

亞洲能源物流
ASIAENERGY
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

Interim Report **2015**

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Management Discussion and Analysis

Business Review

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

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 in turn 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 to 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”).

As disclosed in the Company’s previous financial reports and announcements, the construction progress had been obstructed significantly owing to contingent circumstances even though continuous efforts had been made to expedite the construction progress.

As the prolonged delay in the completion of Zunxiao Railway and the additional funding requirement have put enormous pressure on the Group’s limited financial resources, the Company had been investigating various options to minimize the potential adverse impacts on the Group’s cash flow and financial positions. As announced on 14 February 2014, the Company’s indirectly wholly-owned subsidiary, China Railway Logistic Holdings Limited, and 河北建設交通投資有限責任公司 (Hebei Construction, Transportation and Investment Co., Ltd*) (“Hebei Company”) entered into three disposal agreements (the “Disposal Agreements”) for the disposal of the

* For identification purposes only

Management Discussion and Analysis

Group's majority equity interests in Zunxiao Company and Kuanping Company and the entire equity interest in Tangcheng Company (the "Disposal"). The completion of the Disposal is subject to the fulfillment of the conditions as set out in the Disposal Agreements.

Both parties to the Disposal Agreements have been striving to address the issues in order to fulfill the conditions precedent to the completion of the Disposal collaboratively. Having recognized the possible delay in the completion of the Disposal, supplemental agreements to the Disposal Agreements were signed on 23 September 2014 to extend the period for fulfillment of the conditions.

During the period under review, the Gofar Group has been working strenuously in negotiating with local authorities and the railway contractors to ascertain the amount of additional land premium payable in respect of the land use rights relating to the Tangcheng section of the Zunxiao Railway (the "Tangcheng Section") and the amount of possible additional payments to the contractors in respect of the construction work already completed for the entire Zunxiao Railway. The Gofar Group has also commissioned an independent valuer in the PRC to assess and evaluate the possible amount of compensation payable to the owners of the overlaid mine around the Tangcheng Section.

As at 30 June 2015, positive progress has been made in solving the outstanding issues and the Company is optimistic that all the outstanding issues would be fully addressed in the near future.

Shipping and Logistics

The Group 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

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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.

Under the shareholder's agreement dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement") entered into between Ocean Jade, Waibert and the JV Company (collectively referred to as the "Parties"), the JV Group is mandated to acquire two Handysize Vessels and two Panamax or Supramax Vessels. The two Handysize Vessels of about 35,000 deadweight tonnage ("DWT") each were then acquired at the consideration of RMB 175 million and RMB 178.8 million in year 2010.

Since the acquisition of the two Handysize Vessels, the JV Group has not made further acquisition of the remaining two vessels as planned due to the unfavorable market conditions. As the acquisition of the two Panamax Vessels by the JV Group will be financed by part of the proceeds from the Disposal, the Parties to the JV Group entered into a seventh memorandum of mutual understanding on 13 March 2015 and agreed to extend the time for the acquisition of the third Vessel by the JV Group to 31 December 2015 and the time for the acquisition of the fourth Vessel by the JV Group to 31 December 2016.

During the period under review, the share of loss of the JV Group was HK\$3,744,000 (30 June 2014: loss of HK\$4,748,000), representing a decrease of approximately 21% compared to the corresponding period of 2014.

With a view to restructuring the Group's current business and investment portfolios as well as broadening the scope of its shipping business operation, the Company has also started its own vessel owning and chartering business by the acquisition of a bulk carrier with carrying capacity of approximately 28,000 DWT, MV Tremonia, in November 2013, which was then renamed as MV Asia Energy in May 2014 upon the completion of maintenance. MV Asia Energy currently has a time-charter contract of

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16 to 18 months which is expected to expire between August 2015 and October 2015. The management is currently negotiating with potential charterers aiming to sign a new time-charter contract for a period of around 2 years.

The contribution of this segment was the main source of income of the Group, details of which are set out in Note 5 to the unaudited condensed consolidated interim financial statements.

Financial Review

For the period under review, the unaudited turnover of the Group was approximately HK\$13,153,000 (30 June 2014: approximately HK\$23,334,000), a decrease of approximately 44% compared to the corresponding period of 2014. The decrease in turnover was due to re-delivery of the chartered vessel, MV Jin Yuan, to its owner in May 2014.

