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 2015

MIX
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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liang Jun
Mr. Fung Ka Keung, David
Ms. Yu Sau Lai
Mr. Tse On Kin
(re-designated as Executive Director on 20 July 2015)

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

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

Room 2404, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

0351

WEBSITE

www.aelg.com.hk

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

During the year 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.

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 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company") and 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively referred as the "Gofar Group"). The business scope of the Gofar Group consists of the construction and operation of a 121.7 kilometer singletrack 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, as disclosed in the Company's previous financial reports, the construction progress had been obstructed significantly owing to contingent circumstances. Despite continuous efforts having 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 the construction of the Zunxiao Railway has been completed and the commencement of full operation.

The Company has been evaluating the potential adverse effects that the prolonged delay in the completion of Zunxiao Railway has brought about on the Group's cash flow positions and the pressure of additional funding requirements on the Group's financial resources. The Company has also been exploring various options such as reorganisation or disposing part of its investment holdings in the Zunxiao Railway with a view to minimize the potential adverse impacts and to reallocate such resources to existing or new businesses that are value-added to the Company and its shareholders as a whole.

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 Zunxiao Company and Kuanping Company and the entire equity interest in Tangcheng Company. On 23 September 2014, three supplemental agreements to the Disposal Agreements were entered into among the parties to extend the time for obtaining the approvals from the relevant authorities.

Since the signing of the Disposal Agreements, the Company, the Vendor and the Purchaser have been striving to address the outstanding issues in order to fulfill the conditions precedent to the completion of the Disposal collaboratively. As announced in the Company's previous announcements, the outstanding issues related mainly to the assessment of the scope of compensation payable to the overlaid mine owner have yet to be resolved by the parties involved. The Company anticipates that all outstanding issues would be fully addressed in the near future.

* English name for identification only

Management Discussion and Analysis

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 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 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").

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 Investments Limited, Waibert Navigation Company Limited and the JV Company, a total of four vessels are to be acquired. However, due to the continuing poor performance of the shipping market for the past few years, the JV Group has not made further acquisition of the remaining two vessels as planned since its acquisition of the first two vessels in 2010.

During the year under review, the anticipated improvement in the global shipping market did not materialise. The Baltic Dry Bulk Freight Rate Index averaged at 718 points for the year 2015, down 35% as compared to an average 1,105 points for the year 2014. The poor conditions of the shipping market also lead to a big drop in the asset value of vessels. Looking forward to the year ahead, although the decrease in oil price will help to improve the operating conditions, the global shipping market is expected to continuously facing severe pressure of depressed freight rate due to the slowed down in global economic growth.

As a result of the unfavourable shipping market conditions, the planned acquisition of the third vessel before 31 December 2015 pursuant to the seventh memorandum of mutual understanding was further delayed. In addition, due to the lacking of clear sign of recovery in the global shipping market and the uncertainty as to when the global shipping market will recover to a level which justify the further investment, it is anticipated that there might be a longer delay in the eventual acquisition of the remaining two vessels.

Furthermore, the management of the Company has been closely monitoring the operation of the JV Group with a view to rectifying its poor performance and loss-making position.

The JV Group recorded revenue of approximately HK$43.66 million (2014: approximately HK$73.93 million) for the year under review, representing an decrease of approximately 40.94% as compared to last year. The Group's share of loss from the JV Group was approximately HK$93.43 million (2014: approximately HK$15.73 million), representing an increase of approximately 494% as compared to last year. The increase in the Group's share of loss from the JV Group was mainly attributable to the impairment loss on vessels of HK$82 million.

As part of the Group's business strategy to restructuring the Group's current business and investment portfolios as well as broadening the scope of its shipping business operation, the Company 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 completion of maintenance.

During the year under review, the performance of MV Asia Energy has been satisfactory despite the poor shipping market condition and it has made a positive contribution to the Group.

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

Details of the business segment of the Group are set out in Note 7 to the consolidated financial statements.

FINANCIAL REVIEW

For the year ended 31 December 2015, the turnover of the Company and its subsidiaries (together, the "Group") was approximately HK$22 million, representing a decrease of approximately 40% compared with approximately HK$37 million for the year ended 31 December 2014.

The loss after tax for the year ended 31 December 2015 was approximately HK$344 million, representing an increase of approximately 46% compared with the loss of approximately HK$236 million for the year ended 31 December 2014. The increase in loss for the year under review as compared to the loss for the year ended 31 December 2014 was mainly attributable to, among other factors, the combined net effect of (i) increase in impairment loss on property, plant and equipment to HK$25 million (2014: HK$Nil); (ii) decrease in impairment loss on intangible assets to approximately HK$18.5 million (2014: approximately HK$55.1 million); (iii) loss arising from the change in fair values of derivative component of convertible notes and options/commitment to issue convertible notes in the amount of approximately HK$83.1 million (2014: HK$Nil); (iv) increase in share of loss of jointly controlled entity to approximately HK$93.4 million (2014: approximately HK$15.7 million); (v) decrease in other operating expenses to approximately HK$22.3 million (2014: approximately HK$36.2 million) and (vi) decrease in finance costs to approximately HK$100.9 million (2014: approximately HK$113.7 million).

The basic and diluted loss per share for the year was HK2.15 cents (2014: HK1.38 cents).

Liquidity, Financial Resources and Gearing Ratio

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

As at 31 December 2015, the Group had bank and cash balances of approximately HK$31 million (2014: approximately HK$16 million).

As at 31 December 2015, the Group had unsecured bank loan of HK$4 million (2014: HK$4 million) repayable within one year and secured bank loans of approximately HK$283 million (2014: approximately HK$190 million) repayable within one year, approximately HK$283 million (2014: approximately HK$254 million) repayable within one to two years, approximately HK$607 million (2014: approximately HK$802 million) repayable within two to five years. The effective interest rate for the year was 6.96% (2014: 7.84%) per annum.

As at 31 December 2015, the Group had unsecured other borrowings of approximately HK$181 million (2014: approximately HK$67 million) repayable within one year and approximately HK$150 million (2014: approximately HK$191 million) repayable on demand. Other borrowings of approximately HK$205 million (2014: approximately HK$228 million) are interest bearing at 6.47% to 20.4% (2014: 6.5% to 20.4%) per annum with the remaining balances of HK$125 million (2014: HK$30 million) interest free.

The gearing ratio of the Group as at 31 December 2015, which is calculated as net debt divided by total capital, was approximately 84% (2014: approximately 76%).

Management Discussion and Analysis

Share Capital

As at 31 December 2015, there were 14,159,265,469 shares (the “Shares”) in issue (2014: 13,410,027,100 Shares).

During the year under review, convertible notes in the principal amount of HK$59,750,000 were converted into 720,338,369 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 and October 2015.

Details of the movement in the Company’s share capital are set out in Note 27 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$1,233 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$719 million) and a share mortgage of its shares in China Railway Logistic Holdings Limited (“CRL”), an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of CRL’s subsidiaries in favour of GCL. As at 31 December 2015, the outstanding bank loans amounted to approximately RMB983 million (equivalent to approximately HK$1,173 million) and therefore, according to the Group’s percentage equity interest holdings in the subsidiaries, the amount indemnified by the Group under the counter-indemnity in favour of GCL would be up to approximately RMB573 million (equivalent to approximately HK$684 million).

Capital Commitments

As at 31 December 2015, the Group had capital commitment of approximately HK$279 million (31 December 2014: approximately HK$297 million), details of which are set out in Note 30 to the consolidated financial statements.

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.

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 authorised 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 (the "Tranche 2 Notes") during the Option period (being the period commencing from and including the conversion date of the last of the Convertible Notes comprised in the last sub-tranche of Tranche 1 Notes to and including the tenth business day thereafter). The exercise of the Option is subject to the approval of the shareholders at a general meeting of the Company. The principal terms and conditions of the Subscription Agreement are set out in the Company's circular dated 13 March 2015.

During the year under review, the Tranche 1 Notes were fully issued and subscribed with gross proceed of HK$60 million. As at 31 December 2015, Convertible Notes in the principal amount of HK$250,000 remained unconverted.

Subsequent to 31 December 2015, the remaining Convertible Notes in the principal amount of HK$250,000 were converted on 26 February 2016 and therefore the Tranche 1 Notes have been fully converted.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, the Group had 97 (2014: 99) full-time employees, 80 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 2015 were approximately HK$19.1 million. 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

On 26 February 2016, the Subscriber converted the last of the Convertible Notes comprised in the last sub-tranche of Tranche 1 Notes in the principal amount of HK$250,000.

On 1 March 2016, the Company announced that it has entered into the second supplemental agreement (the "Second Supplemental Agreement") with the Subscriber and ACP to further amend certain terms and conditions of the Subscription Agreement.

In addition, subsequent to the conversion of the last of the Convertible Notes comprised in the last sub-tranche of Tranche 1 Notes, the Company had on 1 March 2016 notified the Subscriber of its intention to exercise the Option to require the Subscriber to subscribe for the Tranche 2 Notes from the Company.

The exercise of the Option, the subsequent issue and subscription of the Tranche 2 Notes and the allotment and issue of the conversion shares upon exercise of the conversion rights attaching to the Tranche 2 Notes are subject to the fulfillment of certain conditions precedent including the approval of Shareholders having been obtained at a general meeting of the Company.

Save for the above amendments, the terms and conditions of the Subscription Agreement remain unchanged.

Details of the Second Supplemental Agreement and the exercise of the Option are set out in the announcement of the Company dated 1 March 2016.

