亞洲能源物流
ASIAENERGY
Logistics

ASIA ENERGY LOGISTICS GROUP LIMITED
亞洲能源物流集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0351)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS

The board (the "Board") of directors (the "Directors") of Asia Energy Logistics Group Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with the comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

		For the six months ended 30 June	
	Notes	**2011** ***HK$'000*** **(Unaudited)**	2010 *HK$'000* (Unaudited)
Continuing operations			
Turnover	3	**—**	—
Other income, gains and losses	4	**(35,726)**	(27,567)
Depreciation and amortisation		**(3,521)**	(1,344)
Staff costs		**(23,390)**	(8,840)
Change in fair value of contingent consideration payable		**(4,490)**	2,700
Share of (loss)/profit of an associate		**(2,048)**	6,899
Share of results of jointly controlled entity		**1,715**	—
Other operating expenses		**(12,414)**	(18,597)
Finance costs	6	**(3,646)**	(116)
Loss before income tax	7	**(83,520)**	(46,865)
Income tax	8	**—**	—
Loss for the period from continuing operations		**(83,520)**	(46,865)
Discontinued operations			
(Loss)/profit for the period from discontinued operations	9(b)	**(9,425)**	4,408
Loss for the period		**(92,945)**	(42,457)

	Notes	For the six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations			
— Continuing operations		**15,563**	4,924
— Discontinued operations		**499**	504
		16,062	5,428
Total comprehensive income for the period		**(76,883)**	(37,029)
(Loss)/profit for the period attributable to:			
Owners of the Company			
— Continuing operations		**(80,404)**	(44,859)
— Discontinued operations		**(9,425)**	4,408
		(89,829)	(40,451)
Non-controlling interests			
— Continuing operations		**(3,116)**	(2,006)
— Discontinued operations		**—**	—
		(3,116)	(2,006)
		(92,945)	(42,457)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(79,278)**	(36,699)
Non-controlling interests		**2,395**	(330)
		(76,883)	(37,029)
Basic and diluted loss per share *(HK cents per share)*	10		
From continuing operations		**(0.63)**	(0.36)
From discontinued operations		**(0.07)**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	At 30 June 2011 HK$'000 (Unaudited)	At 31 December 2010 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**11,586**	8,750
Concession intangible assets		**—**	330,876
Intangible assets		**124,093**	125,631
Construction in progress		**1,226,448**	1,062,977
Investment in associate		**—**	85
Investment in a jointly controlled entity		**1,473**	15
		1,363,600	1,528,334
Current assets			
Inventories		**—**	4,336
Trade and other receivables	12	**80,414**	41,315
Trading securities	13	**76,496**	125,785
Loan to an associate		**37,000**	37,000
Cash and cash equivalents		**330,610**	564,933
		524,520	773,369
Assets of disposal group classified as held for sale	9(a)	**359,707**	—
		884,227	773,369
Total assets		**2,247,827**	2,301,703
Current liabilities			
Trade and other payables	14	**53,554**	94,896
Amount due to a shareholder		**438**	439
Amount due to minority equity owners of subsidiaries		**6,242**	9,383
Tax payable		**—**	6,578
		60,234	111,296
Liabilities of disposal group classified as held for sale	9(a)	**296,721**	—
		356,955	111,296
Net current assets		**527,272**	662,073

	Notes	At 30 June 2011 HK$'000 (Unaudited)	At 31 December 2010 HK$'000 (Audited)
Non-current liabilities			
Bank loans		**871,550**	1,102,634
Contingent consideration payable		**62,586**	58,096
Provision for maintenance of concession intangible assets		**—**	11,717
		934,136	1,172,447
Net assets		**956,736**	1,017,960
EQUITY			
Share capital	15	**128,570**	128,570
Reserves		**589,870**	653,489
Equity attributable to owners of the Company		**718,440**	782,059
Non-controlling interests		**238,296**	235,901
TOTAL EQUITY		**956,736**	1,017,960

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

The accounting policies and methods of computation adopted in the 2010 annual financial statements have been applied consistently to these unaudited condensed consolidated interim financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRSs"); Hong Kong Accounting Standards ("HKASs"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's financial statements.

