亞洲能源物流
ASIA ENERGY
Logistics

亞洲能源物流集團有限公司
Asia Energy Logistics Group Limited

(Incorporated in Hong Kong with limited liability)
STOCK CODE: 0351

« Carrying the World's Future »

Annual Report 2014

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Ho Pui Man

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKER

OCBC Wing Hang Bank Ltd.

AUDITOR

BDO Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

HONG KONG STOCK EXCHANGE STOCK CODE

0351

WEBSITE

www.aelg.com.hk

Dear Shareholders,

I am pleased to present to you the annual report of the Company for the year ended 31 December 2014 on behalf of the board (the "Board") of directors (the "Directors") of the Company.

2014 was still a difficult and challenging year for the Company in its business operations and development as a whole. The Company has been proactively dealing with the difficulties encountered in its business activities and adjusting its business and operations strategies with a flexible and yet prudent methodology adopted in the hope of optimizing the allocation of the Company's limited financial resources.

For the year ended 31 December 2014, the turnover of the Company and its subsidiaries (together, the "Group") was approximately HK$36,680,000 (2013: approximately HK$19,084,000). The loss after tax for the year ended 31 December 2014 amounted to approximately HK$235,765,000 (2013: loss after tax of approximately HK$128,846,000). The increase in loss for the year under review as compared to the loss for the year ended 31 December 2013 was mainly attributable to, among other factors, the increase in finance costs to approximately HK$113,730,000 (2013: approximately HK$55,196,000) and the increase in impairment loss of intangible assets to approximately HK$55,062,000 (2013: approximately HK$6,244,000). The basic and diluted loss per share for the year was HK1.38 cents (2013: HK0.78 cents).

During the period under review, the Group was 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. As disclosed in the Company's previous financial reports, the construction progress had been obstructed significantly owing to contingent circumstances even though continuous efforts had been made to expedite the construction progress. Based on the latest assessment of the construction progress, the completion date is still uncertain and no revenue would be generated until then.

In view of the prolonged delay in the completion of Zunxiao Railway and the pressure of additional funding requirements on the Group's limited financial resources, the Company has been investigating various options to minimize the potential adverse impacts as a result of this delay on the Group's cash flow and financial position. As announced by the Company on 28 February 2014, the Company's indirectly wholly-owned subsidiary, China Railway Logistic Holdings Limited (the "Vendor"), and 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd*) (the "Purchaser") entered into three disposal agreements (the "Disposal Agreements") for the disposal (the "Disposal") of the Group's majority equity interests in 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) and 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) and the entire equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*).

Since the signing of the Disposal Agreements, the Company, the Vendor and the Purchaser have been working closely together to obtain the approvals from the relevant authorities and the parties to the Disposal Agreements are optimistic and at present do not foresee any material obstacles in obtaining such approvals.

* *for identification purposes only*

Chairman's Statement

The Board reckons that there have been a prolonged delay in obtaining the requisite approvals and in the despatch of the circular which in turn causing a delay in the completion of the Disposal (the "Completion"). In view that the financial position and operations of the Group will be significantly improved after the Completion and the prolonged delay would not hinder the approval process nor would it incur material additional resources by the Company to carry out its daily operations, the Board is of the view that notwithstanding the prolonged delay, the Disposal in the long run is in the interests of the Company and its shareholders as a whole.

SHIPPING AND LOGISTICS

The Group has been conducting its shipping business through the joint venture company which is engaged in shipping business (the "JV Company" and together with its subsidiaries the "JV Group"). Since the acquisition of the two Handysize vessels in 2010, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. As announced by the Company on 13 March 2015, the parties to the JV Group agreed to extend the deadlines for the acquisition of the other vessels to 31 December 2015 and 31 December 2016, respectively.

In anticipation of the possible shipping market turnaround and with a view to restructure the Group's current business and investment portfolios as well as broaden the scope of its shipping business operation, the Group engaged in vessel chartering business through a hired vessel, MV Jin Yuan, with carrying capacity of approximately 55,000DWT from September 2013 to May 2014. In addition, the Company acquired a bulk carrier, MV Tremonia (which was then renamed as MV Asia Energy), with carrying capacity of approximately 28,000DWT in November 2013.

During the period under review, the performance of MV Asia Energy has been satisfactory and it has made a positive contribution to the Group.

PROSPECTS

The Group is in the process of disposing a majority of its interests in the Zunxiao Railway in order to concentrate on the development and expansion of its shipping business. Should the Completion be realized, 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.

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

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all our staff members for their dedication, effort and valuable contributions during the year. I would like to take this opportunity to express my wholehearted gratitude to all the shareholders of the Company, business associates and partners for their trust and support.

Yu Baodong
Chairman and
Non-Executive Director

Hong Kong
20 March 2015

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2014, the Group had bank and cash balances of approximately HK$16 million (2013: approximately HK$13 million).

As at 31 December 2014, the Group had unsecured bank loan of approximately HK$4 million (2013: HK$Nil) repayable within one year and secured bank loans of approximately HK$190 million (2013: approximately HK$127 million) repayable within one year, approximately HK$254 million (2013: approximately HK$191 million) repayable within one to two years, approximately HK$802 million (2013: approximately HK$763 million) repayable within two to five years and HK$Nil (2013: approximately HK$169 million) repayable after five years. The effective interest rate for the year was 7.84% (2013: 7.86%) per annum.

As at 31 December 2014, the Group had unsecured other borrowings of approximately HK$67 million (2013: approximately HK$115 million) repayable within one year and approximately HK$191 million (2013: approximately HK$26 million) repayable on demand. Other borrowings of approximately HK$228 million (2013: approximately HK$141 million) are interest bearing at 6.5% to 20.4% (2013: 6.5% to 18%) per annum with the remaining balances of HK$30 million (2013: Nil) interest free.

The gearing ratio of the Group as at 31 December 2014, which is calculated as net debt divided by total capital, was approximately 76% (2013: approximately 65%).

CAPITAL STRUCTURE

As at 31 December 2014, there were 13,410,027,100 shares (the "Shares") in issue (2013: 13,410,027,100 Shares).

FUND RAISING ACTIVITIES

On 12 December 2014, the Company entered into a non-legally binding indicative term sheet with Advance Opportunities Fund ("the Subscriber") as represented by Advance Capital Partners Pte. Ltd ("ACP") pursuant to which the Subscriber intends to subscribe and the Company intends to issue the convertible notes in the aggregate principal amount of up to HK$100 million. On 16 January 2015 and 12 February 2015, the Company entered into a subscription agreement and a supplemental agreement respectively (collectively, the "Subscription Agreement") with the Subscriber and ACP. Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the 2.0% equity-linked redeemable structured convertible notes due 2018 (the "Convertible Notes") convertible into the Company's shares with an aggregate principal amount of up to HK$100 million at the issue price, being 100% of the principal amount of the Convertible Notes. The Convertible Notes shall comprise two tranches with principal amounts of HK$60 million and HK$40 million, respectively. The principal terms and conditions of the Subscription Agreement are set out in the Company's announcements dated 16 January 2015 and 12 February 2015. The issue of two tranches of the Convertible Notes and the shares to be issued upon exercise of the conversion rights attaching thereto are subject to approval by the shareholders of the Company.

The progress of the proposed issue of Convertible Notes is set out in the paragraph headed "Subsequent Events" in this section below.

SEGMENT INFORMATION

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

Management Discussion and Analysis

Railway Construction and Operations

The Group started its investment in railway construction and operations in July 2009 through the acquisition of 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 (Chende Zunxiao Railway Limited*) ("Zunxiao Company") and 承德寬平鐵路有限公司 (Chende 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 as the "Gofar Group"). The business scope of the Gofar Group consists of the construction and operation of a 121.7 kilometer 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, the construction process was significantly obstructed due to the deferral of a major loan facility of RMB1.033 billion expected to be granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) and other unforeseen obstacles encountered during the construction stage, such as land resumption and demolition etc. Although continuous efforts were made with the expectation to speed up the construction process, the completion of the railway construction has been further delayed.

The Company has been evaluating the potential adverse impacts that this further delay in the completion of the railway construction brought about on its overall financial and cash flow positions and has been considering various business options such as reorganization or disposing part of its investment holdings in the Zunxiao Railway so as to reallocate such resources to existing or new businesses that are value-added to the Company and its shareholders as a whole.

As announced on 28 February 2014, China Railway Logistic Holdings Limited (the "Vendor"), the Company's indirectly wholly-owned subsidiary, and 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd.*) (the "Purchaser") entered into three disposal agreements (collectively the "Disposal Agreements") for the disposal of a 53.02% equity interests in each of Zunxiao Company and Kuanping Company, and a 51% equity interest in Tangcheng Company (the "Disposal"). Pursuant to the Disposal Agreements, the Purchaser has conditionally agreed to purchase the relevant interests at the aggregate consideration of RMB433,270,000 and the completion of the Disposal is subject to the fulfillment of the conditions precedent set out in the Disposal Agreements.

On 23 September 2014, three supplemental agreements were entered into among the parties to the Disposal Agreements to extend the time for obtaining the approvals from the relevant authorities.

Both parties to the Disposal Agreements have been striving to address the outstanding issues in order to fulfill the conditions precedent to the completion of the Disposal collaboratively. Those are the additional land premium payable in respect of the land use rights relating to the Tangcheng section of the Zunxiao Railway (the "Tangcheng Section"), the compensation payable to the owners of overlaid mine around the Tangcheng Section and the possible additional payments to the contractors in respect of the construction work already completed for the entire Zunxiao Railway.

* *for identification purposes only*

By the end of 2014, the possible additional amount payable to the contractors of the Zunxiao Railway has been confirmed by the signing of several new contracts with the contractors. The Tangcheng Company has been negotiating with local authorities to ascertain the amount of the additional land premium payable. On 22 January 2015, an independent valuer in the PRC was engaged to assess and evaluate the overlaid mine near the Tangcheng Section and it is expected the valuation work will be completed by the end of April 2015.

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 the Purchaser following the completion of the Disposal, the Zunxiao Railway will gain easier access to the loan facilities granted by the local banks and handy assistances to tackle other unforeseen obstacles, therefore being on the fast track to the completion of the construction. 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 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 shipments services.

Pursuant to the JV agreement entered into on 1 December 2009 (as amended by a supplemental agreement dated 1 December 2009) (collectively, the "JV Agreement") among Ocean Jade, Waibert and the JV Company, the JV Group acquired two Handy size vessels of about 35,000 deadweight tonnage ("DWT") each at the consideration of RMB175 million and RMB178.8 million on 30 April 2010 and 10 August 2010, respectively. However, since the acquisition of the two Handy size vessels, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavourable market conditions. The latest deadlines for the acquisition of the two vessels were extended to 31 December 2015 and 31 December 2016 respectively pursuant to the seventh memorandum of mutual understanding entered into on 13 March 2015.

The JV Group recorded revenue of approximately HK$73.93 million (31 December 2013: approximately HK$80.22 million) for the period under review, the Group's loss from this business segment was approximately HK$15.73 million (31 December 2013: approximately HK$14.24 million).

Apart from the shipping business operated through the JV Group, the Company also started its own vessel chartering business in September 2013 by the chartering of MV Jin Yuan, a bulk vessel with a carrying capacity of approximately 55,000 DWT, for a contract period of 6–8 months. With a view to further broaden its business development in dry bulk shipping industry, the Company acquired MV Tremonia, a bulk carrier with carrying capacity of approximately 28,000 DWT, in November 2013. The vessel was then renamed as MV Asia Energy in May 2014. MV Asia Energy currently has a time-charter contract of 16–19 months which will expire between August 2015 and November 2015.