The Group recorded a loss after tax for the period under review of approximately HK\$181,433,000 (30 June 2014: approximately HK\$82,810,000). The increase in loss for the period under review was mainly attributable to, among other factors, the change in fair value of options/commitments to subscribe for convertible notes of approximately HK\$94,847,000 and the change in fair value of contingent consideration payable of approximately HK\$17,985,000, which are non-cash in nature and will not have any immediate impact on the cash flow of the Group. The loss per share was HK1.16 cent (30 June 2014: HK0.42 cent).

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2015, the Group had bank and cash balances of approximately HK\$46,525,000 (30 June 2014: approximately HK\$5,628,000).

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As at 30 June 2015, the Group had unsecured bank loan of approximately HK\$3,804,000 repayable within one year and secured bank loans of approximately HK\$190,209,000 repayable within one year, approximately HK\$253,598,000 repayable within one to two years, approximately HK\$802,678,000 repayable within two to five years. The effective interest rate for the period was 7.36% per annum.

As at 30 June 2015, the Group had unsecured other borrowings of approximately HK\$9,459,000 repayable within one year and approximately HK\$287,848,000 repayable on demand. Other borrowings of approximately HK\$214,960,000 are interest bearing at 6.12% to 20.4% per annum with the remaining balances of HK\$82,347,000 being interest free.

As at 30 June 2015, the Company had outstanding convertible notes in the principal amount of HK\$5,000,000. The convertible notes due 1 April 2018 were issued at the coupon rate of 2% per annum.

As at 30 June 2015, the gearing ratio of the Group was approximately 77% (30 June 2014: approximately 69%). For this purpose, the gearing ratio is calculated as net debt divided by adjusted capital.

Share Capital

As at 30 June 2015, the total number of shares of the Company (the "Shares") in issue was 14,095,986,866.

During the period under review, convertible notes in the principal amount of HK\$55,000,000 were converted into 657,059,766 Shares and 28,900,000 new Shares were issued upon the exercise of share options granted under the Company's share option scheme. Details of the issue of these new Shares are set out in the announcements of the Company published between April 2015 to June 2015.

Details of the movement in the Company's share capital are set out in Note 13 to the unaudited condensed consolidated interim financial statements.

Management Discussion and Analysis

Fund Raising Activities

On 16 January 2015, the Company entered into a subscription agreement which was supplemented and amended by a supplemental agreement dated 12 February 2015 (collectively, the "Subscription Agreement") with Advance Opportunities Fund (the "Subscriber") and its authorized representative, Advance Capital Partners Pte. Ltd ("ACP") pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the convertible notes (the "Convertible Notes") in the aggregate principal amount of up to HK\$100 million at a price equivalent to 100% of the principal amount of the Convertible Notes.

On 30 March 2015, shareholders' approval was obtained for, among other things, the issue of the Convertible Notes and the issue of the conversion shares upon exercise of the conversion rights attached to the Convertible Notes in an aggregate principal amount of up to HK\$60 million (the "Tranche 1 Notes").

Pursuant to the Subscription Agreement, the Company was granted an option (the "Option") to require the Subscriber to subscribe for the rest of the Convertible Notes in an aggregate principal amount of up to HK\$40 million during the option period (being the period commencing from and including the conversion date of the last of the Convertible Notes in Tranche 1 Notes to and including the tenth business day thereafter). Should the Company decide to exercise the Option according to the Subscription Agreement, a general meeting will be convened for obtaining the shareholders' approval. The principal terms and conditions of the Subscription Agreement are set out in the Company's circular dated 13 March 2015.

During the period under review, the Tranche 1 Notes were fully issued and subscribed and approximately HK\$55,800,000 (net of arrangement fee) was raised. As at 30 June 2015, Convertible Notes of a principal amount of HK\$5,000,000 remained unconverted.

Subsequent to 30 June 2015, Convertible Notes in the principal amount of HK\$1,500,000 were converted on 12 August 2015. As at date of this Report, Convertible Notes of a principal amount of HK\$3,500,000 remain unconverted.

Management Discussion and Analysis

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plan for Material Investments or Capital Assets

Save for those disclosed in the sections headed “Business Review” and “Prospect”, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review.

As at the date of this Report, there was no plan authorized by the board (the “Board”) of directors (the “Directors”) of the Company for any material investments or additions of capital assets.

Pledge of Assets and Contingent Liabilities

Golden Concord Holdings Limited (“GCL”), a company beneficially owned by Mr. Zhu Gongshan, a director of various subsidiaries of the Company, had provided guarantee to the Group’s bank loan facilities in aggregate, up to RMB1,033 million (equivalent to approximately HK\$1,310 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\$764 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 30 June 2015, 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\$727 million).

Capital Commitments

As at 30 June 2015, the Group had capital commitment of approximately HK\$296,666,000 (31 December 2014: approximately HK\$296,570,000), details of which are set out in Note 14 to the unaudited condensed consolidated interim financial statements.