EXECUTIVE DIRECTORS

Mr. Liang Jun ("Mr. Liang")

Mr. Liang, aged 49, 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 52, has been an Executive Director since 26 January 2010. He holds a master's 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 (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Fung is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

Ms. Yu, aged 53, 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.

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

Mr. Tse On Kin, aged 54, was re-designated as the Executive Director on 20 July 2015. Prior to his re-designation he was appointed as the Chairman and an Executive Director on 10 March 2006 and 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.

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

Directors' Profile

NON-EXECUTIVE DIRECTORS

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

Mr. Yu, aged 52, 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 an executive director of GCL-Poly Energy Holdings Limited (stock code: 3800) from November 2006 to September 2014 and a non-executive director of GCL New Energy Holdings Limited (stock code: 451) from May 2014 to February 2015. Both companies are listed on the Main Board.

Ms. Sun Wei ("Ms. Sun")

Ms. Sun, aged 44, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Chan, aged 49, 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 with honours in Business Administration and a master of science degree with distinction 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 development, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited (stock code: 2322), and e-Kong Group Limited (stock Code: 524). Mr. Chan is also 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 Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited) (stock code: 397), Media Asia Group Holding Limited (stock code: 8075), U-RIGHT International Holdings Limited (stock code: 627) and Leyou Technologies Holdings Limited (stock Code: 1089).

Mr. Chan was an executive director of China Minsheng Darwin Technology Group Limited (formerly known as South East Group Limited) (stock code: 726) from December 2013 to July 2015 and an executive director of Co-Prosperity Holdings Limited (stock code: 707) from December 2014 to October 2015, 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 46, 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 68, 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 an independent non-executive director of FDG Kinetic Limited (formerly known as CIAM Group Limited) (stock code: 378), a company listed on the Main Board.

Directors' Report

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 2015.

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 17 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 2015 are set out in the section headed "Consolidated Statement of Comprehensive Income" on page 35 of this report. The Directors did not recommend the payment of a final dividend for the year ended 31 December 2015.

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.

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 38 of this report and Note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, 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).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 27 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 22 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's largest supplier contributed 59% 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 83% of the Group's turnover of the year under review and 100% of the total turnover of the Group of the year under review was attributable to the Group's top five customers.

None of the Directors, their close associates or any shareholders 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.

DIRECTORS OF SUBSIDIARIES

A list of the names of the directors of the Company's subsidiaries during the year and up to the date of this report can be found in the Company's website at www.aelg.com.hk.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2015 and up to the date of this report are set out in the "Corporate Governance Report" of this report.

The Company has received annual confirmations from each of the independent non-executive directors (the "INEDs") 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. Tse On Kin, Mr. Yu Baodong and Professor Sit Fung Shuen, Victor 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 9 to 11 of this report.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the year under review and up to the date of this report, Mr. Chan Chi Yuen ("Mr. Chan") is an executive director of Noble Century Investment Holdings Limited (stock code: 2322), a company listed on the Main Board, which has a subsidiary engaging in the vessel chartering business and therefore, Mr. Chan is considered to have interests in the businesses which compete or may compete with the businesses of the Group and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Given that Mr. Chan is an independent non-executive director of the Company and does not participate in the daily operation of the Group, the Directors believe that any significant competition caused to the business of Group would be unlikely. Mr. Chan has confirmed he is fully aware of, and has been discharging, his fiduciary duty to the Company to avoid conflict of interest. In situations where any conflict of interests arises, Mr. Chan will refrain from taking part in the decision making process and from voting on the relevant board resolution at the board meeting.

Save as disclosed under the section headed "Directors and Directors' Service Contracts" above and in Note 33 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

There was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in paragraph 16 of Appendix 16 to the Listing Rules) or any of its subsidiaries, at any time during the year under review.

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.

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).

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 year:

								Market Value per Share	
Date of grant of share options	**Exercise period of share options**	**Exercise price of share options**	**As at 1.1.2015**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31.12.2015**	**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, 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");

(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, 1,500,000 share options (2014: Nil) 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	Exercise period of share options	Exercise price of share options HK$	As at 1.1.2015	Granted during the year	Exercised during the year HK$	Lapsed during the year	As at 31.12.2015
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	—	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	600,000	19,500,000
	21.4.2012 to 20.4.2021	0.168	22,710,000	—	5,310,000	450,000	16,950,000
	21.4.2013 to 20.4.2021	0.168	22,710,000	—	5,710,000	450,000	16,550,000
		Total	250,700,000		28,900,000	1,500,000	220,300,000

During the year under review, 28,900,000 share options had been exercised, 1,500,000 share options were lapsed and no share option were cancelled. The number of Shares which may be issued upon exercise of the options which had been granted and outstanding on 31 December 2015 under the 2008 Option Scheme was 220,300,000 (2014: 250,700,000), representing approximately 1.56% (2014: approximately 1.87%) of the number of shares in issue as at 31 December 2015.

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.

CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions for the year ended 31 December 2015 are set out in Note 33 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") for an aggregate consideration of RMB433,270,000 (equivalent to HK$517,164,000).

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. As at 31 December 2015, completion of the Disposal was yet to take place.

Details of the Disposal are set out in the section headed "Railway Construction and Operations" of this report.

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 2015, 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 section headed "Corporate Governance Report – Corporate Governance Practices" on page 20 of this report.

* English name for identification only

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Company is committed to improve the standard of corporate governance to its daily operation and management. The management has been developing the Company's social and environmental policies with an aim to maintaining the Company's sense of responsibility towards the community and environment; to improving general awareness of social and environmental responsibilities among employees; and to encouraging its employees to actively participate in environmental and social activities as contributions towards the building of a more socially responsible and environmental friendly society.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2015 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

24 March 2016

Corporate Governance Report

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 (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 2015, 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, a non-executive director, did not attend the general meeting of the Company held on 30 March 2015 and the annual general meeting of the Company held on 12 June 2015 due to her other business engagements. Prof. Sit Fung Shuen, Victor, an independent non-executive director, did not attend the general meeting of the Company held on 30 March 2015 due to his other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiry, all Directors who held office in 2015 confirmed that they have complied with the code throughout the year ended 31 December 2015.

Directors' interests and short positions in shares and underlying shares and debentures

As at 31 December 2015, 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 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%

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 14,159,265,469 Shares as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, 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.

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 2015, 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)*	32.2%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of discretionary trust & interest of controlled corporations	2,137,450,000 *(Note 2)*	15.1%
Credit Suisse Trust Limited ("CST")	Trustee	2,000,000,000 *(Note 3)*	14.1%

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 14,159,265,469 Shares as at 31 December 2015.

Save as disclosed above, as at 31 December 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.

BOARD OF DIRECTORS

(1) Board Composition

The Board currently comprises four Executive Directors ("EDs"), two Non-Executive Directors ("NEDs") and three Independent Non-Executive Directors ("INEDs"). The biographical details of each Director are shown in the section headed "Directors' Profile" on pages 9 to 11 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 are as follows:

Executive Directors

Mr. Liang Jun
Mr. Fung Ka Keung, David
Ms. Yu Sau Lai
Mr. Tse On Kin (re-designated as Executive Director on 20 July 2015)

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

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 have delegated some of their responsibilities and functions to various committees it acknowledges that it remains ultimately accountable for the performance and affairs of the Company.

(3) Board Meetings and General Meetings

There were four board meetings and two general meetings held during the year under review. The attendance of Directors at the board meetings and the general meetings 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	4/4	2/2
Mr. Fung Ka Keung, David	4/4	1/2
Ms. Yu Sau Lai	4/4	2/2
Mr. Tse On Kin	4/4	2/2
Non-Executive Directors		
Mr. Yu Baodong *(Chairman)*	4/4	2/2
Ms. Sun Wei	1/4	0/2
Independent Non-Executive Directors		
Mr. Chan Chi Yuen	3/4	2/2
Mr. Zhang Xi	4/4	2/2
Professor Sit Fung Shuen, Victor	4/4	1/2

(4) Continuous Professional Development

For newly appointed Director, the Company will provide an induction package including necessary information and briefings. the 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 organisations. 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 2015 was as follows:

	Self-Reading	Trainings organised by the Company	Seminars/Forums organised by professional organisations
Executive Directors			
Mr. Liang Jun	√	√	√
Mr. Fung Ka Keung, David	√	√	√
Mr. Yu Sai 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	√	√	√

(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 Executive. In brief, the Chairman is responsible for providing leadership for the Board and the Chief Executive 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.

(6) Non-Executive Directors and Independent Non-Executive Directors

During the year under review and up to the date of this report, all NEDs and INEDs have been appointed for a specific term of service. Pursuant to the articles of the association of the Company, all NEDs and INEDs 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 INEDs; 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, risk management 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 three 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)*	3/3
Mr. Zhang Xi	3/3
Professor Sit Fung Shuen, Victor	3/3

(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 recognises 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 to complement the Company's corporate 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)*	0/1
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 and it 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$920,000 and HK$240,000, respectively.

FINANCIAL REPORTING

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

In preparing the financial statements for the year ended 31 December 2015, the Directors have made judgments and estimates that it is prudent and reasonable to prepare 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 34 of this report.

INTERNAL CONTROL

The Company has had in place for many years an internal control manual which is reviewed and updated continuously. The management is responsible for implementing while the Board is responsible to maintain sound and effective internal control 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 system covering financial, operational and corporate governance aspects.

Based on the annual assessment, the Audit Committee and the Board concluded that there are no material irregularities nor areas of material concerns that would have significant adverse impact on the Company's financial position or results of operations, and that the internal control systems are adequate and effective.