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

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Golden Concord Holdings Limited ("GCL") had provided a guarantee to a bank in respect of the bank loan facilities, in aggregate, up to RMB1,033 million (equivalent to approximately HK$1,309 million), granted to certain non-wholly owned subsidiaries of the Company in the PRC. In return for GCL's guarantee, the Group provided a counter-indemnity to indemnify GCL to the extent of the percentage of equity interest held by the Group in each of the subsidiaries of up to approximately RMB602 million (equivalent to approximately HK$763 million) and a share mortgage of its shares in China Railway Logistic Holdings Limited ("CRL"), an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of CRL's subsidiaries in favor of GCL. As at 31 December 2014, the outstanding bank loans amounted to approximately RMB983 million (equivalent to approximately HK$1,246 million). Therefore, according to the Group's percentage equity interest holdings in the subsidiaries, there was a contingent liability of approximately RMB573 million (equivalent to approximately HK$726 million).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Group had 99 (2013: 137) full-time employees, 84 of whom were based in the PRC. Staff costs, including director's remuneration and share option expense, of the Group for the year ended 31 December 2014 were approximately HK$19,814,000. The Group decides the remunerations and compensation payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved Mandatory Provident Fund Scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees.

SUBSEQUENT EVENTS

Before the end of the year under review on 12 December 2014, the Company entered into a non-legally binding indicative term sheet with the Advance Opportunities Fund (the "Subscriber") as represented by Advance Capital Partners Pte. Ltd ("ACP") to which the Subscriber intends to subscribe and the Company intends to issue the convertible notes in the aggregate principal amount of up to HK$100 million (the "Convertible Notes"). On 16 January 2015 and 12 February 2015, the Company entered into a subscription agreement and a supplemental agreement respectively (collectively, the "Subscription Agreement") with the Subscriber and ACP in which the Convertible Notes shall comprise two tranches with principal amount of HK$60 million for the Tranche 1 Notes (comprising 24 equal sub-tranches of HK$2.5 million each) and principal amount of HK$40 million for the Tranche 2 Notes (comprising 8 equal sub-tranches of HK$5 million each). The Subscriber had also granted an option to the Company to require the Subscriber to subscribe for the Convertible Notes from the Company at the issue price during the option period. Hence, the issue of each of the two tranches of the Convertible Notes and the shares to be issued upon exercise of the conversion rights attaching thereto are subject to approval by shareholders of the Company.

On 13 March 2015, the circular (the "Circular") for the proposed issue of Convertible Notes and notice of general meeting of the Company (the "General Meeting") were despatched to the shareholders of the Company. The General Meeting will be held on 30 March 2015 to approve, ratify and confirm the Subscription Agreement and the transactions contemplated thereunder, including the creation and issue by the Company of the Tranche 1 Notes and the allotment and issue of the conversion shares upon exercise of the conversion rights attaching to the Tranche 1 Notes.

Details of the proposed issue of the Convertible Notes were set out in the announcements of the Company dated 12 December 2014, 16 January 2015, 29 January 2015, 12 February 2015, 16 February 2015 and 27 February 2015 and the Circular.

Furthermore, the JV Company and the shareholders of the JV Company entered into a seventh memorandum of mutual understanding on 13 March 2015 and agreed to extend the deadline for the acquisition of the third Vessel by the JV Group to 31 December 2015 and the deadline for the acquisition of the fourth Vessel by the JV Group to 31 December 2016, details of which are set out in the announcement of the Company dated 13 March 2015.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Liang Jun ("Mr. Liang")

Mr. Liang, aged 48, has been an executive director (the "Executive Director") of the Company since 12 June 2006 and is a member of the remuneration committee (the "Remuneration Committee") of the Company. Previously, he was the chairman (the "Chairman") of the Company until he resigned from such position on 26 January 2010. Mr. Liang has over 20 years of experience in business development in China. He graduated from Tong Ji University (previously known as Tie Dao University of Shanghai) with a bachelor degree in Telecommunications Engineering.

Mr. Fung Ka Keung, David ("Mr. Fung")

Mr. Fung, aged 51, has been an Executive Director since 26 January 2010. He holds a master degree in Business Administration from the University of Leicester. Mr. Fung possesses more than 25 years of experience in accounting and finance, and is currently the director of finance in Golden Concord Holdings Limited as well as an independent non-executive director of Vongroup Limited (stock code: 318), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Main Board"). Mr. Fung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Ms. Yu Sau Lai ("Ms. Yu")

Ms. Yu, aged 52, has been an Executive Director since 31 March 2009. She has over 25 years of experience in administrating different kinds of companies and also has extensive exposure in information technology and business management in trading, wholesale and retail businesses.

Ms. Yu is currently also an executive director, the compliance officer, the process agent and the authorized representative of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on the Growth Enterprise Market of the Stock Exchange (the "GEM Board"). She is also a director of Full Century International Limited, a wholly-owned subsidiary of China Bio-Med Regeneration Technology Limited (stock code: 8158), a company listed on the GEM Board.

Ms. Yu was an executive director of Capital Environment Holdings Limited (formerly known as "New Environmental Energy Holdings Limited") (stock code: 3989), a company listed on the Main Board, until 27 May 2011.

NON-EXECUTIVE DIRECTORS

Mr. Yu Baodong (Chairman) ("Mr. Yu")

Mr. Yu, aged 51, has been a non-executive director (the "Non-Executive Director") of the Company since 31 March 2009 and the Chairman since 26 January 2010. He is also the chairman of the nomination committee (the "Nomination Committee") of the Company. He has over 10 years of experience in project investment and corporate management. He holds a master degree in Economics from the People's University of China and a doctorate degree in Economics from the Wuhan University.

Mr. Yu was also an executive director of GCL-Poly Energy Holdings Limited (stock code: 3800) until September 2014 and a non-executive director of GCL New Energy Holdings Limited (stock code: 451) until February 2015, all of which are listed on the Main Board.

Ms. Sun Wei ("Ms. Sun")

Ms. Sun, aged 43, has been a non-Executive Director since 26 January 2010. Ms. Sun holds a doctorate degree in Business Administration. She possesses over 15 years of experience in power plant investment and management. Ms. Sun is currently a non-executive director of GCL New Energy Holdings Limited (stock code: 451), a company listed on the Main Board, and is also a director of GCL System Integration Technology Co., Ltd. (formerly known as "Shanghai Chaori Solar Energy Science & Technology Co., Ltd.") (stock code: 002506), a company listed on the Shenzhen Stock Exchange.

Ms. Sun was an executive director of GCL-Poly Energy Holdings Limited (stock code: 3800) until 23 January 2015.

Mr. Tse On Kin ("Mr. Tse")

Mr. Tse On Kin, aged 53, was appointed as the Chairman and an Executive Director on 10 March 2006. He was re-designated as a Non-Executive Director and ceased to be the Chairman, both with effect from 1 April 2007. Mr. Tse has over 20 years of management experience covering corporate planning, restructuring, business development, project injection, merger and acquisition. Mr. Tse has a bachelor degree in Public Policy and Administration from York University in Canada.

Mr. Tse is currently an independent non-executive director and the chairman of China Bio Cassava Holdings Limited (stock code: 8129), a company listed on the GEM Board.

Mr. Tse was also an independent non-executive director of Value Convergence Holdings Limited (stock code: 821), whose shares are listed on the Main Board, from January 2010 to January 2012.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen ("Mr. Chan")

Mr. Chan, aged 48, has been an independent non-executive director (the "Independent Non-Executive Director") of the Company since 30 September 2004. He is the chairman of the audit committee (the "Audit Committee") of the Company, a member of the Remuneration Committee and Nomination Committee.

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

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (stock code: 2322) , South East Group Limited (stock code: 726), and Co-Prosperity Holdings Limited (stock code: 707) and an independent non-executive director of New Times Energy Corporation Limited (stock code: 166), Rex Global Entertainment Holdings Limited (formerly known as China Gamma Group Limited) (stock code: 164), Jun Yang Solar Power Investments Limited (stock code: 397), Media Asia Group Holding Limited (stock code: 8075) and U-RIGHT International Holdings Limited (stock code: 627). Mr. Chan was also an executive director and chairman of Kong Sun Holdings Limited (stock code: 295) from December 2011 to September 2013 and an independent non-executive director of China Sandi Holdings Limited (stock code: 910) from September 2009 to July 2014, all of which are listed on the Main Board or GEM Board.

Mr. Zhang Xi ("Mr. Zhang")

Mr. Zhang, aged 45, has been an Independent Non-Executive Director since 10 March 2006. He is the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. He has over 10 years of experience in the financial sector. He is currently a CFA charterholder. Mr. Zhang graduated with a bachelor degree in Science (Electrical Engineering) from Shanghai Jiao Tong University. Mr. Zhang obtained an international master of business administration (finance) from York University in Canada.

Professor Sit Fung Shuen, Victor ("Prof. Sit")

Prof. Sit, aged 67, was appointed as an Independent Non-Executive Director on 7 June 2010 and is a member of the Audit Committee. Prof. Sit has obtained a Ph.D. from the London School of Economics and Political Science, United Kingdom. He is a founding director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University and has also been invited to be the Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in the People's Republic of China (the "PRC"). He had been a Professor of the Department of Geography of The University of Hong Kong from 1977 to 2007 and was the Head of Department of Geography and Geology of The University of Hong Kong from 1993 to 1998.

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

Prof. Sit is currently a non-executive director of CIAM Group Limited (stock code: 378), a company listed on the Main Board.

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Hong Kong with limited liability. The Company acts as an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in Note 18 to the consolidated financial statements. The analysis of segment information of the Group during the financial year is set out in Note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the section headed "Consolidated Statement of Comprehensive Income" on page 33 of this report. The Directors did not recommend the payment of a final dividend for the year ended 31 December 2014.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 52% to the Group's total purchases of the year under review and the aggregate amount of purchases attributable to the Group's top five suppliers represented 100% of the Group's total purchases.

The Group's largest customer accounted for 47% of the Group's turnover (excluding guaranteed return) of the year under review and 100% of the total turnover (excluding guaranteed return) of the Group of the year under review was attributable to the Group's top five customers.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 36 of this report and Note 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company did not have any reserves available for distribution to Shareholders as calculated in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"). (In addition, an amount of approximately HK$1,301,549,000 has been transferred from share premium account on 3 March 2014 following the commencement of the Companies Ordinance and may be distributed in the form of fully paid bonus shares.)

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 104 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

BANK LOANS AND OTHER BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in Note 25 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2014 and up to the date of this report is as follows:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

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

Pursuant to Articles 101A and 101B of the articles of association (the "Articles of Association") of the Company, Mr. Liang Jun, Mr. Fung Ka Keung, David and Ms. Sun Wei shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting (the "AGM") of the Company.

During the year under review, each Director has a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

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

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee (the "Remuneration Committee") of the Company on the basis of their merit, qualification and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in the section headed "Share Options" below.

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

RETIREMENT BENEFITS SCHEMES

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

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

As at 31 December 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 were 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 (the "Listing Rules"):

Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of shareholding *(Note 2)*
Mr. Liang Jun	Beneficial Owner	2,000,000	50,000,000	52,000,000	0.39%
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 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 31 December 2014.

Save as disclosed above, as at 31 December 2014, 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 were deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

SHARE OPTIONS

2002 Option Scheme

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

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

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

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

								Market Value per Share	
Date of grant of share options	Exercise period of share options	Exercise price of share options	As at 1.1.2014	Granted during the year	Exercised during the year	Lapsed during the year	As at 31.12.2014	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 year under review, no share options under the 2002 Share 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.

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 Shareholders. The total number of shares issued and to be issued upon exercise of the option granted and to be granted to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company.

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

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

On 21 April 2011, 313,200,000 share options were granted at an exercise price of HK$0.168 per Share under the 2008 Option Scheme, of which 312,200,000 share options were accepted and 1,000,000 share options were lapsed due to non-acceptance by the grantee within the prescribed time limit. For the year under review, no share options (2013: 22,300,000) were lapsed following the cessation of employment of the relevant grantees.