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Exposure to Fluctuation in Exchange Rates

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

Employees

As at 30 June 2015, the Group had 102 (31 December 2014: 99) full-time employees, 86 of whom were based in the PRC. Staff costs of the Group for the period under review, including directors' remuneration, were approximately HK\$9,544,000 (30 June 2014: approximately HK\$9,765,000). The Group decides the remunerations payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved mandatory provident fund scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees.

During the period under review, the Company has two share options scheme namely, the 2002 Option Scheme and the 2008 Option Scheme.

The 2002 Option Scheme was adopted on 27 May 2002 and was terminated at the extraordinary general company of the Company held on 20 August 2008. The outstanding options granted were lapsed as at the date of this Report.

The 2008 Option Scheme was adopted on 20 August 2008 following the termination of the 2002 Option Scheme and is valid and effective for a period of ten years commencing on 20 August 2008. A shareholders' resolution was passed at the annual

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general meeting held on 3 June 2010 to refresh the scheme mandate limit such that the maximum number of Shares which may be issued upon exercise of all the options would amount to 1,285,702,710 Shares. As at the date of this Report, 312,200,000 share option were granted and accepted.

Details of the Option Schemes are set out in Page 20 to 24 of this Report.

Prospects

Railway Construction and Operations

The Group is in the process of disposing a majority part of its interests in the Zunxiao Railway so to concentrate on the development and expansion of its shipping business. Should the completion of the Disposal be materialised, the net proceeds from Disposal will be applied towards the acquisition of vessels which consists of a secondhand Handysize vessel by the Group and two Panamax vessels by the JV Group and also for general working capital of the Group.

Shipping and Logistics

The dry bulk market has improved significantly in the last few months (Baltic Dry Index has gone up from below 600 in March 2015 to around 1000 in early August 2015). The historical low of the freight market during the first half of this year has resulted in a large amount of tonnage sold for scrap, and together with a slow down in new ships ordering the market is now reaching a more balancing situation between supply and demand. After the recent consolidation, the market is looking more sensible. And, we may expect a more healthy dry bulk market in the next few years and even a stronger one if the China economy improves slightly.

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

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

Corporate Governance and Other Information

Corporate Governance

Compliance with Corporate Governance Code

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

Throughout the period of six months ended 30 June 2015, the Company has complied with the CG Code save as specified and explained below:

Code Provision A.2.1

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

Code Provision A.6.7

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Ms. Sun Wei, a Non-Executive Director, was absent from both the general meetings of the Company held on 30 March 2015 and 12 June 2015 due to her other business engagements. Professor Sit Fung Shuen, Victor, an Independent Non-Executive Director, was absent from the general meeting of the Company held on 30 March 2015 due to pre-arranged business engagement.

Corporate Governance and Other Information

Board of Directors

(1) *Board Composition*

Save and except for the re-designation of Mr. Tse On Kin from Non-Executive Director to Executive Director with effect from 20 July 2015, there are no changes in the composition of the Board since the last published annual report of the Company.

The composition of the Board as at the date of this Report is set out below and their biographies are available on the Company's website.

Executive Directors

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

Non-Executive Directors

Mr. Yu Baodong (*Chairman*)
Ms. Sun Wei

Independent Non-Executive Directors

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

Corporate Governance and Other Information

(2) *Disclosure of Information on Directors*

Since the last published annual report of the Company, changes in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Tse On Kin, a Non-Executive Director was re-designated as the Executive Director on 20 July 2015, details of which is set out in the Company's announcement dated 20 July 2015.

Mr. Chan Chi Yuen, an Independent Non-Executive Director, was appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of Leyou Technologies Holdings Limited (Stock Code: 1089) with effect from 24 July 2015. Mr. Chan was also appointed as an executive director of e-Kong Group Limited (Stock Code: 524) on 8 June 2015 and resigned as an executive director of South East Group Limited (Stock Code: 726) with effect from 3 July 2015.

(3) *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 written terms of reference which were published on the Company's website. Their respective role and function and the composition of these committees are also available on the Company's website.

Save and except for those mentioned in the respective written terms of reference of each Committee, as at the date of this Report, the Nomination Committee proposed the re-designation of Mr. Tse On Kin to Executive Director and was unanimously passed at a Board Meeting; the Remuneration Committee

Corporate Governance and Other Information

determined, with delegated power, the remuneration package of Mr. Tse On Kin; and the Audit Committee reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

(4) *Continuous Professional Development*

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, namely, Mr. Liang Jun, Mr. Fung Ka Keung, David, Ms. Yu Sau Lai, Mr. Tse On Kin, Mr. Yu Baodong, Ms. Sun Wei, Mr. Chan Chi Yuen, Mr. Zhang Xi and Professor Sit Fung Shuen, Victor, have participated in continuous professional development programs by way of self-reading materials and attending seminars held internally and/or externally.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by Directors (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the period under review.