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 (the "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 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 Shareholders to propose a person for election as a Director (the "Procedure") was also adopted providing guidelines on how Shareholders can propose an individual as directors of the Company. The Policy and the Procedures are published on the Company's website.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE MEMBERS 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)

Report on the Consolidated Financial Statements

We were engaged to audit the consolidated financial statements of Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 35 to 103, which comprise the consolidated statement of financial position as at 31 December 2015, 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 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, 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Impairment losses of construction in progress and railway construction prepayment

As set out in Note 3(b)(ii) to the consolidated financial statements, the Company, 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 a purchaser (the "Purchaser") for the disposal ("Disposal") of its majority or entire equity interests in three non wholly-owned subsidiaries engaged in railway construction and operations (collectively the "Railway Companies") at an aggregate cash consideration of RMB433,270,000 (the "Consideration"). In accordance with the Disposal Agreements, if the relevant competent authority has not approved the Disposal Agreements within the specified time limit, the Group or the Purchaser can terminate the Disposal Agreements by giving written notice to the other party.

During the year and up to the date of this report, the approval of the Disposal Agreements by the relevant competent authority has not yet been obtained within the time limit and therefore the Purchaser has the discretion to terminate the Disposal Agreements. Nevertheless, the Group, up to the date of this report, has not received written or verbal notice from the Purchaser to terminate the Disposal Agreements. After taking into account a legal opinion, the directors consider that the Disposal Agreements remain valid and given the Purchaser has not given written or verbal notice to the Group to terminate the Disposal Agreements, the directors consider the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions.

As such, the directors made reference to the Consideration in determining the recoverable amounts of the construction in progress with carrying amount of HK$2,002,985,000 as at 31 December 2015 and the railway construction prepayment with carrying amount of HK$10,468,000 as at 31 December 2015 attributable to the Railway Companies. As the recoverable amounts are higher than their carrying amounts of the aforesaid assets, the directors consider that there was no impairment of the construction in progress and the railway construction prepayment as at 31 December 2015.

However, given the Purchaser or the Group has the discretion to terminate the Disposal Agreements, no further supplemental agreement regarding the Disposal is entered into between the Purchaser and the Group, and in the absence of a valuation performed as at 31 December 2015, we were unable to obtain sufficient appropriate evidence we consider necessary to assess whether there was any impairment loss on the construction in progress and the railway construction prepayment. There were no other alternative audit procedures that we could perform to satisfy ourselves as to whether any impairment loss on the construction in progress and the railway construction prepayment should be recognised for the year ended 31 December 2015. Any adjustment to the carrying amounts of the construction in progress and the railway construction prepayment determined to be necessary would affect the Group's net assets as at 31 December 2015, the Group's net loss for the year ended 31 December 2015 and the related note disclosures to the consolidated financial statements. This limitation in audit evidence available also results in limitation on our assessment of the Group's ability to continue as a going concern as detailed below.

Appropriateness of using going concern basis in preparation of the consolidated financial statements

As shown in the consolidated financial statements, as at 31 December 2015, the Group had net current liabilities of HK$836,295,000 and incurred a loss of HK$344,190,000 for the year ended 31 December 2015. 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.

As detailed in Note 3(b)(ii) to the consolidated financial statements, in view of the above circumstances, the directors have prepared a cash flow forecast of the Group covering a period up to 31 March 2017 after taking into account (i) the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions; (ii) the outstanding issues, mainly completion of assessment and negotiation of the scope of compensation payable to the overlaid mine owner (as mentioned in Note 41 to the consolidated financial statements), will be resolved soon so that necessary approvals will be obtained in due course to enable the Disposal to be completed with the first instalment of the Consideration received by 31 March 2017; (iii) the lenders which have been providing financial support to the Railway Companies to meet their financial obligations (the "Lender") have agreed to continue and able to do so and will not demand for repayment of their loans made to the Railway Companies and related interests before completion of the Disposal; (iv) the Group will be able to reach an agreement with the joint venture partner to withhold enforcement of or otherwise discharge the Group's financial obligations under a shareholders' agreement (as mentioned in Note 18 to the consolidated financial statements); (v) the other receivable of HK$19,850,000 (as mentioned in Note 19 to the consolidated financial statements) will be received no later than 31 December 2016; and (vi) additional funds can be obtained either from issue of the second tranche convertible notes up to the maximum principal amount of HK$40,000,000 (as mentioned in Note 42 to the consolidated financial statements) which is subject to approval by shareholders of the Company and subscription by a 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 within the twelve months from 31 December 2015. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of preparation of the consolidated financial statements on the going concern basis depends on whether the assumptions taken into account by the directors in the going concern assessment (see the paragraph immediate above) are reasonable and the above plans and measures can be implemented successfully.

However, as detailed in the paragraphs above under the heading "Impairment losses of construction in progress and railway construction prepayment" there is limited audit evidence available to us in assessing the reasonableness of the assumption that the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions. In respect of the other assumptions that the directors have relied on, there are significant uncertainties as to the outcomes of the plans and measures.

Accordingly, we are unable to determine whether the underlying assumptions used in preparation of the cash flow forecast are valid and therefore whether it is appropriate to prepare the consolidated financial statements on the going concern basis. There were no other alternative audit procedures that we could perform in this regard. Should the going concern basis determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

REPORT ON OTHER MATTER UNDER SECTION 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In accordance with the Hong Kong Companies Ordinance, we have the following matters to report. In our opinion:

In respect alone of the inability to obtain sufficient appropriate audit evidence in respect of the carrying amounts of the construction in progress and railway construction prepayment, and appropriateness of using going concern basis in preparation of the consolidated financial statements as described in the Basis of Disclaimer Opinion paragraphs above, we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

BDO Limited
Certified Public Accountants

Wong Chi Wai
Practising Certificate number P04945

Hong Kong, 24 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	21,922	36,680
Cost of sales		(20,282)	(32,620)
Gross profit		1,640	4,060
Other income, gains and (losses)	6	945	(10,815)
Depreciation and amortisation	9	(2,281)	(5,883)
Staff costs	9	(19,118)	(19,814)
Impairment loss on property, plant and equipment	14	(25,000)	–
Impairment loss on intangible assets	15	(18,499)	(55,062)
Change in fair value of contingent consideration payable	24	17,836	10,833
Change in fair value of derivative component of convertible notes	23	11,760	–
Change in fair value of options/commitment to issue convertible notes	23	(94,847)	–
Share of results of jointly controlled entity	18	(93,427)	(15,732)
Other operating expenses		(22,307)	(36,201)
Finance costs	8	(100,892)	(113,730)
Loss before income tax	9	(344,190)	(242,344)
Income tax	10	–	6,579
Loss for the year		(344,190)	(235,765)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which maybe reclassified subsequently to profit or loss		(26,215)	(3,769)
Total comprehensive income for the year		(370,405)	(239,534)
Loss for the year attributable to:			
Owners of the Company		(297,864)	(184,812)
Non-controlling interests		(46,326)	(50,953)
		(344,190)	(235,765)
Total comprehensive income for the year attributable to:			
Owners of the Company		(314,665)	(187,439)
Non-controlling interests		(55,740)	(52,095)
		(370,405)	(239,534)
Loss per share – basic and diluted (HK cents per share)	13	(2.15)	(1.38)

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	14	**40,579**	73,087
Intangible assets	15	**1,000**	19,956
Construction in progress	16	**2,002,985**	2,127,323
Railway construction prepayment		**10,468**	11,117
Interest in a jointly controlled entity	18	**–**	–
		2,055,032	2,231,483
Current assets			
Other receivables and prepayments	19	**51,522**	49,987
Cash and cash equivalents	20	**30,512**	15,653
		82,034	65,640
Current liabilities			
Trade and other payables	21	**154,512**	166,246
Bank loans and other borrowings	22	**617,662**	452,406
Convertible notes	23	**364**	–
Amount due to a jointly controlled entity	25	**137,060**	43,734
Amounts due to minority equity owners of subsidiaries	33(a)	**8,731**	9,272
		918,329	671,658
Net current liabilities		**(836,295)**	(606,018)
Total assets less current liabilities		**1,218,737**	1,625,465
Non-current liabilities			
Bank loans	22	**889,846**	1,055,928
Contingent consideration payable	24	**–**	17,836
		889,846	1,073,764
NET ASSETS		**328,891**	551,701

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	27	**1,586,379**	1,435,649
Other reserves		**(1,363,220)**	(1,045,420)
Equity attributable to owners of the Company		**223,159**	390,229
Non-controlling interests	28	**105,732**	161,472
TOTAL EQUITY		**328,891**	551,701

These consolidated financial statements were approved and authorised for issue by the directors on 24 March 2016.

Liang Jun
Director

Yu Sau Lai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 27)	Capital reserves HK$'000	Share option reserve HK$'000 (Note 29)	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 2014	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
Loss for the year	–	–	–	–	–	(297,864)	(297,864)	(46,326)	(344,190)
Other comprehensive income – Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss	–	–	–	–	(16,801)	–	(16,801)	(9,414)	(26,215)
Total comprehensive income for the year	–	–	–	–	(16,801)	(297,864)	(314,665)	(55,740)	(370,405)
Shares issued upon exercise of share options	7,991	–	–	(3,135)	–	–	4,856	–	4,856
Issued on the conversion of convertible notes	142,739	–	–	–	–	–	142,739	–	142,739
Forfeiture/lapse of share options	–	–	–	(3,457)	–	3,457	–	–	–
As at 31 December 2015	1,586,379	–	4,190	25,270	25,700	(1,418,380)	223,159	105,732	328,891

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(p).