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

Directors or category of participant	Exercises period of share options	Exercise price of share options HK$	As at 1.1.2014	Granted during the year	Exercised during the year HK$	Lapsed during the year	As at 31.12.2014
Directors							
Mr. Liang Jun	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Fung Ka Keung, David	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
	21.4.2013 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Ms. Yu Sau Lai	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
	21.4.2013 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Mr. Yu Baodong	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Ms. Sun Wei	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Tse On Kin	21.4.2011 to 20.4.2021	0.168	2,000,000	—	—	—	2,000,000
	21.4.2012 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
	21.4.2013 to 20.4.2021	0.168	1,500,000	—	—	—	1,500,000
Employees (in aggregate)	21.4.2011 to 20.4.2021	0.168	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
		Total	250,700,000			—	250,700,000

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in Note 36 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries, where "controlling shareholder" is defined in paragraph 16 of Appendix 16 to the Listing Rules at any time during the year under review.

CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions for the year ended 31 December 2014 are set out in Note 36 to the consolidated financial statements.

On 14 February 2014, China Railway Logistic Holdings Limited, an indirectly wholly-owned subsidiary of the Company, and 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd.*) (the "Purchaser") entered into three disposal agreements for the disposal of a 53.02% equity interests in each of Zunxiao Company and Kuanping Company, and a 51% equity interest in Tangcheng Company (the "Disposal").

As the Purchaser is a substantial shareholder of Zunxiao Company and Kuanping Company, the Purchaser is considered as a connected person of the Company pursuant to Rule 14.06 of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Disposal are set out in the section headed "Railway Construction and Operations" under "Management Discussion and Analysis".

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

So far as is known to any Directors, as at 31 December 2014, the following persons (not being a Director or chief executive of the Company) had interests in the Shares or underlying Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding *(Note 4)*
Mr. Wong Kin Ting ("Mr. Wong")	Interest of controlled corporations	4,552,970,325 *(Note 1)*	33.95%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of 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 ("APEF") (as described in Note 3 below); and

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

(3) According to the corporate substantial shareholder notice filed by CST on 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. Asia Pacific Energy Fund Limited is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.

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

(4) The approximate percentage of shareholding was calculated based on the number of shares in issue of 13,410,027,100 Shares as at 31 December 2014.

Save as disclosed above, as at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Throughout the year in 2014, the Company has complied with the applicable code provisions and principles as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned in the Corporate Governance Report on pages 23 to 30 of this report.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three INEDs, namely, Mr. Chan Chi Yuen (Chairman), Mr. Zhang Xi and Professor Sit Fung Shuen, Victor. The audited financial results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by BDO Limited. A resolution for the re-appointment of BDO Limited as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Liang Jun
Executive Director
Hong Kong

20 March 2015

CORPORATE GOVERNANCE PRACTICES

It is a continuing commitment of the board (the "Board") of directors (the "Directors") of the Company and the management of the Company to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders (the "Shareholder(s)") of the Company and enhance the performance of the Group. The Company has adopted and applied the principles as set out in Appendix 14, the Corporate Governance Code and Corporate Governance Report (the "CG Code"), to the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the year ended 31 December 2014, the Company has complied with the CG Code, save for the deviations 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.

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Ms. Sun Wei and Mr. Tse On Kin, both non-executive directors, and Mr. Zhang Xi, an independent non-executive director did not attend the annual general meeting of the Company held on 12 May 2014 due to their other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors. Having made specific enquiry, all Directors who held office in 2014 confirmed that they have complied with the code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

(1) Board Composition

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

The Company has received annual confirmations from each of the INEDs with regard to his independence to the Company and considers that each of the INEDs to be independent.

(2) Responsibility of the Board of Directors

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

Other duties include but are not limited to:

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

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

(3) Board Meetings and General Meetings

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

	Attendance No. of board meetings attended/ No. of board meetings held during the year	Attendance No. of general meetings attended/ No. of general meetings held during the year
Executive Directors		
Mr. Liang Jun	7/7	1/1
Mr. Fung Ka Keung, David	7/7	1/1
Ms. Yu Sau Lai	7/7	1/1
Non-Executive Directors		
Mr. Yu Baodong *(Chairman)*	7/7	1/1
Ms. Sun Wei	3/7	0/1
Mr. Tse On Kin	4/7	0/1
Independent Non-Executive Directors		
Mr. Chan Chi Yuen	6/7	1/1
Mr. Zhang Xi	5/7	0/1
Professor Sit Fung Shuen, Victor	7/7	1/1

(4) Continuous Professional Development

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

All Directors are provided with monthly updates on the Company's performance, position and prospects, together with the latest development on the changes of applicable rules and regulations to enable the Board as a whole and each Director to discharge their duties. All Directors had also participated in continuous professional development programs held by the Company and/or external qualified professional organizations. Last but not least, all Directors have been continuously keeping themselves updated on relevant issues like corporate governance and regulatory environments through self-reading materials.

The individual training record of each Director for the year ended 31 December 2014 was as follows:

	Self-Reading	Trainings organized by the Company	Seminars/Forums organized by professional organizations
Executive Directors			
Mr. Liang Jun	√	√	√
Mr. Fung Ka Keung, David	√	√	√
Mr. Yu Sai Lai	√	√	√
Non-Executive Directors			
Mr. Yu Baodong *(Chairman)*	√	√	√
Ms. Sun Wei	√	√	√
Mr. Tse On Kin	√	√	√
Independent Non-Executive Directors			
Mr. Chan Chi Yuen	√	√	√
Mr. Zhang Xi	√	√	√
Professor Sit Fung Shuen, Victor	√	√	√

(5) Chairman and Chief Executive

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

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

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

(6) Non-Executive Directors

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

BOARD COMMITTEES

The Board currently has three committees, namely the Remuneration Committee, the Audit Committee and the Nomination Committee. All the Board committees are empowered by the Board under their own terms of reference which were published on the Stock Exchange's website and the Company's website.

(1) Remuneration Committee

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

During the year under review and up to date of this report, the members of the Remuneration Committee are Mr. Zhang Xi (Chairman), Mr Chan Chi Yuen and Mr. Liang Jun.

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

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

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

	No. of meetings attended/ No. of meetings held during the year
Mr. Zhang Xi *(Chairman)*	1/1
Mr. Chan Chi Yuen	1/1
Mr. Liang Jun	1/1

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

(2) Audit Committee

The Audit Committee comprising only INEDs was established with specific written terms of reference that complied 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.

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

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

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

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

	No. of meetings attended/ No. of meetings held during the year
Mr. Chan Chi Yuen *(Chairman)*	2/2
Mr. Zhang Xi	1/2
Professor Sit Fung Shuen, Victor	2/2

(3) Nomination Committee

The Board established a Nomination Committee comprising one NED and two INEDs with specific written terms of reference. Its main function is to review and assess the structure, size and composition of the Board and to identify and make recommendation to the Board on the selection, appointment or re-appointment for directorship.

Pursuant to code provision A.5.6 of the CG Code, the Board adopted a board diversity policy setting out the approach to achieve board diversity. All Board appointments will be made based on merit and contribution while taking into account the diversity components including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge and length of service. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

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

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

- reviewing the structure, size and composition of the Board and make recommendations on any proposed changes to the Board complement on Company strategy;
- assessing the independence of INEDs;
- making recommendations to the Board on the appointment or re-appointment of director and succession planning for directors, in particular the Chairman and Chief Executive; and
- reviewing the board diversity policy and to ensure its effectiveness.

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

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

(4) Corporate Governance Function

The Company has not established any committee responsible for the corporate governance function of the Group which is collectively performed by the Board. The Board acknowledges overseeing the corporate governance function of the Group collectively and agreed to comply with a specific written terms of reference.

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

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

AUDITOR'S REMUNERATION

During the year under review, the fees in respect of audit and non-audit services provided by BDO Limited, the external auditor of the Company, were HK$830,000 and HK$110,000, respectively.

FINANCIAL REPORTING

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

In preparing the financial statements for the year ended 31 December 2014, the Directors have made judgments and estimates that are prudent and reasonable and prepared the financial statements on a going concern basis.

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

A statement by the Independent Auditor about its reporting and its responsibilities is set out in the Independent Auditor's Report on pages 31 to 103 of this report.

INTERNAL CONTROL

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

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

The Board had adopted a Shareholder's Communication Policy which aims to promoting and facilitating effective communication with its Shareholders. The objective is to ensure the Company provides timely, clear, reliable and material information for its Shareholder in exercising their rights. The Policy defined how Shareholders can convene an extraordinary general meeting, procedures to which enquiries may be put to the Board and sufficient contact details enabling these enquiries to be properly directed and procedure and sufficient contact details for putting forward proposals at the Shareholders' meetings. A procedure for election of directors was also adopted providing guidelines on how Shareholders can propose an individual as directors of the Company. Shareholders' Communication Policy and the Procedures for Election of Directors are published on the Company's website.

Independent Auditor's Report

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

We have audited the consolidated financial statements of Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, Cap.32 by operation of the transitional and saving provisions in Schedule 11 to the Hong Kong Companies Ordinance, Cap.622, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, Cap.32 by operation of the transitional and saving provisions set out in Section 80 of Schedule 11 to the Hong Kong Companies Ordinance, Cap.622, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance, Cap.32.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the consolidated financial statements which indicate that as at 31 December 2014 the Group had net current liabilities of HK$606,018,000 and incurred a loss of HK$235,765,000 for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate number P04945

Hong Kong, 20 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	5	**36,680**	19,084
Cost of sales		**(32,620)**	(17,158)
Gross profit		**4,060**	1,926
Other income, gains and (losses)	6	**(10,815)**	12,129
Depreciation and amortisation	9	**(5,883)**	(6,334)
Staff costs	9	**(19,814)**	(22,682)
Impairment loss on intangible assets	16	**(55,062)**	(6,244)
Change in fair value of contingent consideration payable	26	**10,833**	(17,689)
Share of results of jointly controlled entity	19	**(15,732)**	(14,242)
Other operating expenses		**(36,201)**	(20,514)
Finance cost	8	**(113,730)**	(55,196)
Loss before income tax	9	**(242,344)**	(128,846)
Income tax	10	**6,579**	—
Loss for the year		**(235,765)**	(128,846)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		**(3,769)**	20,395
Total comprehensive income for the year		**(239,534)**	(108,451)
Loss for the year attributable to:			
Owners of the Company		**(184,812)**	(101,069)
Non-controlling interests		**(50,953)**	(27,777)
		(235,765)	(128,846)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(187,439)**	(87,900)
Non-controlling interests		**(52,095)**	(20,551)
		(239,534)	(108,451)
Loss per share — basic and diluted (HK cents per share)	14	**(1.38)**	(0.78)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	73,087	73,763
Intangible assets	16	19,956	78,585
Construction in progress	17	2,127,323	1,946,519
Railway construction prepayment		11,117	88,962
Interest in a jointly controlled entity	19	—	—
Interest in an associate	20	—	—
		2,231,483	2,187,829
Current assets			
Other receivables and prepayments	21	49,987	48,639
Trading securities	22	—	36,234
Loan to an associate	20	—	17,025
Cash and cash equivalents	23	15,653	13,152
		65,640	115,050
Current liabilities			
Trade and other payables	24	166,246	53,948
Bank loans and other borrowings	25	452,406	268,618
Amount due to a jointly controlled entity	27	43,734	28,039
Amounts due to minority equity owners of subsidiaries	36(a)	9,272	9,303
		671,658	359,908
Net current liabilities		(606,018)	(244,858)
Total assets less current liabilities		1,625,465	1,942,971
Non-current liabilities			
Bank loans	25	1,055,928	1,123,067
Contingent consideration payable	26	17,836	28,669
		1,073,764	1,151,736
NET ASSETS		551,701	791,235
Capital and reserves attributable to owners of the Company			
Share capital — nominal value	29	—	134,100
Share premium	29	—	1,301,549
Share capital (2013: Share capital and share premium)	29	1,435,649	1,435,649
Other reserves		(1,045,420)	(857,981)
Equity attributable to owners of the Company		390,229	577,668
Non-controlling interests	30	161,472	213,567
TOTAL EQUITY		551,701	791,235

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 March 2015.