Corporate Governance and Other Information

Disclosure of Interests

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

As at 30 June 2015, the following persons are Directors of the Company who had or was deemed to have an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which (i) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules:

Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives (Note 1)	Total	Approximate percentage of Shareholding (Note 2)
Mr. Liang Jun	Beneficial Owner	2,000,000	50,000,000	52,000,000	0.37%
Mr. Fung Ka Keung, David	Beneficial Owner	—	10,000,000	10,000,000	0.07%
Ms. Yu Sau Lai	Beneficial Owner	—	7,300,000	7,300,000	0.05%
Mr. Yu Baodong	Beneficial Owner	—	50,000,000	50,000,000	0.35%
Ms. Sun Wei	Beneficial Owner	—	50,000,000	50,000,000	0.35%

Corporate Governance and Other Information

Notes:

- (1) These are share options granted by the Company to the Directors under the share option scheme adopted by the shareholders of the Company on 20 August 2008 and refreshed on 3 June 2010. Such share options can be exercised by the Directors at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$0.168 per Share.
- (2) The approximate percentage of shareholding was calculated based on the number of shares in issue of 14,095,986,866 Shares as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, as far as the Board was aware, none of the Directors had or was deemed to have any interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Corporate Governance and Other Information

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

As at 30 June 2015, so far as is known to the Board, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding
Mr. Wong Kin Ting ("Mr. Wong")	Interest of controlled corporations	4,552,970,325 (Note 1)	32.30%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of a discretionary trust & interest of controlled corporations	2,137,450,000 (Note 2)	15.16%
Credit Suisse Trust Limited ("CST")	Trustee	2,000,000,000 (Note 3)	14.19%

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Wong, 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.

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- (2) According to the individual substantial shareholder notice filed by Mr. Zhu, Mr. Zhu was deemed to be interested in 2,137,450,000 Shares that comprised:
- (i) 2,000,000,000 Shares indirectly held by Asia Pacific Energy Fund, a trust fund to which Mr. Zhu is both a founder and a beneficiary, details of which are described in Note 3 below, and
 - (ii) 137,450,000 Shares directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.
- (3) According to the corporate substantial shareholder notice filed by CST on 1 November 2013, CST was deemed to be interested in 2,000,000,000 Shares in its capacity as the trustee of these Shares. These 2,000,000,000 Shares were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord Group Limited ("Golden Concord"). Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited ("APEFL"). APEFL is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.

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

- (4) The approximate percentage of shareholding was calculated based on the number of shares in issue of 14,095,986,866 Shares as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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.

Corporate Governance and Other Information

Share Options

2002 Option Scheme

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

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

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

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business on the last day of such period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the options).

As at the date of this Report, the 2002 Option Scheme was terminated with the passing of an ordinary resolution at the extraordinary general meeting of the Company held on 20 August 2008.

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

Date of grant of share options	Exercise period of share options	Exercise price of share options	As at 1.1.2015	Granted during the period	Exercised during the period	Lapsed during the period	As at 30.6.2015	Market Value per Share	
								Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
Employee — In Aggregate									
26.05.2005	26.05.2005 to 25.05.2015	0.69	700,000	—	—	700,000	—	0.68	—

During the period under review, no options under the 2002 Option Scheme were exercised or cancelled and that all outstanding options were lapsed on 25 May 2015.

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");

Corporate Governance and Other Information

- (ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively, "Business Associate"); and
- (iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

The 2008 Option Scheme is valid and effective for a period of ten years commencing on the date of adoption.

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

Since there was a substantial increase in the issued share capital of the Company after the adoption of the 2008 Option Scheme, a shareholders' resolution was passed at the annual general meeting held on 26 April 2010 to refresh the scheme mandate limit of the 2008 Option Scheme such that the total number of Shares which may be issued upon exercise of all the options to be granted under the 2008 Option Scheme (as refreshed) would amount to 1,285,702,710 Shares, representing 10% of the issue share capital of the Company as at the date of passing of the resolution. The exercise price will be determined by the Directors, which shall not be less than the higher of

Corporate Governance and Other Information

(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.