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

3. TURNOVER

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
From continuing operations	**—**	—
From discontinued operations		
Waste incineration power generation income	**35,266**	53,277
Waste handling income	**14,206**	15,905
	49,472	69,182
	49,472	69,182

4. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
From continuing operations		
Net loss on trading securities		
Change in fair value of trading securities	**(37,955)**	(40,821)
Gain on disposal of trading securities	**1,619**	12,230
	(36,336)	(28,591)
Loan interest income	**550**	550
Bank interest income	**60**	62
Others	**—**	412
	(35,726)	(27,567)
From discontinued operations		
VAT refund on waste incineration power generation income	**778**	2,639
Bank interest income	**24**	1,106
Others	**1,063**	361
	1,865	4,106
	(33,861)	(23,461)

5. SEGMENT INFORMATION

The Group has two reportable segments as at 30 June 2011 and 2010. The segments are managed separately as each business offers different products and services and requires different business strategies. The following are the Group's reportable segments:

— Waste incineration power generation business (discontinued operations)

— Railway construction and operations

	Continuing Operations			Discontinued Operations	Total
Unaudited Six months ended 30 June 2011	**Railway construction and operations** *HK'000*	**Unallocated** *HK'000*	**Total** *HK'000*	**Waste incineration power generation business** *HK'000*	*HK'000*
Segment revenue from external customers	—	—	—	**49,472**	**49,472**
Segment loss	**(7,412)**	**(67,639)**	**(75,051)**	**(9,425)**	**(84,476)**
Share of loss of an associate	—	**(2,048)**	**(2,048)**	—	**(2,048)**
Change in fair value of contingent consideration payable	—	**(4,490)**	**(4,490)**	—	**(4,490)**
Share of results of jointly controlled entity	—	**1,715**	**1,715**	—	**1,715**
Finance costs	—	**(3,646)**	**(3,646)**	—	**(3,646)**
Loss before income tax	**(7,412)**	**(76,108)**	**(83,520)**	**(9,425)**	**(92,945)**

	Continuing Operations			Discontinued Operations	Total
Unaudited Six months ended 30 June 2010	**Railway construction and operations** *HK'000*	**Unallocated** *HK'000*	**Total** *HK'000*	**Waste incineration power generation business** *HK'000*	*HK'000*
Segment revenue from external customers	—	—	—	69,182	69,182
Segment (loss)/profit	(3,939)	(52,409)	(56,348)	4,408	(51,940)
Share of profit of an associate	—	6,899	6,899	—	6,899
Change in fair value of contingent consideration payable	—	2,700	2,700	—	2,700
Finance costs	—	(116)	(116)	—	(116)
(Loss)/profit before income tax	(3,939)	(42,926)	(46,865)	4,408	(42,457)

Unaudited As at 30 June 2011	Continuing Operations Railway construction and operations *HK'000*	Unallocated *HK'000*	Total *HK'000*	Discontinued Operations Waste incineration power generation business *HK'000*	Total *HK'000*
Segment assets	**1,553,148**	**334,972**	**1,888,120**	**359,707**	**2,247,827**
Segment liabilities	**916,314**	**78,056**	**994,370**	**296,721**	**1,291,091**
Audited **As at 31 December 2010**					
Segment assets	1,569,655	367,623	1,937,278	364,425	2,301,703
Segment liabilities	918,173	71,455	989,628	294,115	1,283,743

6. FINANCE COSTS

	For the six months ended 30 June **2011** ***HK$'000*** **(Unaudited)**	 2010 *HK$'000* (Unaudited)
From continuing operations		
Interest on bank loans	**30,059**	5,652
Bank overdraft interest	**—**	2
Imputed interest on convertible bonds	**—**	114
Interest on other borrowings	**3,646**	—
Total finance costs	**33,705**	5,768
Less: Amount capitalised in construction in progress	**(30,059)**	(5,652)
	3,646	116
From discontinued operations		
Interest on bank loans	**8,362**	7,623
	12,008	7,739

7. LOSS BEFORE INCOME TAX

Loss for the period is arrived at after charging/(crediting):

	Continuing Operations For the six months ended 30 June		Discontinued Operations For the six months ended 30 June		Total For the six months ended 30 June	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Amortisation of concession intangible assets	**—**	—	**8,384**	9,554	**8,384**	9,554
Depreciation of property, plant and equipment	**983**	1,303	**350**	361	**1,333**	1,664
Amortisation of land use rights	**—**	41	**—**	—	**—**	41
Amortisation of intangible assets	**2,538**	—	**—**	—	**2,538**	—
	3,521	1,344	**8,734**	9,915	**12,255**	11,259
Staff cost						
— Salaries, wages and other benefits	**8,664**	8,474	**7,118**	6,730	**15,782**	15,204
— Equity-settled share-based payments	**14,371**	—	**1,288**	—	**15,659**	—
— Contributions to defined contribution retirement scheme	**355**	366	**496**	363	**851**	729
	23,390	8,840	**8,902**	7,093	**32,292**	15,933
Auditor's remuneration	**136**	143	**—**	—	**136**	143
Loss on disposal of property, plant and equipment	**26**	—	**—**	—	**26**	—
Operating lease rentals in respect of land and buildings	**2,205**	1,593	**287**	257	**2,492**	1,850
Change in fair value of trading securities	**37,955**	40,821	**—**	—	**37,955**	40,821
Change in fair value of contingent consideration payable	**4,490**	(2,700)	**—**	—	**4,490**	(2,700)
Concession intangible assets maintenance provision	**—**	—	**—**	3,416	**—**	3,416
Net exchange loss/(gain)	**3**	(58)	**—**	(48)	**3**	(106)

8. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the six months ended 30 June 2011 and 2010.