Director

Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	18	508,751	624,575
Current assets			
Other receivables and prepayments	21	21,043	206
Cash and cash equivalents	23	6,662	2,805
		27,705	3,011
Current liabilities			
Other payables	24	2,550	1,933
Net current assets		25,155	1,078
Net assets		533,906	625,653
EQUITY			
Share capital — nominal value	29	—	134,100
Share premium	29	—	1,301,549
Share capital (2013: Share capital and share premium)	29	1,435,649	1,435,649
Other reserves	32	(901,743)	(809,996)
Total equity		533,906	625,653

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 March 2015.

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 29)	**Share premium** HK$'000 (Note 29)	**Capital reserves** HK$'000	**Share option reserve** HK$'000 (Note 31)	**Translation reserve** HK$'000 (Note)	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
As at 1 January 2013	128,570	1,268,576	4,190	34,924	31,959	(842,737)	625,482	234,118	859,600
Loss for the year	—	—	—	—	—	(101,069)	(101,069)	(27,777)	(128,846)
Other comprehensive income — Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	—	—	—	—	13,169	—	13,169	7,226	20,395
Total comprehensive income for the year	—	—	—	—	13,169	(101,069)	(87,900)	(20,551)	(108,451)
Shares issued under placing shares scheme	5,530	32,973	—	—	—	—	38,503	—	38,503
Recognition of share option expenses	—	—	—	1,583	—	—	1,583	—	1,583
Forfeiture of share options	—	—	—	(4,645)	—	4,645	—	—	—
As at 31 December 2013	134,100	1,301,549	4,190	31,862	45,128	(939,161)	577,668	213,567	791,235
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(184,812)**	**(184,812)**	**(50,953)**	**(235,765)**
Other comprehensive income — Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	**—**	**—**	**—**	**—**	**(2,627)**	**—**	**(2,627)**	**(1,142)**	**(3,769)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(2,627)**	**(184,812)**	**(187,439)**	**(52,095)**	**(239,534)**
Transfer upon the abolition of nominal value of shares on 3 March 2014	**1,301,549**	**(1,301,549)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
As at 31 December 2014	**1,435,649**	**—**	**4,190**	**31,862**	**42,501**	**(1,123,973)**	**390,229**	**161,472**	**551,701**

Note:

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before income tax		(242,344)	(128,846)
Adjustments for:			
Net loss/(gain) on trading securities		12,036	(10,684)
Bank interest income		(8)	(98)
Loan interest income		(274)	(1,110)
Depreciation of property, plant and equipment	15	6,856	2,761
Amortisation of intangible assets	16	3,567	3,854
Gain on disposal of property, plant and equipment		—	(234)
Equity-settled share-based payment expenses		—	1,583
Finance cost		113,730	55,196
Change in fair value of contingent consideration payable	26	(10,833)	17,689
Impairment loss on intangible assets	16	55,062	6,244
Impairment loss on loan to an associate		—	1,125
Share of results of jointly controlled entity		15,732	14,242
Gain on disposal of a subsidiary	40	(939)	—
Effect of foreign exchange rate changes		(1,237)	1,934
Operating cash flows before working capital changes		(48,652)	(36,344)
Decrease/(increase) in other receivables and prepayments		14,465	(27,017)
Decrease in trading securities		24,198	30,173
(Decrease)/increase in trade and other payables		(1,595)	5,154
Cash used in operations		(11,584)	(28,034)
Interest paid on bank loans and other borrowings		(109,466)	(106,619)
Interest received		282	1,208
Income tax refund		6,579	—
Net cash used in operating activities		(114,189)	(133,445)
Investing activities			
Purchase of property, plant and equipment		(6,213)	(65,075)
Payments for construction in progress		—	(17,033)
Proceeds from disposal of property, plant and equipment		—	250
Proceeds from disposal of a subsidiary	40	2,150	—
Net cash used in investing activities		(4,063)	(81,858)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Financing activities			
Proceeds from bank loans		7,574	—
Proceeds from other borrowings		344,693	139,657
Repayment of bank loans		(3,787)	(63,608)
Repayment of other borrowings		(227,734)	—
Net proceeds from placing share scheme	29(ii)	—	38,503
Net cash generated from financing activities		120,746	114,552
Net increase/(decrease) in cash and cash equivalents		2,494	(100,751)
Cash and cash equivalents at beginning of the year		13,152	113,279
Effect of foreign exchange rate changes		7	624
Cash and cash equivalents at end of the year		15,653	13,152

Details of major non-cash transactions are set out in Note 41 to the consolidated financial statements.

1. ORGANISATION AND OPERATIONS

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

The Group, comprising the Company and its subsidiaries, together with its jointly controlled entity, is engaged in (i) railway construction and operations and (ii) shipping and logistics.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS

(a) Adoption of new/revised HKFRSs — effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

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

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

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

		Effective date
Amendments to HKAS 1	Disclosure Initiative	(i)
Amendments to HKAS 27	Equity Method in Separate Financial Statements	(i)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(i)
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	(i)
HKFRS 9 (2014)	Financial Instruments	(iii)
HKFRS 14	Regulatory Deferral Accounts	(i)
HKFRS 15	Revenue from Contracts with Customers	(ii)

Effective date:

(i) Effective for annual periods beginning on or after 1 January 2016

(ii) Effective for annual periods beginning on or after 1 January 2017

(iii) Effective for annual periods beginning on or after 1 January 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Amendments to HKAS 1 — Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the directors are not yet in a position to quantify the effects on the Group's financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance, Cap. 622 "Accounts and Audit" which are set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622, the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance, Cap. 32 for this financial year and the comparative period. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

(b) Basis of measurement and going concern assumption

i) Basis of measurement

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement and going concern assumption (Continued)

ii) Going concern assumption

As at 31 December 2014, the Group had net current liabilities of HK$606,018,000 and incurred a loss of HK$235,765,000 for the year then ended. 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.

The Group's net current liabilities as at 31 December 2014 are mainly attributable to its three 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 the "Railway Companies") which are principally engaged in the construction and operations of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省), the People's Republic of China (the "PRC"), (the "Zunxiao Railway"). As described in the Company's announcement dated 28 February 2014, the Group, through its wholly-owned subsidiary, entered into three disposal agreements dated 14 February 2014 as amended subsequently, by three supplemental agreements (collectively the "Disposal Agreements") with 河北建投交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd.*) ("Hebei CTICL" or the "Purchaser") for the disposal of its majority equity interests in Kuanping Company and Zunxiao Company (with 9.48% equity interest to be retained by the Group) and the entire equity interest in Tangcheng Company ("the Disposal") at an aggregate cash consideration of RMB433,270,000. The consideration will be settled by four instalments, the last of which falls due on thirty months after the Disposal Agreements have become effective.

As described in a number of subsequent announcements of the Company, the last of which was made on 27 February 2015, there is a prolonged delay in obtaining the requisite approvals from the local authorities since the Disposal Agreements were signed mainly due to three core issues including the possible additional payment to the contractors in respect of the construction work already completed for the entire Zunxiao Railway, the additional land premium payable by the Railway Companies in respect of the land use rights relating to certain sections of the Zunxiao Railway (the "Tangcheng Section") and the compensation payable to the owners of overlaid mine around the Tangcheng Section. As such, the following actions have been or will be undertaken by the Group to expedite the process of resolving the above issues.

Additional payment to the contractors

The Railway Companies have entered into several contracts to confirm the amount of additional construction costs payable to the contractors which have been recognised as construction in progress as at 31 December 2014.

* *for identification purposes only*

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement and going concern assumption (Continued)

ii) Going concern assumption (Continued)

Additional land premium payable in respect of the Tangcheng Section

The Group has submitted the related documents to obtain requisite approvals from the Ministry of Land and Resources of Heibei Province and Tangshan City in November 2014. The Group and the Purchaser are optimistic to obtain the approval in May 2015.

Compensation to the owners of overlaid mine around the Tangcheng Section

On 22 January 2015, the Group has engaged an independent valuer in the PRC to assess and evaluate the above mentioned overlaid mine and the valuation is expected to be completed by the end of April 2015. The Group will negotiate the compensation with the owners of overlaid mine by reference to the mine valuation report and expect to reach a conclusion and inform the Purchaser of the negotiation result in May 2015.

Once the Purchaser, which is a state-owned enterprise established in the PRC and currently owns 12.5% equity interest in each of Zunxiao Company and Kuanping Company, has obtained the results of the three outstanding issues, it will proceed to obtain necessary final approvals from relevant authorities for its acquisition of the equity interests in the Railway Companies. The Company will then seek to obtain shareholders' approval for the Disposal.

At present, the directors of the Company do not foresee any material obstacles in obtaining the approvals and expect that the Disposal will be completed no later than 31 December 2015. The directors consider that after completion of the Disposal, the Group's financial obligations and liabilities in relation to the Railway Companies will be significantly reduced with significant net cash proceeds to be received.

Prior to completion of the Disposal, the directors expect that the Railway Companies will continue to rely on the financial support from certain companies (the "Lenders"), one of which is a guarantor of their entire bank loans of HK$1,246,073,000 as at 31 December 2014 as mentioned in Note 25(a)(iii) and all of them are beneficially owned by a director of certain subsidiaries of the Company including the Railway Companies who is a beneficiary of a discretionary trust which in turn is a substantial shareholder of the Company, in order to meet their financial obligations including payment of interests on bank loans, construction cost payables and other operating expenses. In this connection, one of the Lenders who is a guarantor of the aforementioned bank loans and holding company of the other companies comprising the Lenders has confirmed that it intends to continue to provide such financial support to the Railway Companies and will not demand for repayment of the Lenders' loans of HK$228,999,000 as at 31 December 2014 made to the Railway Companies before completion of the Disposal and will negotiate with the Railway Companies to extend the repayment of those loans which are scheduled to fall due before the completion of the Disposal.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of measurement and going concern assumption (Continued)

ii) Going concern assumption (Continued)

Compensation to the owners of overlaid mine around the Tangcheng Section (Continued)

In addition, in order to meet the expected repayment of other loans of the Group which amounted to HK$29,459,000 as at 31 December 2014 if the date of their repayment is not extended and to increase general working capital of the Group for its existing operations, on 16 January 2015 and 12 February 2015, the Company entered into a convertible notes subscription agreement and a supplemental agreement (collectively the "Subscription Agreements") respectively with the subscriber as detailed in Note 43(i) to the consolidated financial statements whereby the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for the convertible notes in the aggregate principal amount of up to HK$100 million (the "Convertible Notes"). The directors consider that the issue of each of the two tranches of the Convertible Notes will be approved by shareholders of the Company and will be taken up by the subscriber. Alternatively, the Group may pledge its vessel to banks for additional funding as necessary if the Convertible Notes are not issued by the Company.