Corporate Governance and Other Information

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

Directors or category of participant	Exercise period of the share options	Exercise price of share options <i>HK\$</i>	As at 1.1.2015	Granted during the period	Exercised during the period	Lapsed during the period	As at 30.6.2015
Mr. Liang Jun	21.4.2011 to 20.4.2021	0.168	20,000,000	—	—	—	20,000,000
	21.4.2012 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
	21.4.2013 to 20.4.2021	0.168	15,000,000	—	—	—	15,000,000
Mr. Fung Ka Keung, David	21.4.2011 to 20.4.2021	0.168	4,000,000	—	—	—	4,000,000
	21.4.2012 to 20.4.2021	0.168	3,000,000	—	—	—	3,000,000
Ms. Yu Sau Lai	21.4.2011 to 20.4.2021	0.168	4,000,000	—	2,700,000	—	1,300,000
	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	—	10,180,000	400,000	19,700,000
	21.4.2012 to 20.4.2021	0.168	22,710,000	—	5,310,000	300,000	17,100,000
	21.4.2013 to 20.4.2021	0.168	22,710,000	—	5,710,000	300,000	16,700,000
		0.168	250,700,000	—	28,900,000	1,000,000	220,800,000

During the period under review, 28,900,000 share options had been exercised, 1,000,000 shares options were lapsed and no share options were cancelled. The number of Shares which may be issued upon exercise of the options which had been granted and outstanding on 30 June 2015 under the 2008 Option Scheme was 220,800,000 (31 December 2014: 250,700,000), representing approximately 1.57% (31 December 2014: approximately 1.87%) of the number of shares in issue as at 30 June 2015.

Corporate Governance and Other Information

Purchase, Sale or Redemption of Listed Securities of the Company

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3	13,153	23,334
Cost of sales		(10,047)	(22,635)
Gross profit		3,106	699
Other income, gains and (losses)	4	42	(8,226)
Depreciation and amortisation		(1,416)	(2,978)
Staff costs		(9,544)	(9,765)
Change in fair value of contingent consideration payable		(17,985)	(808)
Change in fair value of derivative component of convertible notes	12	8,794	—
Change in fair value of options/commitment to subscribe for convertible notes	12	(94,847)	—
Share of results of jointly controlled entity		(3,744)	(4,748)
Other operating expenses		(11,722)	(9,494)
Finance costs	6	(54,117)	(54,068)
Loss before income tax	7	(181,433)	(89,388)
Income tax credit	8	—	6,578
Loss for the period		(181,433)	(82,810)

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		36	(6,910)
Total comprehensive income for the period		(181,397)	(89,720)
Loss for the period attributable to:			
Owners of the Company		(157,414)	(56,840)
Non-controlling interests		(24,019)	(25,970)
		(181,433)	(82,810)
Total comprehensive income for the period attributable to:			
Owners of the Company		(157,431)	(61,301)
Non-controlling interests		(23,966)	(28,419)
		(181,397)	(89,720)
Loss per share			
— basic and diluted (HK cent per share)	9	(1.16)	(0.42)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		69,460	73,087
Intangible assets		19,499	19,956
Construction in progress		2,128,025	2,127,323
Railway construction prepayment		11,120	11,117
		2,228,104	2,231,483
Current assets			
Other receivables and prepayments		50,772	49,987
Cash and cash equivalents		46,525	15,653
		97,297	65,640
Current liabilities			
Trade and other payables	11	164,055	166,246
Bank loans and other borrowings		491,320	452,406
Amount due to a jointly controlled entity		47,434	43,734
Convertible notes	12	9,935	—
Amounts due to minority equity owners of subsidiaries		9,275	9,272
		722,019	671,658
Net current liabilities		(624,722)	(606,018)
Total assets less current liabilities		1,603,382	1,625,465

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Non-current liabilities			
Bank loans		1,056,276	1,055,928
Contingent consideration payable		35,821	17,836
		1,092,097	1,073,764
Net assets			
		511,285	551,701
Capital and reserves attributable to owners of the Company			
Share capital	13	1,579,765	1,435,649
Reserves		(1,205,986)	(1,045,420)
Equity attributable to owners of the Company		373,779	390,229
Non-controlling interests		137,506	161,472
TOTAL EQUITY			
		511,285	551,701