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Operating activities			
Loss before income tax		**(344,190)**	(242,344)
Adjustments for:			
Net loss on trading securities		**–**	12,036
Bank interest income		**(91)**	(8)
Loan interest income		**–**	(274)
Depreciation of property, plant and equipment	14	**7,153**	6,856
Amortisation of intangible assets	15	**457**	3,567
Gain on disposal of property, plant and equipment	6	**(13)**	–
Finance costs	8	**100,892**	113,730
Change in fair value of contingent consideration payable	24	**(17,836)**	(10,833)
Change in fair value of options/commitment to issue convertible notes	23	**94,847**	–
Change in fair value of derivative component of convertible notes	23	**(11,760)**	–
Impairment loss on intangible assets	15	**18,499**	55,062
Impairment loss on property, plant and equipment	14	**25,000**	–
Share of results of jointly controlled entity	25	**93,427**	15,732
Gain on disposal of a subsidiary	37	**–**	(939)
Effect of foreign exchange rate changes		**19,756**	(1,237)
Operating cash flows before working capital changes		**(13,859)**	(48,652)
(Increase)/decrease in other receivables and prepayments		**(2,535)**	14,465
Decrease in trading securities		**–**	24,198
Decrease in trade and other payables		**(28,447)**	(1,595)
Cash used in operations		**(44,841)**	(11,584)
Interest paid on bank loans and other borrowings		**(96,669)**	(109,466)
Interest received		**91**	282
Income tax refund		**–**	6,579
Net cash used in operating activities		**(141,419)**	(114,189)
Investing activities			
Purchase of property, plant and equipment		**(7)**	(6,213)
Proceeds from disposal of property, plant and equipment		**40**	–
Partial consideration received from disposal of a subsidiary		**1,000**	–
Proceeds from disposal of a subsidiary	37	**–**	2,150
Net cash generated from/(used) in investing activities		**1,033**	(4,063)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Financing activities		
Interest on convertible notes	16	–
Proceeds from bank loans	3,736	7,574
Proceeds from other borrowings	331,835	344,693
Proceeds from issue of convertible notes	60,000	–
Proceeds from issue of shares upon exercise of share options	4,856	–
Repayment of bank loans	(3,736)	(3,787)
Repayment of other borrowings	(241,236)	(227,734)
Net cash generated from financing activities	155,471	120,746
Net increase in cash and cash equivalents	15,085	2,494
Cash and cash equivalents at beginning of the year	15,653	13,152
Effect of foreign exchange rate changes	(226)	7
Cash and cash equivalents at end of the year	30,512	15,653

Details of major non-cash transactions are set out in Note 40 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 Room 2404, 24/F., Wing On Centre, 111 Connaught Road Central, 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 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 2015

During the year, the Group has adopted a number of amendments to the HKFRSs which did not have material impact on the Company's consolidated 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)
HKFRS 9 (2014)	Financial Instruments	(ii)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(iii)
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	(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 2018

(iii) No mandatory effective date yet determined but it is available for immediate adoption

2. ADOPTION OF 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 are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

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 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 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 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 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 apply to the Company in this financial year.

The directors of the Company (the "Directors") consider that there is no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

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") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. 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 basis

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.

ii) Going concern basis

As at 31 December 2015, the Group had net current liabilities of HK$836,295,000 and incurred a loss of HK$344,190,000 for the year ended 31 December 2015. 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 2015 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").

* English name for identification only

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

ii) Going concern basis (Continued)

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.*) ("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"). The Consideration will be payable by the Purchaser to the Group by four instalments of which the first instalment, being 30% of the consideration shall be paid within five business days after the effective date of the Disposal.

In accordance with the Disposal Agreements, if the competent authority in charge of commerce (the "Competent Authority") has not approved the Disposal Agreements within the specified time limit, the Group or the Purchaser can terminate the Disposal Agreements by giving written notice to the other party.

Despite of the prolonged delay in obtaining the requisite approval of the Disposal Agreements from the Competent Authority, in the opinion of the Directors, the Disposal could be completed with the first instalment of the Consideration received by 31 March 2017 on the basis that:

(i) Although during the year and up to the date of approval of the consolidated financial statements, the approval of the Disposal Agreements by the Competent Authority has not been obtained within the time limit, the Group, up to the date of approval of the consolidated financial statements, has not received written or verbal notice from the Purchaser to terminate the Disposal Agreements. After taking into account a legal opinion, the Directors consider that the Disposal Agreements remain valid and given the Purchaser has not given written or verbal notice to the Group to terminate the Disposal Agreements, the Directors consider that the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions; and

(ii) Although, there is a prolonged delay in obtaining the requisite approval from the Competent Authority due to the outstanding issues, mainly relating to the assessment and negotiation of the scope of compensation payable to the overlaid mine owner (the "Mine Owner") around the Tangcheng section of the Zunxiao Railway which are yet to be resolved by the parties involved as mentioned in Note 41 to the consolidated financial statements, the Group has been actively requesting further information from the Mine Owner to assess and negotiate the scope of compensation payable in order to expedite the process of resolving the above issues.

* English name for identification only

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

ii) Going concern basis (Continued)

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 aforementioned outstanding issues, the Group will discuss and coordinate with the Purchaser to obtain necessary approval from the Competent Authority. The Company will then seek shareholders' approval for the Disposal.

At present, the Directors do not foresee any material obstacles in obtaining the necessary approvals in due course once the above issues are resolved.

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 (the "Guarantor") of their entire bank loans of HK$1,173,000,000 as at 31 December 2015 as mentioned in Note 22(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, the Guarantor which is also the holding company of the other companies comprising the Lenders has confirmed that it will continue to provide such financial support to the Railway Companies and will not demand them for repayment of the Lenders' loans, which amounted to HK$321,648,000 as at 31 December 2015, and related interests before completion of the Disposal.

In addition, the Group will discuss with its joint venture partner in order to reach an agreement to withhold enforcement of or otherwise discharge the Group's financial obligations under a shareholders' agreement as mentioned in Note 18 to the consolidated financial statements.

The Directors also expect that the other receivable of HK$19,850,000 as mentioned in Note 19 to the consolidated financial statements will be received no later than 31 December 2016.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

ii) Going concern basis (Continued)

Furthermore, in order to meet the expected repayment of other loans of the Group other than the Railway Companies which amounted to HK$8,952,000 as at 31 December 2015 if the date of their repayment is not extended and to increase general working capital of the Group for its existing operations, the Company will seek for approval from the Company's shareholders to issue the second tranche of convertible notes ("Tranche 2 Notes") up to maximum principal amount of HK$40,000,000 pursuant to a subscription agreement and a supplemental agreement entered into between the Company and a subscriber in February 2015, which were further amended on 1 March 2016 as detailed in Note 42 to the consolidated financial statements. The Directors expect that the issue of Tranche 2 Notes will be approved by shareholders of the Company. Alternatively, the Group may pledge its vessel to banks for additional funds as necessary.

In view of the above circumstances, the Directors have prepared a cash flow forecast of the Group covering a period up to 31 March 2017 on the basis that the Group will successfully implement the aforementioned plans and measures and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2015. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group will be able to successfully implement its plans and measures as mentioned above. The appropriateness of preparation of the consolidated financial statements on the going concern basis depends on whether (i) the Purchaser will execute the Disposal Agreements in accordance with their terms and conditions (ii) the outstanding issues causing the delay in obtaining the necessary approvals of the Disposal Agreements, mainly completion of assessment and negotiation of the scope of compensation payable to the Mine Owner will be resolved soon so that necessary approvals will be obtained in due course to enable the Disposal to be completed with the first instalment of the Consideration received by 31 March 2017; (iii) the Lenders will have sufficient financial ability to continue to provide the financial support to the Railway Companies before completion of the Disposal; (iv) the Group will be able to reach an agreement with the joint venture partner to withhold enforcement of or otherwise discharge the Group's obligations under a shareholders' agreement; (v) the other receivable of HK$19,850,000 will be received no later than 31 December 2016, and (vi) the Company can obtain additional funds either from issue of Tranche 2 Notes which are subject to the approval by shareholders of the Company and subscription by the subscriber or pledge of vessel to banks.

Should the use of the going concern basis in preparation of the consolidated financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB") while the consolidated financial statements 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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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.

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) 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(f) Joint arrangements (Continued)

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 interest in a joint ventures using the equity method.

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.

(g) 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. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows:

Contract of affreightment	25 years
Club membership	indefinite

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated 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 other than construction in progress, net of expected residual value, 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 vessel 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) 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;
- investment in 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.

(j) 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

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.

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.

(k) Financial liabilities and equity instruments 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities and equity instruments issued by the Group (Continued)

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.

iv) Financial liabilities at amortised cost

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

v) Convertible notes

Convertible notes issued by the Company that contain both liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that 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 instruments is a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

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

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial liabilities and equity instruments issued by the Group (CONTINUED)

vi) 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.

vii) Derecognition of financial liabilities

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

(l) 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.

(m) 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.

(n) 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)

(o) 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.

(p) 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.

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).

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currencies (Continued)

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.

(q) Employees' benefits

i) Defined contribution retirement plan

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.

(r) 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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(s) 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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnal services to the Group.

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(t) 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)(ii), 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 cash flow forecasts of the Group covering a period up to 31 March 2017. 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) 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 2015, the carrying amount of intangible assets was HK$1,000,000 (2014: HK$19,956,000), net of impairment of HK$18,499,000 (2014: HK$55,062,000) recognised during the year.

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

(c) 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 24 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 to be made in respect of the contingent consideration based on the fair value of the shares of the Company at the date of acquisition of the subsidiary 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 2015, the provision made in respect of contingent consideration by the Group amounted to HK$Nil (2014: HK$17,836,000) and was included in contingent consideration payable.