In view of the above circumstances, the directors of the Company have prepared a cash flow forecast of the Group for the fifteen months ending 31 March 2016 after taking into account (i) the Disposal is expected to be completed no later than 31 December 2015; (ii) the Lenders intend to continue and able to provide financial support to the Railway Companies to meet their financial obligations and will not demand for repayment of their loans made to the Railway Companies before completion of the Disposal; and (iii) additional funds can be obtained either from issue of the Convertible Notes pursuant to the Subscription Agreements, which will be approved by shareholders of the Company and will be taken up by the subscriber, or pledge of vessel to banks. The directors consider the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2014. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(c) Functional and presentation currency

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Business combination and basis of consolidation

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

(e) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

(f) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

— Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

— The structure of the joint arrangement;

— The legal form of joint arrangements structured through a separate vehicle;

— The contractual terms of the joint arrangement agreement; and

— Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method — see note 3(f)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets

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

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

Contract of affreightment	25 years
Club membership	indefinite

(i) Property, plant and equipment

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

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

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

Buildings, plant, and equipment	2%–5%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and office equipment	20%–33%
Motor vehicles	20%
Locomotives	10%
Vessel	Over the estimated remaining useful life. i.e. 8%

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (Continued)

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

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

(j) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

i) *Financial assets at fair value through profit or loss*

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

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

ii) *Loans and receivables*

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

iii) *Impairment loss on financial assets*

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

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

iii) Impairment loss on financial assets (Continued)

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

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

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

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

iv) Effective interest method

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

v) Derecognition

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

vi) Financial guarantee contracts

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

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

i) Classification as debt or equity

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

ii) Equity instruments

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

iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

iv) Financial liabilities at amortised cost

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

v) Effective interest method

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

vi) Derecognition of financial liabilities

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

(m) Cash and cash equivalents

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

(n) Leases

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

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

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

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

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

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

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

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

(q) Foreign currencies

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currencies (Continued)

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

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

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

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

(r) Employees' benefits

i) Defined contribution retirement plans

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

ii) Equity-settled share-based payments

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) Capitalisation of borrowing costs

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

(t) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group.

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

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

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

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(t) Related parties (Continued)

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

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

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

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

(u) Revenue recognition

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

i) Charter-hire income is recognised on a straight-line basis over the period of lease.

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Going concern basis

As disclosed in Note 3(b), the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about the future of the Group, including business forecasts and cash flow forecasts for the fifteen months ending 31 March 2016. Such forecasts about the future inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis not appropriate.

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

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

(c) Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the future cash flows expected to arise from ownership of the intangible assets and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of intangible assets was approximately HK$19,956,000 (2013: approximately HK$78,585,000), net of impairment of approximately HK$55,062,000 (2013: approximately HK$6,244,000) recognised during the year.

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

(d) Contingent consideration payable

The Group has accounted for the contingent consideration in the acquisition of an intangible asset, through the acquisition of subsidiary as detailed in Note 26 in accordance with the provisions of HKFRS 3 (Revised) — Business Combinations. The number of shares of the Company which would be issued as consideration of the acquisition is subject to the results of the acquired subsidiary. The Group determines the provision in respect of the contingent consideration based on the fair value of the shares of the Company to be issued and the directors' best estimate and weighted probability analysis of the future profit of the subsidiary. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. Subsequent gain or loss in fair value is recognised in profit or loss. As at 31 December 2014, the provision made in respect of contingent consideration by the Group amounted to approximately HK$17,836,000 (2013: approximately HK$28,669,000) and was recognised as contingent consideration payable.

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

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

(f) Residual values of vessel

The Group estimates residual value of its vessel by reference to the lightweight tonnes of the vessel and the average demolition steel price of similar vessels in the Far East market and Indian Sub-Continent market.

(g) Useful lives of vessels

The Group estimates useful life of its vessel by reference to the average historical useful life of similar class of vessels, its expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

(h) Provision for compensation payable to owners of overlaid mine

As disclosed in Note 42, the directors consider that there are no sufficient and reliable information available to estimate the compensation that may be payable to the owners of the overlaid mine with sufficient reliability. Therefore, no provision for the compensation was recognised in the consolidated financial statements as at 31 December 2014. When more information and/or the valuation report of the overlaid mine are available to the directors for them to estimate the provision with sufficient reliability, provision for the compensation will be recognised in the consolidated financial statements.

5. TURNOVER

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

	2014 HK$'000	2013 HK$'000
Charter-hire income	36,680	19,084

6. OTHER INCOME, GAINS AND (LOSSES)

	2014 HK$'000	2013 HK$'000
Net (loss)/gain on trading securities		
Change in fair value of trading securities	—	80,190
Loss on disposal of trading securities	(12,036)	(69,506)
	(12,036)	10,684
Bank interest income	8	98
Loan interest income	274	1,110
Gain on disposal of property, plant and equipment	—	234
Gain on disposal of a subsidiary	939	—
Others	—	3
	(10,815)	12,129

7. SEGMENT INFORMATION

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

The Group considers it has two reportable segments since September 2013 when it commenced to earn charter-hire income. 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

7. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 December 2014	**Railway construction and operations HK'000**	**Shipping and logistics HK'000**	**Total HK'000**
Segment revenue from external customers	**—**	**36,680**	**36,680**
Segment loss	**(128,621)**	**(70,611)**	**(199,232)**
Other segment information:			
Interest revenue	**8**	**—**	**8**
Interest expenses	**(113,148)**	**—**	**(113,148)**
Depreciation of property, plant and equipment	**(1,414)**	**(4,541)**	**(5,955)**
Amortisation of intangible assets	**—**	**(3,567)**	**(3,567)**
Impairment loss on intangible assets	**—**	**(55,062)**	**(55,062)**
Share of results of jointly controlled entity	**—**	**(15,732)**	**(15,732)**
Operating lease payments	**(484)**	**(9,860)**	**(10,344)**
Additions to non-current segment assets during the year	**(101,514)**	**(6,213)**	**(107,727)**

Year ended 31 December 2013	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	—	19,084	19,084
Segment loss	(68,634)	(22,465)	(91,099)
Other segment information:			
Interest revenue	5	—	5
Interest expenses	(55,184)	—	(55,184)
Depreciation of property, plant and equipment	(1,532)	(281)	(1,813)
Amortisation of intangible assets	—	(3,854)	(3,854)
Impairment loss on intangible assets	—	(6,244)	(6,244)
Share of results of jointly controlled entity	—	(14,242)	(14,242)
Operating lease payments	(569)	(15,305)	(15,874)
Additions to non-current segment assets during the year	(71,418)	(63,994)	(135,412)

7. SEGMENT INFORMATION (CONTINUED)

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

	2014 HK$'000	2013 HK$'000
Loss		
Segment loss	(199,232)	(91,099)
Other income	274	1,203
Net (loss)/gain on trading securities	(12,036)	10,684
Gain on disposal of a subsidiary	939	—
Impairment loss on loan to an associate	—	(1,125)
Change in fair value of contingent consideration payable	10,833	(17,689)
Other unallocated corporate expenses	(43,122)	(30,820)
Consolidated loss before income tax	(242,344)	(128,846)

	2014 HK$'000	2013 HK$'000
Assets		
Railway construction and operations	2,173,067	2,070,099
Shipping and logistics	91,160	157,821
Segment assets	2,264,227	2,227,920
Intangible assets	1,000	1,000
Trading securities	—	36,234
Loan to an associate	—	17,025
Other unallocated corporate assets	31,896	20,700
Consolidated total assets	2,297,123	2,302,879
Liabilities		
Railway construction and operations	1,667,592	1,448,385
Shipping and logistics	46,181	30,748
Segment liabilities	1,731,773	1,479,133
Contingent consideration payable	17,836	28,669
Other unallocated corporate liabilities	13,813	3,842
Consolidated total liabilities	1,745,422	1,511,644

7. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's non-current assets are principally located in the 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:

	2014 HK$'000	2013 HK$'000
Customer A	—	8,791
Customer B	—	5,941
Customer C	—	2,351
Customer D	7,428	2,001
Customer E	17,124	—
Customer F	9,909	—
	34,461	19,084

8. FINANCE COST

	2014 HK$'000	2013 HK$'000
Interest on bank loans		
— wholly repayable within five years	97,964	—
— wholly repayable after five years	—	104,447
	97,964	104,447
Interest on other borrowings		
— wholly repayable within five years	15,766	3,387
Total borrowing costs	113,730	107,834
Less: amount capitalised in construction in progress on specific borrowings	—	(52,638)
	113,730	55,196

9. LOSS BEFORE INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Depreciation of property, plant and equipment		
— Recognised in cost of sales	4,540	281
— Recognised in administrative expenses	2,316	2,480
Amortisation of intangible assets	3,567	3,854
	10,423	6,615
Staff costs (included directors' remuneration)		
— Salaries, wages and other benefits	19,521	20,836
— Equity-settled share-based payments	—	1,583
— Contributions to defined contribution retirement scheme	293	263
	19,814	22,682
Auditor's remuneration	940	938
Impairment loss on intangible assets	55,062	6,244
Impairment loss on loan to an associate	—	1,125
Gain on disposal of property, plant and equipment	—	(234)
Gain on disposal of a subsidiary	(939)	—
Operating lease rentals in respect of		
— land and buildings	3,736	4,462
— vessel	9,860	15,305
Net exchange loss	19	20

10. INCOME TAX

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

	2014 HK$'000	2013 HK$'000
Loss before income tax	**(242,344)**	(128,846)
Tax credit calculated at PRC Enterprise Income Tax rate of 25% (2013: 25%)	**(60,586)**	(32,211)
Tax effect of differential tax rate	**20,306**	6,925
Tax effect of expenses not deductible for taxation purpose	**36,718**	23,772
Tax effect of non-taxable items	**(1,815)**	(13,460)
Tax effect of unrecognised tax losses and other temporary differences	**5,377**	14,974
Hong Kong profits tax refund in respect of prior years	**(6,579)**	—
Income tax credit for the year	**(6,579)**	—

Hong Kong profits tax, if any, is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subjected to PRC Enterprise Income Tax at 25% (2013: 25%).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2013: nine) directors were as follows:

Year ended 31 December 2014

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors						
Liang Jun	—	1,560	—	—	17	1,577
Yu Sau Lai	—	546	—	—	17	563
Fung Ka Keung	—	650	—	—	17	667
Non-executive directors						
Tse On Kin	444	—	—	—	—	444
Sun Wei	444	—	—	—	—	444
Yu Baodong	540	—	—	—	17	557
Independent non-executive directors						
Chan Chi Yuen	120	—	—	—	—	120
Zhang Xi	120	—	—	—	—	120
Sit Fung Shuen	120	—	—	—	—	120
	1,788	2,756	—	—	68	4,612

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

(a) Directors' emoluments (Continued)

Year ended 31 December 2013

	Directors' fees HK$'000	Salaries, and other benefits HK$'000	Payments for loss of office HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
Executive directors						
Liang Jun	—	1,560	—	315	15	1,890
Yu Sau Lai	—	546	—	63	15	624
Fung Ka Keung	—	650	—	63	15	728
Non-executive directors						
Tse On Kin	444	—	—	31	—	475
Sun Wei	444	—	—	315	—	759
Yu Baodong	540	—	—	315	15	870
Independent non-executive directors						
Chan Chi Yuen	120	—	—	—	—	120
Zhang Xi	120	—	—	—	—	120
Sit Fung Shuen	120	—	—	—	—	120
	1,788	2,756	—	1,102	60	5,706

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2013: two) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining four (2013: three) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	3,118	2,459
Share-based payments	—	130
Contributions to defined contribution retirement scheme	50	94
	3,168	2,683

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

	2014 Number of employee	2013 Number of employee
HK$Nil to HK$1,000,000	4	2
HK$1,000,001 to HK$1,500,000	—	1

12. DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2014 (2013: Nil).

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

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

The loss for the year attributable to owners of the Company includes a loss of approximately HK$21,962,000 (2013: approximately HK$9,469,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

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

		2014 HK$'000	2013 HK$'000
(i)	Loss for the year attributable to owners of the Company	184,812	101,069

(ii) Weighted average number of ordinary shares

The weighted average number of ordinary shares in issue during the year ended 31 December 2014 was approximately 13,410,027,100 (2013: 12,949,446,000).