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Capital reserves HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
As at 1 January 2015 (Audited)	1,435,649	4,190	31,862	42,501	(1,123,973)	390,229	161,472	551,701
Loss for the period	—	—	—	—	(157,414)	(157,414)	(24,019)	(181,433)
Other comprehensive income								
— Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	—	—	—	(17)	—	(17)	53	36
Total comprehensive income for the period	—	—	—	(17)	(157,414)	(157,431)	(23,966)	(181,397)
Share issued upon exercise of share options	7,991	—	(3,135)	—	—	4,856	—	4,856
Issued on the conversion of the convertible note	136,125	—	—	—	—	136,125	—	136,125
Forfeiture/lapse of share options	—	—	(3,457)	—	3,457	—	—	—
As at 30 June 2015 (Unaudited)	1,579,765	4,190	25,270	42,484	(1,277,930)	373,779	137,506	511,285

(Note 13)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash used in operating activities	(72,734)	(59,514)
Net cash generated used in investing activities	(26)	(4,647)
Net cash generated from financing activities	103,630	56,642
Net increase/(decrease) in cash and cash equivalents	30,870	(7,519)
Cash and cash equivalents at beginning of the period	15,653	13,152
Effect of foreign exchange rate changes	2	(5)
Cash and cash equivalents at end of the period	46,525	5,628

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

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

The information in this interim report is not audited and does not constitute statutory accounts. Certain financial information in this interim report is extracted from the statutory accounts for the year ended 31 December 2014 which have been delivered to the Registrar of Companies in Hong Kong. The auditor has reported on the 2014 accounts, which include a reference to matter to which the auditor drew attention by way of emphasis without qualifying its report.

During the period, the Group incurred a loss of approximately HK\$181,433,000. As at 30 June 2015, the Group had net current liabilities of approximately HK\$624,722,000 and had financial liabilities comprising principally bank loans and related interest for the construction of the railway that are expected to be repaid within the twelve months from the end of the reporting period which is in excess of its current assets of approximately HK\$97,297,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(continued)

The Group's net current liabilities due within the next twelve months from the end of the reporting period were 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.

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.

* for identification purposes only

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(continued)

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"), in order to meet their financial obligations including payment of interests on bank loans, construction cost payables and other operating expenses. The Lenders 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 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 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.

In addition, as disclosed under Note 12, the Group has entered into a subscription agreement with a subscriber in which, with the approval by shareholders of the Company, convertible notes in the principal amount of up to HK\$40 million may be issued to the subscriber.

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

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(continued)

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance, Cap. 622 and the Listing Rules.

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

The accounting policies and methods of computation adopted in the 2014 annual financial statements have been applied consistently to the unaudited condensed consolidated interim financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements.

In the current period, the Group has adopted all the new/revised HKFRSs and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. The adoption of these new/revised HKFRSs and amendments to HKFRSs did not result in significant changes to the Group's financial statements for the current period and prior periods.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

3. TURNOVER

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Charter-hire income	13,153	23,334

Notes to the Condensed Consolidated Interim Financial Statements

4. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss on trading securities		
— Change in fair value of trading securities	—	(743)
— Loss on disposal of trading securities	—	(8,696)
	—	(9,439)
Loan interest income	—	274
Gain on disposal of a subsidiary	—	939
Gain on disposal of property, plant and equipment	22	—
Sundry income	20	—
	42	(8,226)

Notes to the Condensed Consolidated Interim Financial Statements

5. 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 has presented the following two reportable segments.

- Railway construction and operations
- Shipping and logistics

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

Six months ended 30 June 2015 (Unaudited)	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	—	13,153	13,153
Segment loss	(60,435)	(1,135)	(61,570)
Other segment information:			
Interest expenses	(53,737)	—	(53,737)
Depreciation of property, plant, and equipment	(585)	(2,666)	(3,251)
Amortisation of intangible assets	—	(457)	(457)
Operating lease payments	(155)	—	(155)
Share of results of jointly controlled entity	—	(3,744)	(3,744)
Additions to non-current segment assets during the period	—	19	19

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION (continued)

Six months ended 30 June 2014 (Unaudited)	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	—	23,334	23,334
Segment loss	(62,568)	(6,060)	(68,628)
Other segment information:			
Interest expenses	(54,068)	—	(54,068)
Depreciation of property, plant, and equipment	(734)	(2,157)	(2,891)
Amortisation of intangible assets	—	(1,784)	(1,784)
Operating lease payments	(291)	(9,860)	(10,151)
Share of results of jointly controlled entity	—	(4,748)	(4,748)
Additions to non-current segment assets during the period	3	5,797	5,800

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION *(continued)*

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss		
Segment loss	(61,570)	(68,628)
Other income	28	274
Net loss on trading securities	—	(9,439)
Change in fair value of contingent consideration payable	(17,985)	(808)
Change in fair value of derivative component of convertible notes	8,794	—
Change in fair value of options/ commitment to subscribe for convertible notes	(94,847)	—
Other unallocated corporate expenses	(15,853)	(10,787)
Condensed consolidated loss before income tax	(181,433)	(89,388)