(d) 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.

(e) Residual value 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.

(f) Useful life of vessel

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.

(g) Provision for compensation payable to owner of overlaid mine

As disclosed in Note 41, the Directors consider that there are no sufficient and reliable information available to estimate the compensation that may be payable to the Mine Owner with sufficient reliability. Therefore, no provision for the compensation was recognised in the consolidated financial statements as at 31 December 2015. When more information 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.

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

(h) Estimated impairment of vessel

An impairment exists when the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2015, the carrying amount of vessel was HK$35,057,000 (2014: HK$65,386,000), net of impairment of HK$25,000,000 (2014: HK$Nil) recognised during the year.

(i) Estimated impairment of construction in progress and railway construction prepayment

The Group assesses whether there are any indicators of impairment for construction in progress and railway construction prepayment at the end of each reporting period. They are tested for impairment when there are indicators that their carrying amounts may not be recoverable. An impairment exists when the carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. As mentioned in Note 16, the Directors consider it is appropriate to determine the fair value less costs to sell by making reference to the Consideration of the Disposal of the Railway Companies as the recoverable amount of the construction in progress and railway construction prepayment as they consider that the Disposal Agreements remain valid and the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions.

As at 31 December 2015, the carrying amount of construction in progress was HK$2,002,985,000 (2014: HK$2,127,323,000), with no impairment loss recognised as at 31 December 2014 and 2015.

5. REVENUE

Revenue represents the amount received and receivable for time charters:

	2015 HK$'000	2014 HK$'000
Charter-hire income	21,922	36,680

6. OTHER INCOME, GAINS AND (LOSSES)

	2015 HK$'000	2014 HK$'000
Loss on disposal of trading securities	–	(12,036)
Exchange gain	507	–
Bank interest income	91	8
Loan interest income	–	274
Gain on disposal of property, plant and equipment	13	–
Gain on disposal of a subsidiary (Note 37)	–	939
Others	334	–
	945	(10,815)

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 has two reportable segments which 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 2015	Railway construction and operations HK$'000	Shipping and logistics HK$'000	Total HK$'000
Segment revenue from external customers	–	21,922	21,922
Segment loss	(113,050)	(135,832)	(248,882)
Other segment information:			
Interest revenue	91	–	91
Interest expenses	(100,129)	–	(100,129)
Depreciation of property, plant and equipment	(1,120)	(5,329)	(6,449)
Amortisation of intangible assets	–	(457)	(457)
Impairment loss on property, plant and equipment	–	(25,000)	(25,000)
Impairment loss on intangible assets	–	(18,499)	(18,499)
Share of results of jointly controlled entity	–	(93,427)	(93,427)
Operating lease payments	(494)	–	(494)

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)

7. SEGMENT INFORMATION (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
Loss		
Segment loss	(248,882)	(199,232)
Other income	821	274
Net loss on trading securities	–	(12,036)
Gain on disposal of a subsidiary	–	939
Change in fair value of contingent consideration payable	17,836	10,833
Change in fair value of derivative component of convertible notes	11,760	–
Change in fair value of options/commitment to issue convertible notes	(94,847)	–
Other unallocated corporate expenses (Note a)	(30,878)	(43,122)
Consolidated loss before income tax	(344,190)	(242,344)

	2015 HK$'000	2014 HK$'000
Assets		
Railway construction and operations	2,047,743	2,173,067
Shipping and logistics	46,994	91,160
Segment assets	2,094,737	2,264,227
Intangible assets	1,000	1,000
Other unallocated corporate assets (Note b)	41,329	31,896
Consolidated total assets	2,137,066	2,297,123
Liabilities		
Railway construction and operations	1,656,857	1,667,592
Shipping and logistics	139,310	46,181
Segment liabilities	1,796,167	1,713,773
Contingent consideration payable	–	17,836
Convertible notes	364	–
Other unallocated corporate liabilities	11,644	13,813
Consolidated total liabilities	1,808,175	1,745,422

Notes:

(a) Unallocated corporate expenses for the years ended 31 December 2014 and 2015 mainly included staff costs, directors remuneration and rental expenses of the head office in Hong Kong.

(b) Unallocated corporate assets mainly included cash and bank balances amounting to HK$18,092,000 (2014: HK$7,791,000).

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:

	2015 HK$'000	2014 HK$'000
Customer A	–	7,428
Customer B	18,251	17,124
Customer C	–	9,909
	18,251	34,461

8. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans	85,406	97,964
Interest on other borrowings	15,470	15,766
Interest on convertible notes	16	–
	100,892	113,730

9. LOSS BEFORE INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Depreciation of property, plant and equipment		
– Recognised in cost of sales	5,329	4,540
– Recognised in administrative expenses	1,824	2,316
Amortisation of intangible assets	457	3,567
	7,610	10,423
Staff costs (included directors' remuneration)		
– Salaries, wages and other benefits	18,803	19,521
– Contributions to defined contribution retirement scheme	315	293
	19,118	19,814
Auditor's remuneration	1,160	940
Impairment loss on intangible assets	18,499	55,062
Gain on disposal of property, plant and equipment	(13)	–
Gain on disposal of a subsidiary	–	(939)
Operating lease rentals in respect of		
– land and buildings	3,779	3,736
– vessel	–	9,860
Net exchange loss	–	19

10. INCOME TAX

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

	2015 HK$'000	2014 HK$'000
Loss before income tax	(344,190)	(242,344)
Taxation calculated at PRC Enterprise Income Tax rate of 25% (2014: 25%)	(86,047)	(60,586)
Tax effect of differential tax rate	19,949	20,306
Tax effect of expenses not deductible for taxation purpose	64,283	36,718
Tax effect of non-taxable items	(1,989)	(1,815)
Tax effect of unrecognised tax losses and temporary differences	3,804	5,377
Hong Kong profits tax refund in respect of prior years	–	(6,579)
Income tax expense/(credit) for the year	–	(6,579)

Hong Kong profits tax, if any, is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year. PRC subsidiaries are subjected to PRC Enterprise Income Tax at 25% (2014: 25%). No provision for income tax has been made as the Group has no estimated assessable profits for both years.

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 (2014: nine) directors were as follows:

Year ended 31 December 2015

	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	–	1,760	–	–	18	1,778
Yu Sau Lai	–	546	–	–	18	564
Fung Ka Keung	–	650	–	–	18	668
Tse On Kin (Note)	–	701	–	–	9	710
Non-executive directors						
Tse On Kin (Note)	245	–	–	–	–	245
Sun Wei	444	–	–	–	–	444
Yu Baodong	540	–	–	–	18	558
Independent non-executive directors						
Chan Chi Yuen	120	–	–	–	–	120
Zhang Xi	120	–	–	–	–	120
Sit Fung Shuen	120	–	–	–	–	120
	1,589	3,657	–	–	81	5,327

Note: Mr. Tse On Kin was re-designated from a non-executive director to an executive director on 20 July 2015.

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

(a) Directors' emoluments (Continued)

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)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2014: one) were directors of the Company whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three (2014: four) individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	2,424	3,118
Contributions to defined contribution retirement scheme	36	50
	2,460	3,168

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

	2015 Number of employees	2014 Number of employees
HK$Nil to HK$1,000,000	3	4

12. DIVIDENDS

No dividend was paid or declared by the Company during the year ended 31 December 2015 (2014: Nil).

The Directors do not recommend the payment of any dividend for 31 December 2015 (2014: Nil).

13. LOSS PER SHARE

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

	2015 HK$'000	2014 HK$'000
(i) Loss for the year attributable to owners of the Company	297,864	184,812

(ii) Weighted average number of ordinary shares

The weighted average number of ordinary shares in issue during the year ended 31 December 2015 was approximately 13,833,162,000 (2014: 13,410,027,000).

	2015 HK cents	2014 HK cents
Basic loss per share	2.15	1.38

(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, contingent consideration shares and convertible notes are anti-dilutive.

14. 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 (Note)	Total HK$'000
Cost:							
As at 1 January 2014	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
Additions	–	–	7	–	–	–	7
Disposals	–	–	(3)	(269)	–	–	(272)
Exchange adjustment	(22)	(244)	(158)	(385)	(396)	–	(1,205)
As at 31 December 2015	389	1,387	2,962	6,826	6,287	70,207	88,058
Accumulated depreciation:							
and impairment							
As at 1 January 2014	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
Charge for the year	67	232	344	592	589	5,329	7,153
Impairment loss	–	–	–	–	–	25,000	25,000
Eliminated on disposals	–	–	(3)	(242)	–	–	(245)
Exchange adjustment	(17)	(166)	(121)	(328)	(238)	–	(870)
As at 31 December 2015	261	1,288	2,555	5,616	2,609	35,150	47,479
Carrying amount:							
As at 31 December 2015	128	99	407	1,210	3,678	35,057	40,579
As at 31 December 2014	200	409	781	1,886	4,425	65,386	73,087

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

As at 31 December 2015, management reviewed the fundamentals in dry bulk shipping market and considered the low freight rate environment shall persist for a longer time than previously expected and the timing of the rebalancing of demand and supply of tonnage is expected to be hard to ascertain, and unlikely to materialise in the near term. As a result, management considered that impairment indication of the value of the vessel existed as at the end of the reporting period.

An independent expert was engaged to assess the recoverable amount of the vessel which was determined based on value in use calculations and was significantly less than its carrying amount. Accordingly, an impairment loss of HK$25,000,000 on vessel was recognised during the year and as at 31 December 2015 (2014:Nil).