	2014	2013
Basic loss per share (HK cents)	1.38	0.78

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Locomotives HK$'000	Vessel HK$'000	Total HK$'000
The Group							
Cost:							
As at 1 January 2013	401	2,118	3,920	6,812	6,499	—	19,750
Additions	—	—	253	828	—	63,994	65,075
Disposals	—	(489)	(1,128)	(344)	—	—	(1,961)
Exchange adjustment	13	2	78	206	204	—	503
As at 31 December 2013	414	1,631	3,123	7,502	6,703	63,994	83,367
Additions	**—**	**—**	**—**	**—**	**—**	**6,213**	**6,213**
Exchange adjustment	**(3)**	**—**	**(7)**	**(22)**	**(20)**	**—**	**(52)**
As at 31 December 2014	**411**	**1,631**	**3,116**	**7,480**	**6,683**	**70,207**	**89,528**
Accumulated depreciation:							
As at 1 January 2013	74	1,245	2,190	4,012	1,027	—	8,548
Charge for the year	67	232	654	933	594	281	2,761
Eliminated on disposals	—	(489)	(1,112)	(344)	—	—	(1,945)
Exchange adjustment	3	2	46	148	41	—	240
As at 31 December 2013	144	990	1,778	4,749	1,662	281	9,604
Charge for the year	**68**	**232**	**559**	**858**	**599**	**4,540**	**6,856**
Exchange adjustment	**(1)**	**—**	**(2)**	**(13)**	**(3)**	**—**	**(19)**
As at 31 December 2014	**211**	**1,222**	**2,335**	**5,594**	**2,258**	**4,821**	**16,441**
Carrying amount:							
As at 31 December 2014	**200**	**409**	**781**	**1,886**	**4,425**	**65,386**	**73,087**
As at 31 December 2013	**270**	**641**	**1,345**	**2,753**	**5,041**	**63,713**	**73,763**

Depreciation charge for the year ended 31 December 2014 was recognised in cost of sales by approximately HK$4,540,000 (2013: approximately HK$281,000) and recognised in administrative expenses by approximately HK$2,316,000 (2013: approximately HK$2,480,000).

16. INTANGIBLE ASSETS

	The Group		
	Contract of affreightment	**Club membership**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
As at 31 December 2013 and 31 December 2014	**126,900**	**1,000**	**127,900**
Accumulated amortisation and impairment:			
As at 1 January 2013	39,217	—	39,217
Charge for the year	3,854	—	3,854
Impairment loss	6,244	—	6,244
As at 31 December 2013	49,315	—	49,315
Charge for the year	**3,567**	**—**	**3,567**
Impairment loss	**55,062**	**—**	**55,062**
As at 31 December 2014	**107,944**	**—**	**107,944**
Carrying amount:			
As at 31 December 2014	**18,956**	**1,000**	**19,956**
As at 31 December 2013	77,585	1,000	78,585

The recoverable amounts of contract of affreightment ("COA") have been determined from value in use calculations based on the free cash flows for five years in future from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: 3%), which does not exceed the long-term growth rate for the shipping industry in the PRC. The cash flows are discounted using a discount rate of 13.05% (2013: 10.55%). The discount rates used are pre-tax and reflect specific risks relating to the intangible asset.

During the year, the charter rate in shipping and logistics business in the PRC has decreased when compared with the trend as observed as at 31 December 2013. This had an adverse impact on the estimated value in use of the COA. As the carrying amount of the COA has been reduced to its estimated recoverable amount of approximately HK$18,956,000, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

17. CONSTRUCTION IN PROGRESS

	The Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
As at beginning of year	**1,946,519**	1,818,354
Additions	**186,546**	71,165
Exchange adjustment	**(5,742)**	57,000
As at end of year	**2,127,323**	1,946,519

Construction in progress represents railway construction costs in the PRC. The construction work has been suspended since July 2013. Additions for the year represent additional costs finalised for construction conducted prior to the suspension of railway construction. As mentioned in Note 3(b), the Group has entered into agreements for disposal of its majority or entire equity interests in the Railway Companies which hold the construction in progress.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**959,348**	1,002,659
	959,349	1,002,660
Less: Impairment loss	**(450,598)**	(378,085)
	508,751	624,575

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

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

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Company's principal subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities
Teleroute Enterprises Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Palace View International Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Colour Sunlight Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
CSCP Management Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Investment holding
Talent Will Administration Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Bright Master Investments Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Investment holding
Ocean Jade Investments Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Gofar Holdings Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
China Railway Logistic Holdings Limited (Note a)	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Investment holding
Chengde Zunxiao Railway Limited* (承德遵小鐵路有限公司) (Note b)	PRC, limited liability company	RMB224,000,000	—	62.5%	Railway construction and operations
Chengde Kuanping Railway Limited* (承德寬平鐵路有限公司) (Note b)	PRC, limited liability company	RMB129,000,000	—	62.5%	Railway construction and operations
Tangshan Tangcheng Railway Transportation Company Limited* (唐山唐承鐵路運輸有限責任公司) (Note b)	PRC, limited liability company	RMB205,000,000	—	51%	Railway construction and operations
Treasure Delight Holdings Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Chengde Gangtong Railway Logistic Company Limited* (承德港通鐵路物流有限公司)	PRC, limited liability company	RMB3,007,224	—	100%	Logistic
AELG Limited	Hong Kong	1 ordinary share with HK$1 paid up		100%	Shipping and Logistics
Asia Energy Inc.	Liberia	1 ordinary share of US$1		100%	Shipping and Logistics

* *for identification purposes only*

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

(a) A share mortgage was executed in respect of this subsidiary in favour of a connected party as detailed in Notes 25(a)(iii) and 36(c).

(b) Equity and assets pledges were executed in respect of these subsidiaries in favour of a connected party as detailed in Notes 25(a)(iii) and 36(c).

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

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets in a jointly controlled entity		
— As at beginning and end of the year	**—**	—

Note: The Group recognised 50% of the loss of a jointly controlled entity for the year ended 31 December 2014 of HK$15,732,000 (2013: loss of HK$14,242,000). The share of loss exceeded the Group's interest in the jointly controlled entity as the Group has incurred legal obligations under the shareholders' agreement relating to the formation of the jointly controlled entity by acquiring two vessels to be operated by the jointly controlled entity as mentioned in Note 26, to make good such losses. The excess amount is accounted for as liabilities due to a jointly controlled entity in Note 27.

Details of the jointly controlled entity are as follows:

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

19. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Non-current assets	**381,612**	399,093
Current assets	**10,876**	16,157
Current liabilities	**(8,072)**	(10,261)
Non-current liabilities	**(474,308)**	(463,480)
Net liabilities	**(89,892)**	(58,491)
Included in the above amounts are:		
Cash and cash equivalents	**4,141**	5,169
Current financial liabilities (excluding trade and other payable)	**(586)**	(549)
Non-current financial liabilities (excluding other payable and provision)	**(474,308)**	(463,480)

	The Group	
	2014	2013
	HK$'000	HK$'000
Income	**73,932**	80,223
Expenses	**(105,396)**	(108,707)
Loss before tax	**(31,464)**	(28,484)
Income tax	**—**	—
Loss after tax and total comprehensive income for the year	**(31,464)**	(28,484)
Included in the above amounts are:		
Depreciation and amortisation	**(16,080)**	(15,954)
Interest income	**53**	21
Interest expense	**(27,767)**	(28,263)

20. INTEREST IN AN ASSOCIATE

	The Group	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost less impairment/share of net assets	**—**	—
Loan to an associate	**—**	37,000
Less: Provision for impairment loss	**—**	(19,975)
	—	17,025

Note: The loan was unsecured, interest bearing at 3% per annum (2013: 3%) and repayable on demand.

Details of the associate are as follows:

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

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

	2014	2013
	HK$'000	HK$'000
Unrecognised share of loss of an associate for the period up to the date of disposal/the year	**(563)**	(338)
Accumulated unrecognised share of loss of an associate	**N/A***	(5,993)

* During the year ended 31 December 2014, the Group has disposed of its entire equity interest in a subsidiary, Allpride Holdings Limited, which holds the 30% equity interest in an associate, Brilliant Success Asia Limited.

20. INTEREST IN AN ASSOCIATE (CONTINUED)

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

	The Group	
	22 April 2014* HK$'000	31 December 2013 HK$'000
Current assets	20,187	21,788
Current liabilities	(42,037)	(41,763)
Net liabilities	(21,850)	(19,975)
Total revenue	—	—
Loss and total comprehensive income for the period/year	(1,875)	(1,125)
Group's share of loss of associate for the period/year	—	—

* date of completion of the disposal of an associate

21. OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Other receivables and prepayments				
— third parties	23,816	58,368	21,043	36,106
— related party (Note 36(f))	26,171	26,171	—	—
	49,987	84,539	21,043	36,106
Less: Provision for impairment	—	(35,900)	—	(35,900)
Other receivables and prepayments, net	49,987	48,639	21,043	206

During the year ended 31 December 2014, provision for impairment on other receivables of HK$35,900,000 was written off as management considers that those balances impaired were irrecoverable.

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

21. OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

At 31 December 2014, the Group and the Company's other receivables and prepayments of HK$7,050,000 (2013: HK$Nil) were past due but not impaired and the remaining balances were neither past due nor impaired. Balance past due but not impaired related to a debtor with no recent history of default.

22. TRADING SECURITIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong listed equity securities — at fair value	**—**	36,234

23. CASH AND CASH EQUIVALENTS

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

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
— current and up to 30 days	**1,366**	553	**—**	—
Construction cost payables	**153,240**	43,524	**—**	—
Other payables	**11,640**	9,871	**2,550**	1,933
	166,246	53,948	**2,550**	1,933

25. BANK LOANS AND OTHER BORROWINGS

	The Group	
	2014	2013
	HK$'000	HK$'000
Current liabilities		
Bank loans (Notes (a)(i), (ii) and (iii))	**190,145**	127,189
Other bank loan (Notes (a)(ii) and (iii))	**3,803**	—
Other borrowings (Note b)	**258,458**	141,429
	452,406	268,618
Non-current liabilities		
Bank loans (Notes (a)(i), (ii) and (iii))	**1,055,928**	1,123,067

Notes:

(a) At 31 December 2014, total bank loans were scheduled to be repaid as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
On demand or within one year	**193,948**	127,189
More than one year but not exceeding two years	**253,515**	190,784
More than two years but not exceeding five years	**802,413**	763,096
After five years	**—**	169,187
	1,249,876	1,250,256
Current liabilities	**(193,948)**	(127,189)
Non-current liabilities	**1,055,928**	1,123,067

(i) During the year ended 31 December 2014, the Group signed revised bank loan agreements with the bank relating to bank loans existed as at 31 December 2013 and amended the corresponding repayment schedules. No bank loan principals were therefore repaid during the year ended 31 December 2014 relating to those bank loans.

(ii) All bank loans and other bank loan are denominated in Renminbi. The directors estimated that the fair value of the bank loans is not significantly different from the carrying amount.

25. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(a) At 31 December 2014, total bank loans were scheduled to be repaid as follows: (Continued)

(iii) The amount of bank loans and other bank loan in the original denominated borrowing currency is RMB985,990,000 equivalent to HK$1,249,876,000 (2013: RMB982,990,000 equivalent to HK$1,250,256,000). The average effective interest rate for the year is 7.84% (2013: 7.86%) per annum. In addition to the guarantee given by a wholly-owned subsidiary of the Company in respect of its respective equity interest in each of the relevant non wholly-owned subsidiaries for the bank loans of HK$1,246,073,000 (2013: HK$1,250,256,000) as at 31 December 2014, the bank loans are secured by guarantee provided by a connected party, Golden Concord Holdings Limited ("Golden Concord"), in aggregate up to RMB1,033,000,000 equivalent to HK$1,309,468,000 (2013: RMB1,033,000,000 equivalent to HK$1,313,862,000). In return, the Company has agreed to provide a counter-guarantee to indemnify this connected party to the extent of the percentage of equity interest held by the Group in each of the relevant non wholly-owned subsidiaries of up to approximately RMB573,003,000 equivalent to approximately HK$726,360,000 (2013: approximately RMB573,003,000 equivalent to approximately HK$728,796,000), share mortgage, equity and assets pledges in favour of the connected party (Note 36(c)).