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION (continued)

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Assets		
Railway construction and operations	2,174,061	2,173,067
Shipping and logistics	92,352	91,160
Segment assets	2,266,413	2,264,227
Intangible assets	1,000	1,000
Other unallocated corporate assets	57,988	31,896
Condensed consolidated total assets	2,325,401	2,297,123
Liabilities		
Railway construction and operations	1,705,714	1,667,592
Shipping and logistics	50,025	46,181
Segment liabilities	1,755,739	1,713,773
Contingent consideration payable	35,821	17,836
Convertible notes	9,935	—
Other unallocated corporate liabilities	12,621	13,813
Condensed consolidated total liabilities	1,814,116	1,745,422

Notes to the Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION *(continued)***Geographical information**

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

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

Major customers

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Customer A	—	9,909
Customer B	—	7,428
Customer C	13,153	3,777
	13,153	21,114

Notes to the Condensed Consolidated Interim Financial Statements

6. FINANCE COSTS

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on bank loans and other borrowings	54,110	54,068
Interest on convertible notes	7	—
	54,117	54,068

Notes to the Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment		
— Recognised in cost of sales	2,666	2,157
— Recognised in administrative expenses	959	1,194
Amortisation of intangible assets	457	1,784
	4,082	5,135
Staff cost		
— Salaries, wages and other benefits	9,394	9,627
— Contributions to defined contribution retirement scheme	150	138
	9,544	9,765
Auditor's remuneration	120	110
Operating lease rentals in respect of		
— Land and buildings	1,781	1,916
— Vessels	—	9,860
Change in fair value of contingent consideration payable	17,985	808
Change in fair value of derivative component of convertible notes	(8,794)	—
Change in fair value of options/commitment to subscribe for convertible notes	94,847	—
Net exchange loss	2	37

Notes to the Condensed Consolidated Interim Financial Statements

8. INCOME TAX

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

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax — Hong Kong profits tax		
— over-provision in respect of prior years	—	(6,578)

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong had no assessable profit for the six months ended 30 June 2015 and 2014.

No provision for the PRC enterprise income tax has been made in the condensed consolidated interim financial statements as the Group's operations in the PRC had no assessable profit for the six months ended 30 June 2015 and 2014.

Notes to the Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$157,414,000 (six months ended 30 June 2014: approximately HK\$56,840,000) and the weighted average number of 13,520,107,017 ordinary shares (six months ended 30 June 2014: 13,410,027,100 ordinary shares) in issue during the six months ended 30 June 2015.

Diluted loss per share was not presented for the six months ended 30 June 2015 and 2014 as the potential ordinary shares on exercise of share options, contingent consideration payable and convertible notes are anti-dilutive.

10. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2015 and 2014.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2015 and 2014.

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE AND OTHER PAYABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade payables		
— current and up to 30 days	540	1,366
Construction cost payables	153,291	153,240
Other payables	10,224	11,640
	164,055	166,246

12. CONVERTIBLE NOTES

On 16 January 2015, the Group entered into a subscription agreement (the "Subscription Agreement") with two independent third parties, namely, Advance Opportunities Fund ("the Subscriber") and Advance Capital Partners Pte. Ltd (being the authorized 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 (the "Convertible Notes"). On 12 February 2015, the Company entered into a supplemental agreement (the "Supplemental Agreement") with the Subscriber and Advance Capital Partners Pte. Ltd to amend certain terms and conditions of the Subscription Agreement. The Convertible Notes comprise two tranches with principal amounts of HK\$60 million comprising 24 equal sub-tranches of HK\$2.5 million each ("Tranche 1 Notes") and HK\$40 million comprising 8 equal sub-tranches of HK\$5 million each respectively.

Notes to the Condensed Consolidated Interim Financial Statements

12. CONVERTIBLE NOTES *(continued)*

On 2 April 2015, all the conditions precedent to the closing of the first sub-tranche of the Tranche 1 Notes were fulfilled and closing of the first sub-tranche of the Tranche 1 Notes took place on 2 April 2015 (the "Closing Date"). On the Closing Date, the Company issued Convertible Notes in an aggregate principal amount of HK\$5 million to the Subscriber.

