

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 2014

亞洲能源物流
ASIA ENERGY
Logistics

Carrying ^{the}
World's Future

Contents >>

02	Management Discussion and Analysis
08	Disclosure of Interests
12	Share Options
17	Corporate Governance
18	Model Code of Securities Transactions by Directors
18	Audit Committee
19	Change in Director Information
19	Purchase, Sale or Redemption of Listed Securities of the Company
20	Condensed Consolidated Statement of Comprehensive Income
22	Condensed Consolidated Statement of Financial Position
24	Condensed Consolidated Statement of Changes in Equity
26	Condensed Consolidated Statement of Cash Flows
27	Notes to the Condensed Consolidated Interim Financial Statements

Management Discussion and Analysis

Business Review

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

Railway Construction and Operations

The Group commenced to investing in railway construction and operations in July 2009 by acquiring 100 % equity interest in Gofar Holdings limited (“Gofar”) which indirectly holds a 62.5% equity interest in each of 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) (“Zunxiao Company”) and 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) (“Kuanping 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 the “Gofar Group”). The business scope of the Gofar Group is the construction and operation of 121.7 kilometers single-track railway (the “Zunxiao Railway”) with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People’s Republic of China (the “PRC”).

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, due to the deferral of a major loan facility of RMB 1.033 billion granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) and other contingent obstacles encountered during the construction, such as land resumption and demolition etc. , the construction process was obstructed significantly. Although continuous efforts were made with a view to expediting the construction process, the original scheduled completion date of the Zunxiao Railway could not be met. As such, no revenue is generated before the completion of the railway construction and additional resources are required to cover the additional costs attributable to the delay in the railway construction.

* for identification purposes only

The Company has been assessing the potential adverse impacts that this further delay in the railway construction brought about on its overall financial and cash flow positions and has been considering various options such as reorganisation or dispose part of its investment holdings in the Zunxiao Railway in order to reallocate such resources to existing or new business with better prospects.

As announced on 14 February 2014, the Company's indirectly wholly-owned subsidiary, China Railway Logistic Holdings Limited ("China Railway"), and 河北建設交通投資有限公司 (Hebei Construction, Transportation and Investment Co., Ltd.*) ("Hebei Company") entered into three disposal agreements (collectively the "Disposal Agreements") for the transfer of the relevant interests in the Gofar Group (the "Disposal"). Pursuant to the Disposal Agreements, Hebei Company has conditionally agreed to purchase the relevant interests at the aggregate consideration of RMB 433,270,000. The completion of the Disposal is subject to the fulfilment of the conditions precedent as set out in the Disposal Agreements and is expected to take place by the end of 2014.

Notwithstanding the disposal of the relevant interests, the Group takes an optimistic view of the business of the Zunxiao Railway and believes that with the involvement of Hebei Company following the completion of the Disposal, the Zunxiao Railway will gain easier access to the loan facilities granted by the local banks. As such, the Company intends to retain the remaining interests in Zunxiao Company and Kuanping Company as long-term investments so as to benefit from the business potential of the Zunxiao Railway.

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 a 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

* for identification purposes only

Guangdong Province Navigation Holdings Company Limited, one of the key provincial government owned enterprise. The JV Company is principally engaged in the investments in ship assets and provision of coal shipment services.

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 Handysize Vessels and two Panamax or Supramax Vessels. The two Handysize Vessels of about 35,000 deadweight tonnage ("DWT") each were then acquired at the consideration of RMB 175 million and RMB 178.8 million on 30 April 2010 and 10 August 2010, respectively, which were subsequently delivered in August 2010 and January 2011, respectively.

Since the acquisition of the two Handysize Vessels on 30 April 2010 and 10 August 2010, respectively, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. By entering into a sixth memorandum of mutual understanding on 7 May 2014, the Parties to the JV Group agreed to extend the time for the acquisition of the third vessel by the JV Group to 31 December 2014 and the time for the acquisition of the forth vessel by the JV Group to 31 December 2015.

With a view to reconstruct and expand the Group's current business portfolio, the Group engaged in vessel chartering business through a hired vessel with carrying capacity of approximately 55,000 DWT, MV Jin Yuan , from September 2013 to May 2014. In addition, the Company subsequently acquired a bulk carrier with carrying capacity of approximately 28,000 DWT, MV Tremonia, in November 2013, which was then renamed as MV Asia Energy in May 2014.