(b) Other borrowings are unsecured of which HK$66,905,000 (2013: HK$115,037,000) is repayable within one year and HK$191,553,000 (2013: HK$26,392,000) is repayable on demand. Other borrowings of approximately HK$228,617,000 (2013: approximately HK$141,429,000) are interest bearing at 6.5% to 20.4% (2013: 6.5% to 18%) per annum with the remaining balances interest free. Other borrowings of HK$9,459,000 (2013: HK$Nil) and HK$228,999,000 (2013: HK$116,429,000) are borrowed from Golden Concord and its subsidiaries respectively (Note 36(e)). Other borrowings from Golden Concord and its subsidiaries to the extent of HK$208,617,000 (2013: HK$116,429,000) carry interest at 6.50% to 8.00% per annum (2013: 6.50% to 6.72%) with the remaining balance of HK$29,841,000 (2013: HK$Nil) interest free.

26. CONTINGENT CONSIDERATION PAYABLE

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Fair value:		
At beginning of the year	**28,669**	10,980
Change in fair value	**(10,833)**	17,689
At end of the year	**17,836**	28,669
(Gain)/loss recognised in profit or loss during the year relating to financial instruments held by the Group at the end of reporting period	**(10,833)**	17,689

26. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

On 19 May 2010, the Group completed the acquisition of 100% equity interest in Ocean Jade Investments Limited ("Ocean Jade") which holds 50% equity interest in a jointly controlled entity as mentioned in Note 19 from the vendor, Golden Concord. The acquisition is to be satisfied by the issue of 1,000,000,000 consideration shares to the vendor, when the net profit after tax of Ocean Jade shall not be less than HK$20 million for the first 12 months after the start of commercial operation of all four vessels in accordance with the agreements. In the event that this profit target is not met, the number of consideration shares to be issued shall be reduced pro-rata to the actual shortfall.

The number of consideration shares to be issued is based on the results of profit forecasts on the expected performance of all the four vessels operated by the jointly controlled entity, of which two of them are yet to be acquired. Estimated charter rate adopted in the forecast as at 31 December 2014 dropped as the charter rate in shipping and logistics business has decreased when compared with the trend as observed as at 31 December 2013. The Company's own share price of HK$0.103 per share (2013: HK$0.085 per share) adopted in the calculation is the Company's quoted share price as at 31 December 2014.

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

A higher in the charter rates and the Company's own share price would result in an increase in the fair value of the contingent consideration payable, and vice versa.

As at 31 December 2014, it is estimated that a general increase/decrease of 10 percentage in charter rate, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$11,420,000 (2013: increase/decrease the Group's loss for the year and accumulated losses by approximately HK$13,944,000). Sensitivity analysis of change in the Company's own share price for the fair value of the contingent consideration payable is disclosed in Note 38(e).

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

As at 31 December 2014, only two (2013: two) vessels have been acquired and started commercial operation. The fair value of contingent consideration has decreased by HK$10,833,000 (2013: increased by HK$17,689,000) as a result of the directors' re-estimation of the fair value of contingent consideration payable.

27. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

	The Group	
	2014	2013
	HK$'000	HK$'000
Amount due to a jointly controlled entity		
At beginning of the year	(28,039)	(13,826)
Share of results of jointly controlled entity	(15,732)	(14,242)
Advance to a jointly controlled entity	37	29
At end of the year	(43,734)	(28,039)

Amount due to a jointly controlled entity, mainly representing the excess of the Group's share of losses over its interest in the jointly controlled entity, is unsecured, non-interest-bearing and repayable within one year.

28. DEFERRED TAX

No deferred tax asset has been recognised in the Group and the Company's financial statements in respect of estimated tax losses available to offset future taxable profits due to the uncertainty of the future profits streams against which the asset can be utilised.

At the end of reporting period, the Group and the Company had estimated unused tax losses of HK$371,444,000 (2013: HK$338,856,000) and HK$202,598,000 (2013: HK$196,168,000) respectively, available for offset against future taxable profits, that can be carried forwarded indefinitely.

29. SHARE CAPITAL

Authorised, issued and fully paid share capital

	2014 Number of ordinary shares	2014 HK$'000	2013 Number of ordinary shares	2013 HK$'000
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 (i))	(120,000,000,000)	(1,200,000)	—	—
At 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 (Note (ii))	—	—	553,000,000	5,530
Transfer from share premium account on 3 March 2014 (Note (i))	—	1,301,549	—	—
At 31 December	13,410,027,100	1,435,649	13,410,027,100	134,100

Notes:

(i) On 3 March 2014, the Hong Kong Companies Ordinance, Cap. 662 (the "Ordinance") came into effect which results in (a) the Company's authorised share capital ceased to exist (by virtue of section 98(4) of the Ordinance); (b) the Company's shares ceased to have nominal or par value (by virtue of section 135 of the Ordinance); (c) the amounts standing to the credit of the Company's share premium account became part of the Company's share capital (by virtue of paragraph 37 of Schedule 11 to the Ordinance).

Following the Ordinance coming into effect on 3 March 2014, as at 31 December 2014, there are no preference shares of class A and class B authorised for issue (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 31 December 2013 and 2014.

(ii) On 1 November 2013, a total of 553,000,000 ordinary shares were placed and issued at share price of HK$0.072 per share which resulted in net proceeds of HK$38,503,000 after issue expenses of HK$1,313,000. During the year ended 31 December 2014, no ordinary shares were issued.

30. NON-CONTROLLING INTERESTS

The Group has three significant subsidiaries with material non-controlling interests ("NCI"), namely, Kuanping Company, Zunxiao Company and Tangcheng Company i.e. the Railway Companies. The other details of each of the Railway Companies, principally engaged in railway construction and operations, are set out in Note 18. For the purpose of presentation of their summarised financial information, the directors consider it would be more meaningful and appropriate to aggregate their financial information given the facts that they are engaged in the construction and operations of the Zunxiao Railway comprising three parts of rail track which are undertaken by the Railway Companies and therefore share similar risk and return.

	2014 HK$'000	2013 HK$'000
For the year ended 31 December		
Revenue	—	—
Loss for the year	(122,715)	(66,335)
Total comprehensive income	(126,483)	(45,946)
Loss allocated to NCI	(50,953)	(27,777)
Dividends paid to NCI	—	—
For the year ended 31 December		
Cash used in operating activities	(120,375)	(71,687)
Cash used in investing activities	—	(17,909)
Cash flows from financing activities	121,879	51,049
Net cash inflow/(outflow)	1,504	(38,547)

	2014 HK$'000	2013 HK$'000
As at 31 December		
Current assets	162,477	153,751
Non-current assets	2,147,340	2,045,823
Current liabilities	(794,320)	(490,455)
Non-current liabilities	(1,055,928)	(1,123,067)
Net assets	459,569	586,052
Accumulated non-controlling interests	(161,472)	(213,567)

31. SHARE OPTIONS

2002 Share Option Scheme

On 27 May 2002, a share option scheme (the "2002 Share Option Scheme") was adopted by the Company. The purpose of the 2002 Share Option Scheme was to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group.

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

(a) The terms and conditions of the options granted that were outstanding at 31 December 2013 and 2014:

	Number of options ('000)		
Options granted to employees	**2014**	2013	**Contractual life of options**
On 26 May 2005	**700**	700	10 years

All the above options outstanding at 31 December 2013 and 2014 have met the vesting condition and are wholly exercisable.

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

	2014		2013	
	Number of options '000	**Weighted average exercise price HK$**	Number of options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**700**	**0.6900**	1,200	0.6892
Forfeited during the year	**—**	**—**	(500)	0.6880
Outstanding at the end of the year	**700**	**0.6900**	700	0.6900
Outstanding and exercisable at the end of the year	**700**	**0.6900**	700	0.6900

The options outstanding under the 2002 Share Option Scheme at 31 December 2014 had a weighted average exercise price of HK$0.69 (2013: HK$0.69) and a weighted average remaining contractual life of 0.39 year (2013: 1.39 years).

31. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme

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

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

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

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

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

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

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary shares of HK$0.01 each 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.

31. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme (Continued)

The terms and conditions of the options granted that were outstanding at 31 December 2013 and 2014:

	2014		2013	
	Number of options '000	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**250,700**	**0.1680**	273,000	0.1680
Forfeited during the year	**—**	**—**	(22,300)	0.1680
Outstanding at the end of the year	**250,700**	**0.1680**	250,700	0.1680
Exercisable at the end of the year	**250,700**		250,700	

The options granted under the 2008 Share Option Scheme had fully vested during the year ended 31 December 2013. As at 31 December 2014, these outstanding options have an exercise price of HK$0.168 (2013: HK$0.168) and an average remaining contractual life of 6.30 years (2013: 7.30 years).

No options were lapsed, forfeited or exercised during the year ended 31 December 2014.

32. RESERVES

The Company

	Share premium HK$'000	Capital reserve* HK$'000	Share option reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000
As at 1 January 2013	1,268,576	4,190	34,924	(845,011)	462,679
Total comprehensive income for the year	—	—	—	(5,682)	(5,682)
Shares issued under share placing scheme	32,973	—	—	—	32,973
Recognition of share option expenses	—	—	1,583	—	1,583
Forfeiture of share options	—	—	(4,645)	4,645	—
As at 31 December 2013	1,301,549	4,190	31,862	(846,048)	491,553
Total comprehensive income for the year	**—**	**—**	**—**	**(91,747)**	**(91,747)**
Transfer to share capital upon abolition of nominal value of shares on 3 March 2014	**(1,301,549)**	**—**	**—**	**—**	**(1,301,549)**
As at 31 December 2014	**—**	**4,190**	**31,862**	**(937,795)**	**(901,743)**

* As at 31 December 2013, these reserves constituted the other reserves balance of HK$809,996,000 per the Company's statement of financial position.

The Company did not have any reserves available for distribution to shareholders as at 31 December 2013 and 2014. The Company's share premium as at 31 December 2013 may be distributed in the form of fully paid bonus shares.

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

33. CAPITAL COMMITMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	**172,778**	158,288
— Kuanping Company	**—**	478
— Tangcheng Company	**123,792**	184,138
	296,570	342,904

These commitments were entered into by three PRC non wholly-owned subsidiaries. The Group's effective interests in Zunxiao Company, Kuanping Company, and Tangcheng Company are 62.50%, 62.50% and 51.00% respectively as at 31 December 2013 and 2014.

34. OPERATING LEASE COMMITMENTS

Lessee

	The Group	
	2014	2013
	HK$'000	HK$'000
Minimum lease payments for office premises and staff quarters under operating leases charged as expenses in the year	**3,736**	4,462
Vessels lease payments under operating leases charged as expenses in the year	**9,860**	15,305

34. OPERATING LEASE COMMITMENTS (CONTINUED)

Lessee (Continued)

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**3,326**	6,345
In the second to fifth years inclusive	**780**	3,899
	4,106	10,244

Operating lease payments represent rentals payable by the Group for certain of its office premises, staff quarters and vessel. The leases typically run for lease term of six months to three years, with an option to renew the lease at which time all terms are renegotiated. None of the lease includes contingent rentals. The sub-lease vessel income recognised during the year ended 31 December 2014 was approximately HK$12,129,000 (2013: approximately HK$17,083,000), and the sub-lease vessel typically run for lease term of one to two months. As at 31 December 2014, the Group has no operating lease commitment in respect of vessel.

Lessor

The Group leases out its vessel under operating lease, and vessel lease receipts recognised as income during the year ended 31 December 2014 was approximately HK$24,551,000 (2013: approximately HK$2,001,000). As at 31 December 2014, the Group leases out its vessel to a customer with fixed charter rate for lease term of sixteen to nineteen months.

The minimum charter income receivables under non-cancellable operating leases are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Not later than one year	**18,040**	—
	18,040	—

As at 31 December 2013, there was no future minimum lease receivables under non-cancellable leases as lease income related to chartered-out vessel which was determined on an index-linked basis. The leases typically run for lease term of six months to one year.