The Convertible Notes are interest bearing at 2% per annum, with a maturity date falling 36 months from the Closing Date (that is, 2 April 2018) and entitle the holder to convert them, in tranches into ordinary shares of the Company at either a fixed conversion price or floating conversion price at any time before the maturity date. 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 Convertible Notes issued or to be issued by the Company contain liability component and derivative components (comprising the conversion option held by the noteholder and the early redemption option held by the Company), which are classified separately on initial recognition. As the conversion option and the early redemption option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument, both the options are derivatives. At the date of issue of each tranche of the Convertible Notes, the Convertible Notes are recognised at fair value, with liability portion of the Convertible Notes measured at the present value of the future coupon payments discounted at market rate for equivalent non-convertible notes that do not have conversion option and early redemption option.

Notes to the Condensed Consolidated Interim Financial Statements

12. CONVERTIBLE NOTES *(continued)*

In subsequent periods, the liability component of each tranche of the Convertible Notes is carried at amortised cost using the effective interest method, until extinguished on conversion, early redemption or maturity. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

When a tranche of the Convertible Notes is converted, the carrying amount of the liability portion together with the fair value of the derivative component at the time of conversion are transferred to share capital as consideration for the shares issued. When a tranche of the Convertible Notes are redeemed, the difference between the redemption amount and the aggregate carrying amounts of both liability component and derivative component is recognised in profit or loss.

During the six months ended 30 June 2015, the Tranche 1 Notes with principal amount of HK\$60,000,000 were wholly subscribed and issued to the Subscriber, of which HK\$55,000,000 had been converted into ordinary shares of the Company, with remaining principal amount of the Tranche 1 Notes of HK\$5,000,000 outstanding as at 30 June 2015.

In this connection, the Group incurred a loss amounting to HK\$94,847,000 (2014: Nil) arising from change in fair value of options/commitment to subscribe for the Tranche 1 Notes from the date of the Subscription Agreement to the date of issuance of respective sub-tranches of the Tranche 1 Notes, being the difference between the aggregate fair values of the 24 sub-tranches of the Tranche 1 Notes of HK\$154,847,000 as at the respective dates of their issuance and the principal amount of the Tranche 1 Notes of HK\$60,000,000.

Notes to the Condensed Consolidated Interim Financial Statements

12. CONVERTIBLE NOTES *(continued)*

The movements of the liability component and derivative component of the convertible notes for the period since issuance are set out below:

	Liability component HK'000	Derivative component HK'000	Total HK'000
Issuance of the convertible notes	2,659	152,188	154,847
Interest expense	7	—	7
Fair value gain	—	(8,794)	(8,794)
Transfer to share capital on conversion of convertible notes <i>(Note 13)</i>	(2,442)	(133,683)	(136,125)
At 30 June 2015	224	9,711	9,935

Notes to the Condensed Consolidated Interim Financial Statements

13. SHARE CAPITAL

	At 30 June 2015		At 31 December 2014	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Issued and fully paid ordinary shares:				
At 1 January 2015/ 1 January 2014	13,410,027,100	1,435,649	13,410,027,100	134,100
Transfer from share premium account upon the abolition of nominal value of shares on 3 March 2014	—	—	—	1,301,549
Issued on the conversion of the convertible notes (Note 12)	657,059,766	136,125	—	—
Shares issued upon exercise of share options	28,900,000	7,991	—	—
At 30 June 2015/ 31 December 2014	14,095,986,866	1,579,765	13,410,027,100	1,435,649

Notes to the Condensed Consolidated Interim Financial Statements

14. CAPITAL COMMITMENTS

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Authorised and contracted for in respect of construction of railway:		
— Zunxiao Company	172,834	172,778
— Tangcheng Company	123,832	123,792
	296,666	296,570

These commitments were entered into by two PRC non-wholly owned subsidiaries. The Group's effective interest in Zunxiao Company and Tangcheng Company is 62.50% and 51.00% respectively as at 30 June 2015 and 31 December 2014.

Notes to the Condensed Consolidated Interim Financial Statements

15. RELATED PARTY TRANSACTIONS

The Group had entered into the following significant related party transactions during the six months ended 30 June 2015:

- (a) Members of key management during the period comprised the directors only whose remuneration is set out below:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries and other benefits	2,226	2,166
Contributions to defined contribution retirement scheme	36	32
	2,262	2,198

- (b) Interest expenses on other borrowing of approximately HK\$6,848,000 for the six months ended 30 June 2015 were charged by Golden Concord Holdings Limited ("Golden Concord") and its subsidiaries, which are beneficially owned by Mr. Zhu Gongshan, a director of certain subsidiaries of the Company. Mr. Zhu is a beneficiary of a discretionary trust which in turns owns Golden Concord and a substantial shareholder of the Company. Mr. Zhu also indirectly controls a company which is a shareholder of the Company.

16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 21 August 2015.