During the period under review, the contribution of this segment was the main source of income of the Group.

Financial Review

During the period under review, the unaudited turnover of the Group was approximately HK\$23,334,000 (30 June 2013: HK\$Nil). The contribution of its shipping and logistics segment was the main source of income of the Group. The Group recorded a loss after tax for the period of approximately HK\$82,810,000 (30 June 2013: loss approximately HK\$31,586,000). The increase in loss for the period under review was mainly attributable to, among other factors, increase in finance costs of approximately HK\$54,068,000 whilst finance costs were fully capitalised and included in the construction in progress in the corresponding period in 2013. Loss per share was HK0.42 cent (30 June 2013: HK0.23 cent).

Liquidity and Financial Resources

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

As at 30 June 2014, the Group had bank and cash balances of approximately HK\$5,628,000.

As at 30 June 2014, the Group had secured bank loans of approximately HK\$314,960,000 repayable within one to two years, approximately HK\$755,866,000 repayable within two to five years and approximately HK\$167,584,000 repayable after five years. The average effective interest rate for the period was 7.86% (2013: 7.86%).

As at 30 June 2014, the Group had other borrowings of approximately HK\$194,470,000 repayable within one year. The average effective interest rate for the period was 7.21% (2013: Nil).

The gearing ratio of the Group as at 30 June 2014, which is calculated as net debt divided by total capital, was approximately 69% (30 June 2013: approximately 62%).



Capital Structure

As at 30 June 2014, the issued share capital of the Company comprised 13,410,027,100 shares (the “Shares”).

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\$1,238,000,000 at 30 June 2014 (30 June 2013: approximately HK\$1,297,000,000). In return for the GCL’s guarantee, the Group provided a counter-indemnity up to approximately HK\$722,000,000 (30 June 2013: approximately HK\$756,000,000) and a share mortgage of its shares in China Railway and equity and asset pledges of China Railway’s subsidiaries in favour of GCL. Therefore, there were contingent liabilities of approximately HK\$722,000,000 for the Group as at 30 June 2014 (30 June 2013: approximately HK\$756,000,000).

Prospects

As mentioned in the paragraph headed “Railway Construction and Operations” above, the Company is in the process of disposing a majority part of its interests in the Zunxiao Railway so to concentrate on the development and expansion of its shipping business. The Disposal constitutes a very substantial disposal and a connected transaction for the Company for which a circular is required to be despatched and the independent shareholders’ approval is required under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). As additional time is

required for the Company to finalise the financial and other information of the Group for disclosure in the circular, the despatch of the circular will be delayed to 31 August 2014. Details of the Disposal and the delay in despatch of the circular are set out in the announcements (the “VSD Announcements”) of the Company dated 28 February 2014, 21 March 2014, 25 April 2014, 30 May 2014, 27 June 2014 and 31 July 2014, respectively.

Should the completion of the Disposal be materialised, the net proceeds from the Disposal will be applied towards the acquisition of vessels which consists of a secondhand Handysize vessel by the Group and two Panamax or Supramax vessels by the JV Group and also for general working capital of the Group. Details of the use of proceeds from the Disposal are set out in the VSD Announcements.

The Company will continue to explore the market of ocean-going transportation business and hence expanding its shipping business scope on top of the current dry-bulk shipment business with its relevant experience and management expertise via its vessels and the joint-venture arrangement.

The Company will also identify opportunities in the capital markets and if possible, conduct fundraising activities to support the further growth of its shipping business and capture other profitable investment opportunities which may arise in the future.

Employee and Remuneration Policy

As at 30 June 2014, the Group had 124 (31 December 2013: 137) full-time employees, 108 of whom were based in the PRC. Staff costs of the Group for the period under review, including directors’ remuneration, were approximately HK\$9,765,000 (30 June 2013: approximately HK\$11,577,000). 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 2014, the following person(s) is/are Directors or the chief executive of the Company who had or was deemed to have an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which (i) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules:

Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives <i>(Note 1)</i>	Total	Approximate percentage of Shareholding <i>(Note 2)</i>
Mr. Liang Jun	Beneficial Owner	2,000,000	50,000,000	52,000,000	0.39%
Mr. Fung Ka Keung, David	Beneficial Owner	—	10,000,000	10,000,000	0.07%
Ms. Yu Sau Lai	Beneficial Owner	—	10,000,000	10,000,000	0.07%
Mr. Yu Baodong	Beneficial Owner	—	50,000,000	50,000,000	0.37%
Ms. Sun Wei	Beneficial Owner	—	50,000,000	50,000,000	0.37%
Mr. Tse On Kin	Beneficial Owner	—	5,000,000	5,000,000	0.04%