The recoverable amount of the vessel as at 31 December 2015 has been determined from value in use calculations based on cash flow projections 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%, which does not exceed the long-term growth rate for the worldwide shipping industry. The cash flows are discounted using a discount rate of 6.75%. The discount rate used is pre-tax and reflect specific risks relating to the vessel. During the year, the charter rate in worldwide shipping and logistics business has decreased when compared with the trend as observed as at 31 December 2014. As the carrying amount of the vessel has been reduced to its estimated recoverable amount of HK$35,057,000, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

15. INTANGIBLE ASSETS

	Contract of affreightment HK$'000	Club membership HK$'000	Total HK$'000
Cost:			
As at 31 December 2014 and 31 December 2015	**126,900**	**1,000**	**127,900**
Accumulated amortisation and impairment:			
As at 1 January 2014	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
Charge for the year	**457**	**–**	**457**
Impairment loss	**18,499**	**–**	**18,499**
As at 31 December 2015	**126,900**	**–**	**126,900**
Carrying amount:			
As at 31 December 2015	**–**	**1,000**	**1,000**
As at 31 December 2014	18,956	1,000	19,956

As at 31 December 2014, the recoverable amounts of contract of affreightment ("COA") had 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 flows beyond the five-year period were extrapolated using an estimated weighted average growth rate of 3%, which did not exceed the long-term growth rate for the shipping industry in the PRC. The cash flows were discounted using a discount rate of 13.05%. The discount rate used was pre-tax and reflected specific risks relating to the intangible asset.

15. INTANGIBLE ASSETS (CONTINUED)

During the year ended 31 December 2014, the charter rate in shipping and logistics business in the PRC had 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 had been reduced to its estimated recoverable amount of HK$18,956,000, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment losses.

As at 31 December 2015, although various efforts have been taken by management of the jointly controlled entity to negotiate with the COA provider to fix the COA rate for the year ending 31 December 2016, up to the date of the approval of these consolidated financial statements, the jointly controlled entity has not yet been able to obtain the consent from the COA provider to fix the annual rate in accordance with the COA. In addition, the cargo volume offered by the COA provider during the year was significantly below the guaranteed annual cargo volume pursuant to the COA. Under these circumstances, the Directors of the Company have significant doubt as to whether the COA provider would continue to fulfill its obligations pursuant to the COA and accordingly consider it is appropriate to recognise impairment loss on the entire carrying amount of the COA. However the jointly controlled entity will further discuss with the COA provider regarding the COA contracts and will take appropriate steps to rectify the current situation.

16. CONSTRUCTION IN PROGRESS

	2015 HK$'000	2014 HK$'000
Cost:		
As at beginning of year	2,127,323	1,946,519
Additions	–	186,546
Exchange adjustment	(124,338)	(5,742)
As at end of year	2,002,985	2,127,323

Construction in progress represents railway construction costs in the PRC. The construction work has been suspended since July 2013. Additions for the year ended 31 December 2014 represent additional costs finalised for construction conducted prior to the suspension of railway construction. As disclosed in Note 3(b)(ii)(ii), the Group has entered into the Disposal Agreements for disposal of its majority or entire equity interests in the Railway Companies which hold the construction in progress and railway construction prepayment. As such, the Directors consider it is appropriate to determine their fair value less costs to sell (i.e. recoverable amounts) by making reference to the Consideration of the Disposal of the Railway Companies as they consider that the Disposal Agreements remain valid and the Purchaser will continue to execute the Disposal Agreements in accordance with their terms and conditions. As the fair value less estimated costs to sell is higher than the carrying amounts of the construction in progress and railway construction prepayment as at 31 December 2015, no impairment loss on these assets has been recognised.

16. CONSTRUCTION IN PROGRESS (CONTINUED)

As mentioned in Note 41 to the consolidated financial statements, the Railway Companies are still discussing and negotiating with Mine Owner in respect of the compensation payable to that owner. Additional costs will be recognised as construction in progress when the relevant parties have reached an agreement on the compensation.

17. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 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	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

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest		Principal activities
			Directly held	Indirectly held	
Chengde Zunxiao Railway Limited* (承德遵小鐵路有限公司) (Note b)	PRC, limited liability company	RMB 224,000,000	–	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	RMB 129,000,000	–	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	RMB 205,000,000	–	51%	Railway construction and operations
Treasure Delight Holdings Limited	British Virgin Islands	1 ordinary share of US$1	–	100%	Investment holding
Asia Energy Inc.	Liberia	1 ordinary share of US$1	–	100%	Shipping and Logistics

Notes:

(a) A share mortgage was executed in respect of this subsidiary in favour of a connected party as detailed in Note 22(a)(iii) and 33(c).

(b) Equity and assets pledges were executed in respect of these subsidiaries in favour of a connected party as detailed in Note 22(a)(iii) and 33(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.

* English name for identification only

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2015 HK$'000	2014 HK$'000
Share of net assets in a jointly controlled entity		
– As at beginning and end of the year	–	–

The Group recognised 50% of the loss of a jointly controlled entity for the year ended 31 December 2015 of HK$93,427,000 (2014: HK$15,732,000). The share of loss exceeded the Group's interest in the jointly controlled entity as the Group through a subsidiary 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 24, to make good such losses. The excess amount is accounted for as liabilities due to the jointly controlled entity in Note 25.

In accordance with the shareholders' agreement, each of the joint venture partner and the Group are responsible to purchase two vessels for contribution to the jointly controlled entity as part of funds to be contributed. Two vessels had been purchased by the joint venture partner while the Group has not yet purchased the remaining two vessels. During the year ended 31 December 2015, the Group has agreed with the joint venture partner to extend the acquisition of the two vessels to 31 December 2015 and 31 December 2016 respectively. In view of the downturn in the shipping business, the Group will discuss with the joint venture partner and expect to reach an agreement with the joint venture partner to withhold enforcement of or otherwise discharge the Group's obligations under the shareholders' agreement.

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%

The summarised financial information of the jointly controlled entity is as follows:

	2015 HK$'000	2014 HK$'000
Non-current assets	186,569	381,612
Current assets	9,261	10,876
Current liabilities	(8,199)	(8,072)
Non-current liabilities	(464,377)	(474,308)
Net liabilities	(276,746)	(89,892)
Included in the above amounts are:		
Cash and cash equivalents	4,687	4,141
Current financial liabilities (excluding trade and other payables)	(687)	(586)
Non-current financial liabilities (excluding other payables and provisions)	(464,377)	(474,308)

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

	2015 HK$'000	2014 HK$'000
Income	43,660	73,932
Expenses	(230,514)	(105,396)
Loss before tax	(186,854)	(31,464)
Income tax	–	–
Loss after tax and total comprehensive income for the year	(186,854)	(31,464)
Included in the above amounts are:		
Impairment loss on property, plant and equipment (Note)	(164,000)	–
Depreciation and amortisation	(15,862)	(16,080)
Interest income	34	53
Interest expense	(24,810)	(27,767)

Note: Given the dry bulk shipping market mentioned in Note 14, management of the Company considered that impairment indication of the value of the vessels under the jointly controlled entity existed as at 31 December 2015.

An independent expert was engaged to assess the recoverable amounts of the vessels, which were determined based on value in use calculations and were significantly less than their respective carrying amounts as at 31 December 2015. The carrying amounts of vessels were HK$186,559,000 as at 31 December 2015, net of impairment of HK$164,000,000 recognised in the financial statements of the jointly controlled entity during the year ended 31 December 2015.

The recoverable amounts of the vessels held by the jointly controlled entity as at 31 December 2015 have been determined from value in use calculations based on cash flow projections 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%, 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 11.44%. The discount rate used is pre-tax and reflect specific risks relating to the vessels. During the year, the charter rate in shipping and logistics business has decreased when compared with the trend as observed as at 31 December 2014. As the carrying amounts of the vessels have been reduced to their estimated recoverable amounts of HK$186,559,000, any adverse change in the key assumptions used to calculate the recoverable amounts would result in further impairment losses.

19. OTHER RECEIVABLES AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Third parties	**26,753**	23,816
Related party (Note 33(e))	**24,769**	26,171
	51,522	49,987

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

As at 31 December 2015, included in the Group's other receivables and prepayments is an outstanding sale consideration receivable of HK$19,850,000 (2014: HK$20,850,000) arising from disposal of a former subsidiary which holds an interest in an associate. The other receivables to the extent of HK$19,850,000 (2014: HK$7,050,000) 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 who is the purchaser of the aforesaid subsidiary disclosed in Note 37 and expects to settle the balance in full within the next twelve months.

20. 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.

21. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables		
– current and up to 30 days	**536**	1,366
Construction cost payables	**144,295**	153,240
Other payables	**9,681**	11,640
	154,512	166,246

22. BANK LOANS AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Current liabilities		
Bank loans (Note (a))	283,482	190,145
Other bank loans (Note (a))	3,580	3,803
Other borrowings		
Railway construction and operations (Note b)	321,648	228,999
Other corporate borrowing (Note b)	8,952	29,459
	330,600	258,458
	617,662	452,406
Non-current liabilities		
Bank loans (Note (a))	889,846	1,055,928

22. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2015, total bank loans and other bank loans were scheduled to be repaid as follows:

	2015 HK$'000	2014 HK$'000
On demand or within one year	**287,062**	193,948
More than one year but not exceeding two years	**283,481**	253,515
More than two years but not exceeding five years	**606,365**	802,413
	1,176,908	1,249,876
Current liabilities	**(287,062)**	(193,948)
Non-current liabilities	**889,846**	1,055,928

(i) During the year ended 31 December 2015, the Group signed revised bank loan agreements for the bank loans existed as at 31 December 2014 to amend corresponding repayment schedules. No bank loan principals were therefore repaid during the year ended 31 December 2015.

