<b>(27,634)</b>	(139,228)
<b>Net cash used in investing activities</b>	<b>(155,021)</b>	(94,734)
<b>Net cash generated from/(used in) financing activities</b>	<b>263,761</b>	(891)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>81,106</b>	(234,853)
<b>Cash and cash equivalents at beginning of the period</b>	<b>211,157</b>	564,933
<b>Effect of foreign exchange rate changes</b>	<b>(786)</b>	8,563
<b>Cash and cash equivalents at end of period</b>	<b>291,477</b>	338,643
<b>Less: Cash and cash equivalents included in assets held for sale</b>	<b>—</b>	(8,033)
	<b>291,477</b>	330,610

## 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 2011, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by HKICPA (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance and the Listing Rules.

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

The accounting policies and methods of computation adopted in the 2011 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 2012 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 2012. 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

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>From continuing operations</b>	—	—
<b>From discontinued operations</b>		
Waste incineration power generation income	—	35,266
Waste handling income	—	14,206
	—	49,472
	—	49,472

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

### 4. Other Income, Gains and Losses

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<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>(9,166)</b>	(37,955)
Gain on disposal of trading securities	—	1,619
	<b>(9,166)</b>	(36,336)
Loan interest income	<b>553</b>	550
Bank interest income	<b>407</b>	60
	<b>(8,206)</b>	(35,726)
<b>From discontinued operations</b>		
VAT refund on waste incineration power generation income	—	778
Bank interest income	—	24
Others	—	1,063
	—	1,865
	<b>(8,206)</b>	(33,861)

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

### 5. Segment Information

The Group has one reportable segment as at 30 June 2012 and two reportable segments as at 2011. 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

<b>Unaudited Six months ended 30 June 2012</b>	<b>Continuing Operations</b>			<b>Discontinued Operations</b>	<b>Total</b>
	<b>Railway construction and operations</b>		<b>Total</b>	<b>Waste incineration power generation business</b>	<b>HK'000</b>
	<b>Unallocated</b>	<b>HK'000</b>		<b>HK'000</b>	
	<b>HK'000</b>	<b>HK'000</b>	<b>HK'000</b>	<b>HK'000</b>	<b>HK'000</b>
Segment revenue from external customers	—	—	—	—	—
Segment loss	(7,279)	(28,422)	(35,701)	—	(35,701)
Change in fair value of contingent consideration payable	—	(3,971)	(3,971)	—	(3,971)
Impairment loss on loan to an associate	—	(6,220)	(6,220)	—	(6,220)
Shared results of jointly controlled entity	—	(5,737)	(5,737)	—	(5,737)
Loss before income tax	(7,279)	(44,350)	(51,629)	—	(51,629)

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

### 5. Segment Information (Continued)

	Continuing Operations			Discontinued Operations	Total
	Railway construction and operations	Unallocated	Total	Waste incineration power generation business	
Unaudited Six months ended 30 June 2011	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)
Shared 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)

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

### 5. Segment Information *(Continued)*

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
<hr/>		
Segment assets		
Railway construction and operations	<b>1,937,761</b>	1,691,286
Intangible assets	<b>119,017</b>	121,555
Trading securities	<b>36,196</b>	44,815
Loan to an associate	<b>17,197</b>	23,417
Unallocated corporate assets	<b>109,406</b>	128,152
<hr/>		
Consolidated total assets	<b>2,219,577</b>	2,009,225
<hr/>		
Segment liabilities		
Railway construction and operations	<b>1,300,754</b>	1,045,188
Contingent consideration payable	<b>56,863</b>	52,892
Unallocated corporate liabilities	<b>5,715</b>	4,226
<hr/>		
Consolidated total liabilities	<b>1,363,332</b>	1,102,306
<hr/>		



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

### 6. Finance Costs

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>From continuing operations</b>		
Interest on bank loans	<b>71,847</b>	30,059
Interest on other borrowings	—	3,646
Total finance costs	<b>71,847</b>	33,705
Less: Amount capitalised in construction in progress	<b>(71,847)</b>	(30,059)
	—	3,646
<b>From discontinued operations</b>		
Interest on bank loans	—	8,362
	—	12,008

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

### 7. Loss Before Income Tax

Loss before income tax is arrived at after charging:

	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	
	2012	2011	2012	2011	2012	2011
	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	—	8,384
Depreciation of property, plant and equipment	1,641	983	—	350	1,641	1,333
Amortisation of intangible assets	2,538	2,538	—	—	2,538	2,538
	4,179	3,521	—	8,734	4,179	12,255
Staff cost						
— Salaries, wages and other benefits	9,979	8,664	—	7,118	9,979	15,782
— Equity-settled share-based payments	4,524	14,371	—	1,288	4,524	15,659
— Contributions to defined contribution retirement scheme	733	355	—	496	733	851
	15,236	23,390	—	8,902	15,236	32,292
Auditor's remuneration	127	136	—	—	127	136
Impairment loss on loan to an associate	6,220	—	—	—	6,220	—
Loss on disposal of property, plant and equipment	—	26	—	—	—	26
Operating lease rentals in respect of land and buildings	2,111	2,205	—	287	2,111	2,492
Change in fair value of trading securities	9,166	37,955	—	—	9,166	37,955
Change in fair value of contingent consideration payable	3,971	4,490	—	—	3,971	4,490
Net exchange loss	—	3	—	—	—	3

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

### 8. Discontinued Operations

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

Analysis of the results of discontinued operations is as follows:

	For the six months ended 30 June 2011 HK\$'000 (Unaudited)
Revenue	49,472
Other income and gains	1,865
Expenses	(60,762)
<b>Loss from discontinued operations</b>	<b>(9,425)</b>

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

	For the six months ended 30 June 2011 HK\$'000 (Unaudited)
Net cash generated from operating activities	1,732
Net cash used in investing activities	(2,191)
Net cash used in financing activities	(891)
Effect of foreign exchange rate changes, net	198
<b>Net decrease in cash and cash equivalents</b>	<b>(1,152)</b>

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

### 9. Income Tax

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong had no assessable profit for the six months ended 30 June 2012 and 2011.

No provision for the People's Republic of China ("PRC") enterprise income tax has been made in the condensed consolidated interim financial statements as the Group's operations in the PRC had no assessable profit for the six months ended 30 June 2012 and 2011.

### 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\$48,496,419 (six months ended 30 June 2011: HK\$80,404,193), from discontinued operations of HK\$Nil (six months ended 30 June 2011: loss of HK\$9,424,710) and 12,857,027,100 ordinary shares (six months ended 30 June 2011: 12,857,027,100 ordinary shares) in issue during the six months ended 30 June 2012.

Diluted loss per share was not presented for the six months ended 30 June 2012 and 2011 as the potential ordinary shares are anti-dilutive.

### 11. Dividend

No dividend has been paid or declared by the Company during the six months ended 30 June 2012 and 2011.

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2012 and 2011.

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

### 12. Trading Securities

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Hong Kong listed equity securities at market value	<b>36,196</b>	44,815

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 (2011: HK\$Nil).

### 13. Other Payables

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Construction cost payables	<b>29,783</b>	27,935
Others	<b>6,469</b>	5,264
	<b>36,252</b>	33,199

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

### 14. Share Capital

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Amount HK\$'000</b>
<b>Authorised ordinary shares:</b>		
At 30 June 2012 and 31 December 2011	120,000,000,000	1,200,000
<b>Issued and fully paid ordinary shares:</b>		
At 30 June 2012 and 31 December 2011	12,857,027,100	128,570
	<b>Number of preference shares of HK\$0.01 each</b>	<b>Amount HK\$'000</b>
<b>Authorised preference shares class A:</b>		
At 30 June 2012 and 31 December 2011	10,000,000,000	100,000
<b>Authorised preference shares class B:</b>		
At 30 June 2012 and 31 December 2011	10,000,000,000	100,000

### 15. 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 2008 share option scheme and as refreshed on 3 June 2010. 312,200,000 share options granted were accepted by the grantees and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. The contractual life of options is 10 years.

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

### 15. Share Options (Continued)

The number and weighted average exercise prices of share options are as follow:

	<b>Number of options</b> '000	<b>Weighted average exercise price</b> HK\$
As at 1 January 2011	—	—
Granted and accepted during the year	312,200	0.1680
Forfeited during the year	(18,000)	0.1680
As at 31 December 2011	294,200	0.1680
Forfeited during the period	(1,800)	0.1680
Lapsed during the period	(12,000)	0.1680
As at 30 June 2012	280,400	0.1680

Notes:

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

Save as disclosed above, no share options were exercised, cancelled, forfeited or lapsed during the six months ended 30 June 2012.

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

### 16. Capital Commitments

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

	<b>At 30 June 2012 HK\$'000 (Unaudited)</b>	At 31 December 2011 HK\$'000 (Audited)
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	<b>212,832</b>	221,496
— Kuanping Company	<b>4,907</b>	14,524
— Tangcheng Company	<b>189,632</b>	221,641
	<b>407,371</b>	457,661

These commitments were entered into by three PRC non-wholly owned subsidiaries. The Group's effective interest in Zunxiao Company, Kuanping Company, and Tangcheng Company is 62.50%, 62.50% and 51.00% respectively as at 30 June 2012 and 31 December 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 Interim Financial Statements**

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 24 August 2012.