Notes:

- (1) These are share options granted by the Company to the Directors under the share option scheme adopted by the shareholders of the Company on 20 August 2008 and refreshed on 3 June 2010. Such share options can be exercised by the Directors at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$0.168 per Share.
- (2) The approximate percentage of shareholding was calculated based on the number of shares in issue of 13,410,027,100 Shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, as far as the board (the "Board") of Directors 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 2014, 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 ("Mr. Wong")	Interest of controlled corporations	4,552,970,325 (Note 1)	33.95%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of a discretionary trust & interest of controlled corporations	2,137,450,000 (Note 2)	15.94%
Credit Suisse Trust Limited ("CST")	Trustee	2,000,000,000 (Note 3)	14.91%

Notes:

- (1) According to the individual substantial shareholder notice filed by Mr. Wong on 1 November 2013, 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 1 November 2013, 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 1 November 2013, 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 13,410,027,100 Shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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).

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. However, the outstanding options granted under the 2002 Option Scheme remain to be exercisable in accordance with its terms.

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					Market Value per Share		
			As at 1.1.2014	Granted during the period	Exercised during the period	Lapsed during the period	As at 30.6.2014	Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
Employee — In Aggregate									
26.05.2005	26.05.2005 to 25.05.2015	0.69	700,000	—	—	—	700,000	0.68	—

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

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, no 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:

Directors or category of participant	Exercise period of the share options	Exercise price of share options <i>HK\$</i>	As at 1.1.2014	Granted during the period	Exercised during the period	Lapsed during the period	As at 30.6.2014
Mr. Liang Jun	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Fung Ka Keung, David	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Ms. Yu Sau Lai	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
	21.4.2013 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Mr. Yu Baodong	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Ms. Sun Wei	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Tse On Kin	21.4.2011 to 20.4.2021	0.168	2,000,000	—	—	—	2,000,000
	21.4.2012 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
	21.4.2013 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
Employees (in aggregate)	21.4.2011 to 20.4.2021	0.168	30,280,000	—	—	—	30,280,000
	21.4.2012 to 20.4.2021	0.168	22,710,000	—	—	—	22,710,000
	21.4.2013 to 20.4.2021	0.168	22,710,000	—	—	—	22,710,000
		0.168	250,700,000	—	—	—	250,700,000

During the period under review, no options under the 2008 Option Scheme were exercised, cancelled or lapsed.

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 2014, the Company has complied with the CG Code save as specified and explained below:

Code Provision A.2.1

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



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 established an audit committee (the "Audit Committee") with written terms of reference in compliance with 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, namely Mr. Chan Chi Yuen, Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.

During the period under review, the Audit Committee performed its duties according to its written terms of reference.

The unaudited consolidated results of the Group for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

Change in Director Information

Since the last published annual report of the Company, Mr. Yu Baodong, a non-executive Director and the Chairman of the Company, has been appointed as the non-executive director and the authorized representative of GCL New Energy Holdings Limited (Stock Code: 451) with effect from 9 May 2014.

Ms. Sun Wei, a non-executive director of the Company, has been appointed as the non-executive director of GCL New Energy Holdings Limited (Stock Code: 451) and the member of its remuneration committee and strategic planning committee with effect from 9 May 2014.

Mr. Chan Chi Yuen, an independent non-executive director of the Company, resigned as an independent non-executive director of China Sandi Holdings Limited (Stock Code: 910), the chairman of its audit committee, member of its remuneration committee and nomination committee with effect from 9 July 2014.