(ii) All bank loans and other bank loans were denominated in Renminbi. The Directors estimated that their fair values were not significantly different from their respective carrying amounts.

(iii) The amount of bank loans and other bank loans in the original denominated borrowing currency is RMB985,900,000 equivalent to HK$ 1,176,908,000 (2014: RMB985,990,000 equivalent to HK$1,249,876,000). In addition to the guarantee given by a wholly-owned subsidiary of the Company to the extent of its respective equity interest in each of the relevant Railway Companies for the bank loans of HK$1,173,328,000 (2014: HK$1,246,073,000) as at 31 December 2015, the bank loans were 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$1,233,021,000 (2014: RMB1,033,000,000 equivalent to HK$1,309,468,000). In return, the Company 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 Railway Companies of up to approximately RMB573,003,000 equivalent to HK$683,954,000 (2014: RMB573,003,000 equivalent to HK$726,360,000), share mortgage, equity and assets pledges of the Railway Companies in favour of the connected party (Note 33(c)).

(b) Other borrowings of HK$330,600,000 (2014: HK$258,458,000) are unsecured and repayable on demand or within one year, of which HK$330,600,000 (2014: HK$238,458,000) are borrowed from Golden Concord and its subsidiaries.

The interest rate profile of bank loans and other borrowings is set out in Note 35(c).

23. 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 (“Tranche 1 Notes”) comprising 24 equal sub-tranches of HK$2.5 million each and HK$40 million (“Tranche 2 Notes”) comprising 8 equal sub-tranches of HK$5 million each, respectively.

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 note holder 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.

During the year ended 31 December 2015, the Tranche 1 Notes with principal amount of HK$60,000,000 were wholly subscribed and issued to the Subscriber, of which HK$59,750,000 had been converted into ordinary shares of the Company, with remaining principal amount of the Tranche 1 Notes of HK$250,000 outstanding as at 31 December 2015.

23. CONVERTIBLE NOTES (CONTINUED)

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 issue 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.

The movements of the liability component and derivative component of the Tranche 1 Notes during the year ended 31 December 2015 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	16	–	16
Fair value gain	–	(11,760)	(11,760)
Transfer to share capital on conversion of convertible notes (Note 40(i))	(2,663)	(140,076)	(142,739)
At 31 December 2015	12	352	364

Interest expense on the Tranche 1 Notes is calculated using the effective interest method by applying the effective interest rate of 2% to the liability component.

24. CONTINGENT CONSIDERATION PAYABLE

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

	2015 HK$'000	2014 HK$'000
Fair value:		
At beginning of the year	17,836	28,669
Change in fair value	(17,836)	(10,833)
At end of the year	–	17,836
Gain recognised in profit or loss relating to financial instruments held by the Group during the year	(17,836)	(10,833)

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 18 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 2015 dropped as the charter rate in shipping and logistics business has decreased when compared with the trend as observed as at 31 December 2014 and the COA rate to be fixed annually under the COA is considered no longer enforceable as mentioned in Note 15. The Company's own share price of HK$0.113 per share (2014: HK$0.103 per share) adopted in the calculation is the Company's quoted share price as at 31 December 2015.

24. CONTINGENT CONSIDERATION PAYABLE (CONTINUED)

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 2015, it is estimated that a general increase of 10% in charter rate, with all other variables held constant, the changes in fair value of the contingent consideration payable would increase the Group's loss for the year and accumulated losses by approximately HK$13,800,000 (2014: increase the Group's loss for the year and accumulated losses by approximately HK$12,368,000). It is estimated that a general decrease of 10% in charter rate, with all other variables held constant, will have no impact on the Group's loss for the year and accumulated losses (2014: decrease the Group's loss for the year and accumulated losses by approximately HK$12,368,000)

Sensitivity analysis of change in the Company's own share price for the fair value of the contingent consideration payable is disclosed in Note 35(e).

As at 31 December 2015, only two (2014: two) vessels had started commercial operation, the fair value of contingent consideration decreased by HK$17,836,000 (2014: decreased by HK$10,833,000) as a result of the Directors' re-estimation of the fair value of contingent consideration payable.

25. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

	2015	2014
	HK$'000	HK$'000
Amount due to a jointly controlled entity		
At beginning of the year	**(43,734)**	(28,039)
Share of results of jointly controlled entity	**(93,427)**	(15,732)
Advance to a jointly controlled entity	**101**	37
At end of the year	**(137,060)**	(43,734)

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 as mentioned in Note 18, is unsecured, non-interest-bearing and repayable within one year.

26. DEFERRED TAX

No deferred tax asset has been recognised in the Group'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 had estimated unused tax losses of HK$471,324,000 (2014: HK$448,269,000), available for offset against future profits, that can be carried forwarded indefinitely.

27. SHARE CAPITAL

Authorised, issued and fully paid share capital

	2015		2014	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
At 1 January	–	–	120,000,000,000	1,200,000
The concept of authorised share capital is abolished on 3 March 2014 (Note)	–	–	(120,000,000,000)	(1,200,000)
At 31 December	–	–	–	–
Issued and fully paid:				
At 1 January	13,410,027,100	1,435,649	13,410,027,100	134,100
Shares issued upon exercise of share options	28,900,000	7,991	–	–
Shares issued on the conversion of the convertible notes	720,338,369	142,739	–	–
Transfer from share premium account on 3 March 2014 (Note)	–	–	–	1,301,549
At 31 December	14,159,265,469	1,586,379	13,410,027,100	1,435,649

Note:

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 and 2015, there are no preference shares of class A and class B authorised for issue. No preference shares had ever been issued before the Ordinance came into effect.

28. 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 17. 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.

	2015 HK$'000	2014 HK$'000
For the year ended 31 December		
Revenue	–	–
Loss for the year	(112,497)	(122,715)
Total comprehensive income	(134,481)	(126,483)
Loss allocated to NCI	(46,326)	(50,953)
Dividends paid to NCI	–	–
For the year ended 31 December		
Cash flows used in operating activities	(114,235)	(120,375)
Cash flows from financing activities	117,095	121,879
Net cash inflow	2,860	1,504

	2015 HK$'000	2014 HK$'000
As at 31 December		
Current assets	301,445	162,477
Non-current assets	2,020,902	2,147,340
Current liabilities	(1,107,415)	(794,320)
Non-current liabilities	(889,846)	(1,055,928)
Net assets	325,086	459,569
Accumulated non-controlling interests	(105,732)	(161,472)

29. 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 2014 and 2015:

	Number of options ('000)		
Options granted to employees	**2015**	**2014**	**Contractual life of options**
On 26 May 2005	–	700	10 years

As at 31 December 2015, no options were exercised or cancelled and all the outstanding options were lapsed on 25 May 2015. As at 31 December 2014, all options outstanding had met the vesting condition and were wholly exercisable.

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

	2015		2014	
	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	700	0.6900
Lapsed during the year	(700)	0.6900	–	–
Outstanding at the end of the year	–		700	0.6900
Outstanding and exercisable at the end of the year	–		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 and a weighted average remaining contractual life of 0.39 year.

29. 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 share.

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.

29. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme (Continued)

The terms and conditions of the options granted that were outstanding at 31 December 2014 and 2015:

	2015		2014	
	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	250,700	0.1680
Lapsed during the year	(1,500)	0.1680	–	–
Exercised during the year	(28,900)	0.1680	–	–
Outstanding at the end of the year	220,300	0.1680	250,700	0.1680
Exercisable at the end of the year	220,300		250,700	

The options granted under the 2008 Share Option Scheme had fully vested and wholly exercisable as at 31 December 2014 and 2015. As at 31 December 2015, these outstanding options have an exercise price of HK$0.168 (2014: HK$0.168) with an average remaining contractual life of 5.30 years (2014: 6.30 years).

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

30. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Authorised and contracted for in respect of construction of railway:		
– Zunxiao Company	162,686	172,778
– Tangcheng Company	116,561	123,792
	279,247	296,570

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

31. OPERATING LEASE COMMITMENTS

Lessee

	2015 HK$'000	2014 HK$'000
Minimum lease payments for office premises and staff quarters under operating leases charged as expenses in the year	3,779	3,736
Vessels lease payments under operating leases charged as expenses in the year	–	9,860

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

	2015 HK$'000	2014 HK$'000
Within one year	1,983	3,326
In the second to fifth years inclusive	2,588	780
	4,571	4,106

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 2015 was HK$Nil (2014: approximately HK$12,129,000), and the sub-lease vessel typically run for lease term of one to two months. As at 31 December 2014 and 2015, the Group has no operating lease commitment in respect of vessel.

31. OPERATING LEASE COMMITMENTS (CONTINUED)

Lessor

The Group leases out its vessel under operating lease, and vessel lease receipts recognised as income during the year ended 31 December 2015 was HK$21,922,000 (2014: HK$24,551,000). As at 31 December 2015 the Group leases out its vessel to customers with fixed charter rate for lease term of one to eight months (2014: sixteen to nineteen months).