35. FINANCIAL GUARANTEE CONTRACT — THE COMPANY

The Company has executed a counter-guarantee to indemnify Golden Concord up to approximately RMB573,003,000 equivalent to approximately HK$726,360,000 (2013: approximately RMB573,003,000 equivalent to approximately HK$728,796,000) (excluding all related accrued interest, costs and expenses incurred, if any), in which Golden Concord has agreed to execute guarantees to a bank in respect of bank loans granted to certain non-wholly owned subsidiaries of the Company in the PRC (Note 25(a)(iii) and Note 36(c)). Under the counter-guarantee, the Company would be liable to pay Golden Concord in the event of any default. The counter-guarantee was issued by the Company at HK$Nil consideration. The Company's directors considered that the fair value of the financial guarantee at the initial date of providing this guarantee was insignificant.

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

36. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

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

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

(c) As disclosed in Note 35, the Company has provided a counter-guarantee to Golden Concord, a company incorporated in Hong Kong which is beneficially owned by Mr. Zhu Gongshan, a director of certain subsidiaries including the Railway Companies of the Company. Mr. Zhu is a beneficiary of a discretionary trust which in turn owns Golden Concord and a substantial shareholder of the Company. Mr. Zhu also indirectly controls a company which is a shareholder of the Company. Altogether Mr. Zhu is beneficially interested in approximately 8.5% equity in the Company.

(d) Loan interest income of approximately HK$274,000 (2013: HK$1,110,000) were charged to an associate of the Group as disclosed in Note 20.

(e) Interest expenses on other borrowings of approximately HK$11,226,000 (2013: approximately HK$635,000) were charged by Golden Concord and its subsidiaries as disclosed in Note 25(b).

(f) The amount due from Golden Concord is unsecured, interest-free, repayable on demand and is on-lent to certain subsidiaries of the Company.

(g) As mentioned in Note 3(b), the Group has entered into Disposal Agreements with the Purchaser, Hebei CTICL, which is a minority owner of Kuanping Company and Zunxiao Company.

Transactions disclosed in Notes 36(c) and 36(g) constitute connected transactions as defined under the Listing Rules, and the directors of the Company confirmed that it has complied with the relevant disclosure requirements of the Listing Rules. The related party transactions disclosed in Note36(a), 36(e) and 36(f) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

37. CAPITAL RISK MANAGEMENT

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

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

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

During the year ended 31 December 2014, the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio of not more than 100%.

The gearing ratio as at 31 December 2013 and 2014 were as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Current liabilities	**671,658**	359,908
Non-current liabilities	**1,073,764**	1,151,736
Total liabilities	**1,745,422**	1,511,644
Less: Cash and bank balances	**(15,653)**	(13,152)
Net debt	**1,729,769**	1,498,492
Total equity	**551,701**	791,235
Total capital	**2,281,470**	2,289,727
Gearing ratio	**76%**	65%

38. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2013 and 2014, since the Group does not have any trade receivable, the Group has no concentration of credit risk on trade receivable.

The Group has concentration of credit risk from other receivables relating to two entities as at 31 December 2014 which amounted to approximately HK$47,021,000. Taking into account the financial position of these entities, the directors consider the balances will be wholly recoverable.

(b) Liquidity risk

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

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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

The Group

2014	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**
Trade and other payables	**166,246**	**166,246**	**166,246**	**—**	**—**	**—**
Amount due to a jointly controlled entity	**43,734**	**43,734**	**43,734**	**—**	**—**	**—**
Amounts due to minority equity owners of subsidiaries	**9,272**	**9,272**	**9,272**	**—**	**—**	**—**
Bank loans and other borrowings	**1,508,334**	**1,780,201**	**552,688**	**331,442**	**896,071**	**—**
	1,727,586	**1,999,453**	**771,940**	**331,442**	**896,071**	**—**

2013	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade and other payables	53,948	53,948	53,948	—	—	—
Amount due to a jointly controlled entity	28,039	28,039	28,039	—	—	—
Amounts due to minority equity owners of subsidiaries	9,303	9,303	9,303	—	—	—
Bank loans and other borrowings	1,391,685	1,827,183	366,888	354,861	922,949	182,485
	1,482,975	1,918,473	458,178	354,861	922,949	182,485

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The Company

2014	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Other payables	2,550	2,550	2,550	—
Financial guarantee issued				
Maximum amount guaranteed	—	726,360	726,360	—

2013	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Other payables	1,933	1,933	1,933	—
Financial guarantee issued				
Maximum amount guaranteed	—	728,796	728,796	—

As shown in the above analysis, bank loans and other financial liabilities of the Group amounting to approximately HK$771,940,000 (2013: approximately HK$458,178,000) are expected to be repaid within the next twelve months from 31 December 2014. The short-term liquidity risk inherent in this contractual maturity date has been addressed in Note 3(b).

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	The Group			
	2014		2013	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Fixed rate borrowings				
Other bank loan	**10.08%**	**3,803**	—	—
Other borrowings	**6.5% to 20.4%**	**228,617**	6.5% to 18%	141,429
Other bank loan and other borrowings		**232,420**		141,429
Interest free				
Other borrowings	**0%**	**29,841**	0%	—
Floating rate borrowings				
Bank loans	**7.38% to 7.86%**	**1,246,073**	7.86%	1,250,256
Total borrowings		**1,508,334**		1,391,685
Fixed rate borrowings as a percentage of total borrowings		**17%**		10%

Sensitivity analysis

As at 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$9,346,000 (2013: increase/decrease the Group's loss for the year and accumulated losses by approximately HK$4,688,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2013.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk

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

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

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair value of the contingent consideration payable of the Group (Note 26) and the share prices of the Group's trading securities at the end of reporting period.

Sensitivity analysis

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

The Group and the Company	2014 Increase in the relevant risk variable	2014 Effect on loss for the year and accumulated losses HK$'000	2014 Effect on other components of equity HK$'000	2013 Increase in the relevant risk variable	2013 Effect on loss for the year and accumulated losses HK$'000	2013 Effect on other components of equity HK$'000
— Company's own share price	10%	1,784	—	10%	2,867	—
— financial assets at fair value through profit or loss	10%	—	—	10%	(3,623)	—
	10%	1,784	—	10%	(756)	—

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Equity price risk (Continued)

Sensitivity analysis (Continued)

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

(f) Fair values estimation

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

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2013 and 2014 may be categorised as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss	**—**	36,234
Loans and receivables (including cash and bank balances)	**64,557**	77,884
Financial liabilities		
Fair value through profit or loss		
— contingent consideration payable	**17,836**	28,669
Financial liabilities measured at amortised cost	**1,727,586**	1,482,975

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

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

Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.
Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3 — Inputs for the asset or liability that are not based on observable market data.

The Group's trading securities and contingent consideration payable are measured at fair value. There were no transfers between levels during the years ended 31 December 2013 and 2014.

At 31 December 2014	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Trading securities	—	—	—	—
Liabilities				
Contingent consideration payable	—	—	17,836	17,836

At 31 December 2013	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Trading securities	36,234	—	—	36,234
Liabilities				
Contingent consideration payable	—	—	28,669	28,669

40. DISPOSAL OF A SUBSIDIARY

On 22 April 2014, the Group disposed of its entire equity interest in a wholly-owned subsidiary, Allpride Holdings Limited, which is an investment holding company. The net assets of Allpride Holdings Limited at the date of disposal were as follows:

	22 April 2014	
	HK$'000	HK$'000
Loan to an associate	17,025	
Interest in an associate	—	
Other receivables	5,036	
		22,061
Gain on disposal of a subsidiary included in profit or loss for the year		939
Total cash consideration		23,000
Satisfied by:		
Cash	2,150	
Sale consideration receivable	20,850	
		23,000
Net cash inflow arising on disposal:		
Cash consideration received	2,150	
Cash and bank balances disposed of	—	
		2,150

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2014, the Group disposed of the entire equity interest in a wholly-owned subsidiary at a cash consideration of HK$23,000,000, of which HK$2,150,000 had been settled by cash with the remaining sale consideration receivable of HK$20,850,000 recognised as other receivables as at 31 December 2014.

During the year ended 31 December 2014, total railway construction costs increased by approximately HK$186,546,000 (2013: approximately HK$71,165,000), of which railway construction prepayment of approximately HK$77,228,000 (2013: approximately HK$3,018,000) were transferred to construction in progress. At the same time, construction cost payables of approximately HK$109,318,000 (2013: approximately HK$1,401,000) were recognised in the consolidated financial statements.

42. CONTINGENT LIABILITIES

As mentioned in Note 3(b) to the consolidated financial statements, the Railway Companies has compensation payable to the owners of overlaid mine around the Tangcheng Section. However, there is no sufficient and reliable information available to management to estimate the amount of compensation that may be payable by the Group. As such, the Group has engaged an independent valuer in the PRC to assess and evaluate the overlaid mine in January 2015 and up to the date of approving the consolidated financial statements, the independent valuer is still in the process of obtaining relevant information from the owners of the overlaid mine and are not in the position to assess and evaluate the overlaid mine, and the report is not expect to be issued until the end of April 2015. Once the report is ready, the Group still needs to negotiate with the mine owners to determine the amount that may be payable. Due to the complexity of the valuation with insufficient reliable information available at the present, the directors are of the view that the amount of compensation cannot be measured with sufficient reliability, therefore no provision has been recognised in the consolidated financial statements as at 31 December 2014.

43. EVENTS AFTER THE END OF REPORTING PERIOD

(i) On 16 January 2015, The Group entered into a subscription agreement with two independent third parties, Advance Opportunities Fund ("the Subscriber") and Advance Capital Partners Pte Ltd (being the authorised representative of the Subscriber) pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the convertible notes in the aggregate principal amount of up to HK$100 million at the issue price, being 100% of the principal amount of the convertible notes. On 12 February 2015, the Company entered into a supplemental agreement with the Subscriber and Advance Capital Partners Pte Ltd to amend certain terms and conditions of the subscription agreement. The convertible notes shall comprise two tranches with principal amounts of HK$60 million (comprising 24 equal sub-tranches of HK$2.5 million each) and HK$40 million (comprising 8 equal sub-tranches of HK$5 million each) respectively. The principal terms and conditions of the subscription agreement (as amended by the supplemental agreement) are set out in the Company's circular dated 13 March 2015. The issue of each of the two tranches of the convertible notes is subject to approval by shareholders of the Company.

(ii) On 13 March 2015, the Group and the jointly venture partners of the jointly controlled entity as mentioned in Note 19 have agreed to extend the acquisition of the third vessel and the fourth vessel to 31 December 2015 and 31 December 2016 respectively.

Five-Year Financial Summary

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover					
Continuing operations	36,680	19,084	—	—	—
Discontinued operations	—	—	—	49,472	130,101
	36,680	19,084	—	49,472	130,101
Loss before income tax:					
Continuing operations	(242,344)	(128,846)	(54,762)	(142,928)	(47,382)
Discontinued operations	—	—	—	(1,291)	(60,180)
	(242,344)	(128,846)	(54,762)	(144,219)	(107,562)
Income tax credit	6,579	—	—	—	731
Loss for the year	(235,765)	(128,846)	(54,762)	(144,219)	(106,831)
Non-controlling interests	(50,953)	(27,777)	(6,766)	(6,522)	(4,806)
Loss attributable to owners of the Company	(184,812)	(101,069)	(47,996)	(137,697)	(102,025)
ASSETS AND LIABILITIES					
Total assets	2,297,123	2,302,879	2,216,247	2,009,225	2,301,703
Total liabilities	(1,745,422)	(1,511,644)	(1,356,647)	(1,102,306)	(1,283,743)
	551,701	791,235	859,600	906,919	1,017,960
Equity attribute to owners of the Company	390,229	577,668	625,482	665,839	782,059
Non-controlling interests	161,472	213,567	234,118	241,080	235,901
	551,701	791,235	859,600	906,919	1,017,960

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