Save 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 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	23,334	—
Cost of sales		(22,635)	—
Gross profit		699	—
Other income, gains and losses	4	(8,226)	(1,532)
Depreciation and amortisation		(2,978)	(3,430)
Staff costs		(9,765)	(11,577)
Change in fair value of contingent consideration payable		(808)	4,482
Share of results of jointly controlled entity		(4,748)	(7,023)
Other operating expenses		(9,494)	(12,506)
Finance costs	6	(54,068)	—
Loss before income tax	7	(89,388)	(31,586)
Income tax credit	8	6,578	—
Loss for the period		(82,810)	(31,586)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		(6,910)	11,307
Total comprehensive income for the period		(89,720)	(20,279)

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(56,840)	(28,975)
Non-controlling interests		(25,970)	(2,611)
		(82,810)	(31,586)
Total comprehensive income for the period attributable to:			
Owners of the Company		(61,301)	(21,767)
Non-controlling interests		(28,419)	1,488
		(89,720)	(20,279)
Loss per share			
— basic and diluted (<i>HK cent per share</i>)	9	(0.42)	(0.23)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	76,419	73,763
Intangible assets	76,802	78,585
Construction in progress	1,928,054	1,946,519
Railway construction prepayment	88,121	88,962
Interest in a jointly controlled entity	—	—
	2,169,396	2,187,829
Current assets		
Other receivables and prepayments	69,313	48,639
Trading securities	22,189	36,234
Loan to an associate	—	17,025
Cash and cash equivalents	5,628	13,152
	97,130	115,050
Total assets	2,266,526	2,302,879
Current liabilities		
Trade and other payables	60,663	53,948
Bank loans and other borrowings	320,452	268,618
Amount due to a jointly controlled entity	32,776	28,039
Amounts due to minority equity owners of subsidiaries	9,215	9,303
	423,106	359,908
Net current liabilities	(325,976)	(244,858)
Total assets less current liabilities	1,843,420	1,942,971

11

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2014

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Non-current liabilities		
Bank loans	1,112,428	1,123,067
Contingent consideration payable	29,477	28,669
	1,141,905	1,151,736
Net assets	701,515	791,235
Capital and reserves attributable to owners of the Company		
Share capital	12 1,435,649	134,100
Reserves	(919,282)	443,568
Equity attributable to owners of the Company	516,367	577,668
Non-controlling interests	185,148	213,567
TOTAL EQUITY	701,515	791,235

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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			
(Note 12)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2014 (Audited)	134,100	1,301,549	4,190	31,862	45,128	(939,161)	577,668	213,567	791,235
Loss for the period	—	—	—	—	—	(56,840)	(56,840)	(25,970)	(82,810)
Other comprehensive income									
— Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	—	—	—	—	(4,461)	—	(4,461)	(2,449)	(6,910)
Total comprehensive income for the period	—	—	—	—	(4,461)	(56,840)	(61,301)	(28,419)	(89,720)
Transfer from share premium account and capital redemption reserve on 3 March 2014 (Note 12)	1,301,549	(1,301,549)	—	—	—	—	—	—	—
As at 30 June 2014 (Unaudited)	1,435,649	—	4,190	31,862	40,667	(996,001)	516,367	185,148	701,515

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2013

	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 2013 (Audited)	128,570	1,268,576	4,190	34,924	31,959	(842,737)	625,482	234,118	859,600
Loss for the period	—	—	—	—	—	(28,975)	(28,975)	(2,611)	(31,586)
Other comprehensive income									
— Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	—	—	—	—	7,208	—	7,208	4,099	11,307
Total comprehensive income for the period	—	—	—	—	7,208	(28,975)	(21,767)	1,488	(20,279)
Recognition of share option expenses	—	—	—	1,584	—	—	1,584	—	1,584
Forfeiture of share options	—	—	—	(1,463)	—	1,463	—	—	—
As at 30 June 2013 (Unaudited)	128,570	1,268,576	4,190	35,045	39,167	(870,249)	605,299	235,606	840,905

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(59,514)	17,462
Net cash used in investing activities	(4,647)	(65,410)
Net cash generated from financing activities	56,642	—
Net decrease in cash and cash equivalents	(7,519)	(47,948)
Cash and cash equivalents at beginning of the period	13,152	113,279
Effect of foreign exchange rate changes	(5)	(7,829)
Cash and cash equivalents at end of the period	5,628	57,502

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis Of Preparation and Going Concern Assumption

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").