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

	2015 HK$'000	2014 HK$'000
Not later than one year	132	18,040
	132	18,040

32. FINANCIAL GUARANTEE CONTRACT ISSUED BY THE COMPANY

The Company has executed a counter-guarantee to indemnify Golden Concord up to approximately RMB573,003,000 equivalent to approximately HK$683,954,000 (2014: approximately RMB573,003,000 equivalent to approximately HK$726,360,000) (excluding all related accrued interest, costs and expenses incurred, if any), in which Golden Concord has agreed to execute guarantees to a bank in respect of bank loans granted to the Railway Companies Note 22(a)(iii) and Note 33(c). Under the counter-guarantee, the Company would be liable to pay Golden Concord in the event of any default of the bank loans. The counter-guarantee was issued by the Company at HK$Nil consideration. The 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.

33. 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 22(a)(iii) and Note 32, 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.

(d) Interest expenses on other borrowings of HK$13,679,000 (2014: HK$11,226,000) were charged by Golden Concord and its subsidiaries in respect of their loans made to the Group as disclosed in Note 22(b).

(e) The amount due from related party, Golden Concord, as disclosed in Note 19 is unsecured, interest-free, repayable on demand and is on-lent to the Railway Companies.

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

Transactions disclosed in Notes 33(c) and 33(f) constitute connected transactions as defined under the Listing Rules, and the Directors confirmed that it has complied with the relevant disclosure requirements of the Listing Rules. The related party transactions disclosed in Notes 33(a), 33(d) and 33(e) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

34. 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 2015, the Group's strategy, which was unchanged from 2014, was to maintain a gearing ratio of not more than 100%.

The gearing ratio as at 31 December 2014 and 2015 were as follows:

	2015 **HK$'000**	2014 HK$'000
Current liabilities	**918,329**	671,658
Non-current liabilities	**889,846**	1,073,764
Total liabilities	**1,808,175**	1,745,422
Less: Cash and bank balances	**(30,512)**	(15,653)
Net debt	**1,777,663**	1,729,769
Total equity	**328,891**	551,701
Total capital	**2,106,554**	2,281,470
Gearing ratio	**84%**	76%

35. 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 2014 and 2015, since the Group does not have trade receivable, the Group has no concentration of credit risk.

The Group has concentration of credit risk from other receivables relating to two entities as at 31 December 2015 (2014: two entities) which amounted to HK$44,618,000 (2014: 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.

The following table details the remaining contractual maturities at the end of reporting period of the Group'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 can be required to pay:

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

2015	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	154,512	154,512	154,512	–	–	–
Amount due to a jointly controlled entity	137,060	137,060	137,060	–	–	–
Amounts due to minority equity owners of subsidiaries	8,731	8,731	8,731	–	–	–
Bank loans and other borrowings	1,507,508	1,687,490	694,190	335,804	657,496	–
Liability component of convertible notes	12	12	12	–	–	–
	1,807,823	1,987,805	994,505	335,804	657,496	–

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	–

As shown in the above analysis, bank loans and other financial liabilities of the Group amounting to HK$994,505,000 (2014: HK$771,940,000) are expected to be repaid within the next twelve months from 31 December 2015. The short-term liquidity risk inherent in this contractual maturity date has been addressed in Note 3(b)(ii).

35. 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.

	2015		2014	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Fixed rate borrowings				
Other bank loan	9.18% to 10.08%	3,580	10.08%	3,803
Other borrowings	6.47% to 20.40%	205,281	6.5% to 20.40%	228,617
Other bank loan and other borrowings		208,861		232,420
Interest free				
Other borrowings	0%	125,319	0%	29,841
Floating rate borrowings				
Bank loans	5.88% to 7.38%	1,173,328	7.38% to 7.86%	1,246,073
Total borrowings		1,507,508		1,508,334
Fixed rate borrowings (including interest free borrowings) as a percentage of total borrowings		22%		17%

Sensitivity analysis

As at 31 December 2015, 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$8,800,000 (2014: increase/decrease the Group's loss for the year and accumulated losses by approximately HK$9,346,000).

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 2014.

For the year ended 31 December 2015, the convertible notes issued at fixed interest rate of 2%, exposes the Group to fair value interest rate risk which is considered by the Directors insignificant.

35. 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 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 values of the contingent consideration payable of the Group (Note 24) and the derivative component of the Company's Convertible Notes (Note 23) at the end of reporting period.

As at 31 December 2015, it is estimated that a reasonably possible changes in the Company's own share price with other variables held constant would have insignificant impact on the aforementioned financial instruments, net loss for the year and accumulated losses.

(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.

36. 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 2014 and 2015 may be categorised as follows:

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	80,150	64,557
Financial liabilities		
Fair value through profit or loss		
– Contingent consideration payable	–	17,836
– Derivative component of convertible notes	352	–
Financial liabilities measured at amortised cost	1,807,823	1,727,586

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 contingent consideration payable and derivative component of convertible notes are measured at fair value. There were no transfers between levels during the years ended 31 December 2014 and 2015.

At 31 December 2015	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Contingent consideration payable	–	–	–	–
Derivative component of convertible notes	–	–	352	352

At 31 December 2014	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Contingent consideration payable	–	–	17,836	17,836

37. DISPOSAL OF 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 for the year		939
Total 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

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		530,356	508,751
Current assets			
Other receivables and prepayments		20,041	21,043
Cash and cash equivalents		17,446	6,662
		37,487	27,705
Current liabilities			
Other payables		1,967	2,550
Convertible notes		364	–
		2,331	2,550
Net current assets		35,156	25,155
Net assets		565,512	533,906
EQUITY			
Share capital	27	1,586,379	1,435,649
Other reserves	39	(1,020,867)	(901,743)
Total equity		565,512	533,906

The statement of financial position was approved and authorised for issue by the Directors on 24 March 2016.

Liang Jun	**Yu Sau Lai**
Director	*Director*

39. RESERVES OF 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 2014	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 shares on 3 March 2014	(1,301,549)	–	–	–	(1,301,549)
As at 31 December 2014	**–**	**4,190**	**31,862**	**(937,795)**	**(901,743)**
Total comprehensive income for the year	**–**	**–**	**–**	**(115,989)**	**(115,989)**
Share issued upon exercise of share options	**–**	**–**	**(3,135)**	**–**	**(3,135)**
Forfeiture/lapse of share options	**–**	**–**	**(3,457)**	**3,457**	**–**
As at 31 December 2015	**–**	**4,190**	**25,270**	**(1,050,327)**	**(1,020,867)**

* As at 31 December 2015, these reserves constituted the other reserves balance of HK$1,020,867,000 per the Company's statement of financial position.

The Company did not have any reserves available for distribution to shareholders as at 31 December 2014 and 2015. The Company's share premium as at 1 January 2014 may be distributed in the form of fully paid bonus shares.

40. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2015, carrying amounts of the liability component of HK$2,663,000 and derivative component of HK$140,076,000 of the convertible notes were transferred to share capital amounting to HK$142,739,000 at their respective dates of conversion.

(ii) 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.

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

41. CONTINGENT LIABILITIES

As mentioned in Note 3(b)(ii)(ii) to the consolidated financial statements, the Railway Companies have compensation payable to the Mine Owner as the Zunxiao Railway runs over the mine. The Mine Owner has requested for an excessive amount of compensation, which the management of the Company considers to be exaggerated and unreasonable. As such, the Group is actively asking for the Mine Owner to provide additional information for further assessment of the amount of compensation claimed, in particular, the quantity of the resources underlying the overlaid mine, and will make every endeavour to agree the amount of compensation payable with the Mine Owner as soon as possible. However, at the present, there is no sufficient and reliable information available to management to estimate the amount of compensation that may be payable by the Group. The Directors are of the view that the amount of compensation cannot be measured with sufficient reliability and therefore no provision has been recognised in the consolidated financial statements as at 31 December 2015.

42. EVENTS AFTER THE END OF REPORTING PERIOD

On 1 March 2016, the Company entered into second supplemental agreement with the Subscriber and its authorised representative to further amend certain terms and conditions of the Subscription Agreement and the Supplemental Agreement as mentioned in Note 23. The Tranche 2 Notes with principal amount of HK$40 million shall now comprise 15 sub-tranches instead of 8 equal sub-tranches of HK$5 million. In addition, the Company, following the conversion of the last of the Convertible Notes comprised in the last sub-tranche of the Tranche 1 Notes, has notified the Subscriber of its intention to exercise the option to require the Subscriber to subscribe for the Tranche 2 Notes from the Company. The issue of the Tranche 2 Notes is subject to the approval of shareholders of the Company having been obtained at a general meeting of the Company.

Five-Year Financial Summary

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue					
Continuing operations	**21,922**	36,680	19,084	–	–
Discontinued operations	**–**	–	–	–	49,472
	21,922	36,680	19,084	–	49,472
Loss before income tax:					
Continuing operations	**(344,190)**	(242,344)	(128,846)	(54,762)	(142,928)
Discontinued operations	**–**	–	–	–	(1,291)
	(344,190)	(242,344)	(128,846)	(54,762)	(144,219)
Income tax credit	**–**	6,579	–	–	–
Loss for the year	**(344,190)**	(235,765)	(128,846)	(54,762)	(144,219)
Non-controlling interests	**(46,326)**	(50,953)	(27,777)	(6,766)	(6,522)
Loss attributable to owners of the Company	**(297,864)**	(184,812)	(101,069)	(47,996)	(137,697)
ASSETS AND LIABILITIES					
Total assets	**2,137,066**	2,297,123	2,302,879	2,216,247	2,009,225
Total liabilities	**(1,808,175)**	(1,745,422)	(1,511,644)	(1,356,647)	(1,102,306)
	328,891	551,701	791,235	859,600	906,919
Equity attribute to owners of the Company	**223,159**	390,229	577,668	625,482	665,839
Non-controlling interests	**105,732**	161,472	213,567	234,118	241,080
	328,891	551,701	791,235	859,600	906,919