During the period, the Group incurred a loss of approximately HK\$82,810,000. As at 30 June 2014, the Group had net current liabilities of approximately HK\$325,976,000 and had financial liabilities comprising principally bank loans and related interest for the construction of the railway that are expected to be repaid within the twelve months from the end of the reporting period which is in excess of its current assets of approximately HK\$97,130,000. Further, there is capital expenditure in respect of the capital commitment for the construction of the railway as disclosed in Note 13 which is expected to be incurred during the year ending 31 December 2014 or in a foreseeable future. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

1. Basis Of Preparation and Going Concern Assumption

(Continued)

The majority of current liabilities due within the next twelve months from the end of the reporting period were arisen from the Company's non-wholly owned subsidiaries, 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company"), 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively, "Railway Companies"). As mentioned in the Company's announcements dated 28 February 2014, 21 March 2014, 25 April 2014, 30 May 2014, 27 June 2014 and 31 July 2014 in relation to the very substantial disposal and connected transactions of the Company, the Group through its wholly-owned subsidiary entered into three disposal agreements for the disposal of its majority equity interests in Kuanping Company and Zunxiao Company and entire equity interest in Tangcheng Company. Upon completion of the disposal of the relevant equity interests in the Railway Companies, the Group's obligations and liabilities in relation to construction of the railway will be significantly reduced with significant net cash proceeds to be received.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 30 June 2015 and taken into account the above proposed disposal, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 30 June 2014. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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

* for identification purposes only

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

1. Basis Of Preparation and Going Concern Assumption

(Continued)

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA (hereinafter collectively referred to as the "HKFRSs") and the requirements of predecessor Hong Kong Companies Ordinance (Cap.32) 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 2013 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 2014 annual financial statements.

In the current period, the Group has adopted all the new/revised HKFRSs and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. The adoption of these new/revised HKFRSs and amendments to HKFRSs did not result in significant changes to the Group's financial statements for the current period and prior periods.

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



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

3. Turnover

Turnover, which is also revenue, represents the amount received and receivable for time charters:

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Charter-hire income	23,334	—

4. Other Income, Gains and Losses

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss on trading securities		
— Change in fair value of trading securities	(743)	(2,176)
— Loss on disposal of trading securities	(8,696)	—
	(9,439)	(2,176)
Loan interest income	274	551
Bank interest income	—	93
Gain on disposal of a subsidiary	939	—
	(8,226)	(1,532)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information

The Group considers it has two reportable segments since September 2013 when it commenced earning charter-hire income. Accordingly, the operating segment “shipping and logistics” undertaken by the jointly controlled entity classified as “unallocated” for the six months ended 30 June 2013 were reclassified as a reportable operating segment to conform with the current period’s classification. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Railway construction and operations
- Shipping and logistics

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information (Continued)

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

Unaudited Six months ended 30 June 2014	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	—	23,334	23,334
Segment loss	(62,568)	(6,060)	(68,628)
Other segment information:			
Interest expenses	(54,068)	—	(54,068)
Depreciation of property, plant, and equipment	(734)	(2,158)	(2,892)
Amortisation of intangible assets	—	(1,784)	(1,784)
Operating lease payments	(291)	(9,860)	(10,151)
Share of results of jointly controlled entity	—	(4,748)	(4,748)
Additions to non-current segment assets during the period	3	5,797	5,800

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information (Continued)

Unaudited Six months ended 30 June 2013	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	—	—	—
Segment loss	(6,073)	(9,208)	(15,281)
Depreciation of property, plant, and equipment	(769)	—	(769)
Amortisation of intangible assets	—	(2,178)	(2,178)
Operating lease payments	(360)	—	(360)
Share of results of jointly controlled entity	—	(7,023)	(7,023)
Additions to non-current segment assets during the period	257	—	257



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information (Continued)

The following tables present the reconciliations of segment profit or loss, assets and liabilities:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Segment loss	(68,628)	(15,281)
Other income	274	644
Net loss on trading securities	(9,439)	(2,176)
Impairment loss on loan to an associate	—	(2,241)
Change in fair value of contingent consideration payable	(808)	4,482
Other unallocated corporate expenses	(10,787)	(17,014)
Condensed consolidated loss before income tax	(89,388)	(31,586)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information (Continued)

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Assets		
Railway construction and operations	2,050,328	2,070,099
Shipping and logistics	148,399	157,821
Segment assets	2,198,727	2,227,920
Intangible assets	1,000	1,000
Trading securities	22,189	36,234
Loan to an associate	—	17,025
Other unallocated corporate assets	44,610	20,700
Condensed consolidated total assets	2,266,526	2,302,879
Liabilities		
Railway construction and operations	1,487,993	1,448,385
Shipping and logistics	35,629	30,748
Segment liabilities	1,523,622	1,479,133
Contingent consideration payable	29,477	28,669
Other unallocated corporate liabilities	11,912	3,842
Condensed consolidated total liabilities	1,565,011	1,511,644

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

5. Segment Information *(Continued)*

Geographical information

The Group's non-current assets are principally located in the People's Republic of China ("PRC").

Geographical segment information of the Group's revenue is not presented as the directors consider that the nature of the provision of shipping services, which are carried out internationally, preclude a meaningful allocation of operating profit to specific geographical segments.

Major customers

Revenue from the Group's major customers of shipping and logistics segment, represents 10% or more of the Group's revenues are listed as below:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	9,909	—
Customer B	7,428	—
Customer C	3,777	—
	21,114	—

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

6. Finance Costs

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank loans and other borrowings:		
wholly repayable within five years	4,716	—
wholly repayable after five years	49,352	50,897
Total borrowing costs	54,068	50,897
Less: amount capitalised in construction in progress on specific borrowings	—	(50,897)
	54,068	—

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

7. Loss Before Income Tax

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

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment		
— Recognised in cost of sales	2,157	—
— Recognised in administrative expenses	1,194	1,252
Amortisation of intangible assets	1,784	2,178
	5,135	3,430
Staff cost		
— Salaries, wages and other benefits	9,627	9,860
— Equity-settled share-based payments	—	1,584
— Contributions to defined contribution retirement scheme	138	133
	9,765	11,577
Auditor's remuneration	110	108
Impairment loss on loan to an associate	—	2,241
Operating lease rentals in respect of		
— Land and buildings	1,916	2,407
— Vessels	9,860	—
Change in fair value of contingent consideration payable	808	(4,482)
Net exchange loss	37	114

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

8. Income Tax

The amount of taxation in the condensed consolidated interim statement of comprehensive income represents:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax		
— over-provision in respect of prior years	(6,578)	—

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 2014 and 2013.

No provision for the 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 2014 and 2013.

9. 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 of approximately HK\$56,840,000 (six months ended 30 June 2013: approximately HK\$28,975,000) and 13,410,027,100 ordinary shares (six months ended 30 June 2013: 12,857,027,100 ordinary shares) in issue during the six months ended 30 June 2014.

Diluted loss per share was not presented for the six months ended 30 June 2014 and 2013 as the potential ordinary shares to be issued on exercise of share options and by way of contingent consideration shares are anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

10. Dividend

No dividend was paid or declared by the Company during the six months ended 30 June 2014 and 2013.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2014 and 2013.

11. Trade and Other Payables

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Trade payables		
— current and up to 30 days	1,724	553
Construction cost payables	43,199	43,524
Other payables	15,740	9,871
	60,663	53,948

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

12. Share Capital

	At 30 June 2014		At 31 December 2013	
	Number of ordinary shares (Unaudited)	HK\$'000 (Unaudited)	Number of ordinary shares (Audited)	HK\$'000 (Audited)
Authorised:				
At 1 January	120,000,000,000	1,200,000	120,000,000,000	1,200,000
The concept of authorised share capital is abolished on 3 March 2014 (Note)	(120,000,000,000)	(1,200,000)	—	—
At 30 June/31 December	—	—	120,000,000,000	1,200,000
Issued and fully paid:				
At 1 January	13,410,027,100	134,100	12,857,027,100	128,570
Shares issued under placing shares scheme	—	—	553,000,000	5,530
Transfer from share premium account on 3 March 2014 (Note)	—	1,301,549	—	—
At 30 June/31 December	13,410,027,100	1,435,649	13,410,027,100	134,100

Note: The Hong Kong Companies Ordinance, Cap. 622 (the "Ordinance") came into effect on 3 March 2014. Under section 135 of the Ordinance, shares in a company do not have nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional provisions in the Ordinance, share premium account at the beginning of 3 March 2014 became part of the Company's share capital.

After the Ordinance came into effect on 3 March 2014, the concept of authorised preference shares is also abolished. As at 30 June 2014, there is no preference shares of class A and class B authorised for issue (as at 31 December 2013: 10,000,000,000 preference shares of class A and 10,000,000,000 preference shares of class B authorised for issue). No preference shares have been issued as at 30 June 2014 and 31 December 2013.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

13. Capital Commitments

	At	At
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	156,788	158,288
— Kuanping Company	473	478
— Tangcheng Company	182,393	184,138
	339,654	342,904

These commitments were entered into by the 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 2014 and 31 December 2013.

14. 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 15 August 2014.