No provision for the People's Republic of China ("PRC") enterprise income tax has been made in the financial statements as the Group's operations in the PRC had no assessable profit for the six months ended 30 June 2011 and 2010.

9. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disposal of China Green Power Holdings Limited and its subsidiaries

The assets and liabilities related to China Green Power Holdings Limited and its subsidiaries (the "disposal group") as at 30 June 2011 were presented as held for sale as a subsidiary of the Company entered into a conditional sale and purchase agreement for the disposal of the waste incineration power generation business on 13 May 2011. The disposal was completed on 13 July 2011.

(a) Assets and liabilities of disposal group classified as held for sale

	At 30 June 2011 *HK$'000* **(Unaudited)**
Assets	
Property, plant and equipment	**1,053**
Concession intangible assets	**332,272**
Inventories	**2,732**
Trade and other receivables	**15,617**
Cash and cash equivalents	**8,033**
Assets of disposal group classified as held for sale	**359,707**
Liabilities	
Trade and other payables	**28,949**
Bank loans	**255,783**
Provision for maintenance of concession intangible assets	**11,989**
Liabilities of disposal group classified as held for sale	**296,721**
Net assets of disposal group	**62,986**

(b) Analysis of the results of discontinued operations is as follows:

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Turnover	**49,472**	69,182
Other income and gains	**1,865**	4,106
	51,337	73,288
Expenses		
Fuel costs	**(29,364)**	(34,465)
Depreciation and amortisation	**(8,734)**	(9,915)
Staff costs	**(8,902)**	(7,093)
Concession intangible assets maintenance provision	**—**	(3,416)
Other operating expenses	**(5,400)**	(6,368)
Finance costs	**(8,362)**	(7,623)
	(60,762)	(68,880)
(Loss)/profit before income tax	**(9,425)**	4,408
Income tax	**—**	—
(Loss)/profit from discontinued operations	**(9,425)**	4,408

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

	For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**1,732**	111
Net cash (used in)/generated from investing activities	**(2,191)**	270
Net cash (used in)/generated from financing activities	**(891)**	9,604
Effect of foreign exchange rate changes, net	**198**	84
Net (decrease)/increase in cash and cash equivalents	**(1,152)**	10,069

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company from continuing operations of HK$80,404,193 (six months ended 30 June 2010: HK$44,858,257), from discontinued operations of HK$9,424,710 (six months ended 30 June 2010: profit of HK$4,407,685) and on the weighted average number of ordinary shares of 12,857,027,100 (six months ended 30 June 2010: 12,387,413,840 ordinary shares) in issue during the six months ended 30 June 2011.

Diluted loss per share was not presented for the six months ended 30 June 2011 and 2010 as the potential ordinary shares are anti-dilutive.

11. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2011 and 2010.

The Directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2011 and 2010.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 *HK$'000* (Unaudited)	At 31 December 2010 *HK$'000* (Audited)
Trade receivables — current and up to 30 days	—	14,585
Other receivables, net	**80,414**	26,730
	80,414	41,315

13. TRADING SECURITIES

	At 30 June 2011 *HK$'000* (Unaudited)	At 31 December 2010 *HK$'000* (Audited)
Hong Kong listed equity securities at market value	**76,496**	125,785

For investments which have been suspended from trading as at the end of reporting period, the fair value was measured with reference to the quoted price of the last dealing date before suspension of trade and other available information considered appropriate by the Directors. The carrying amounts of these investments are HK$Nil (2010: HK$24,416,000).

14. TRADE AND OTHER PAYABLES

	At 30 June 2011 *HK$'000* (Unaudited)	At 31 December 2010 *HK$'000* (Audited)
Trade payables — current and up to 30 days	—	13,049
Construction cost payable	**38,159**	56,393
Other payables	**15,395**	25,454
	53,554	94,896

15. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	Amount
		HK$'000
Authorised ordinary shares:		
At 30 June 2011 and 31 December 2010	120,000,000,000	1,200,000
Authorised preference shares class A:		
At 30 June 2011 and 31 December 2010	10,000,000,000	100,000
Authorised preference shares class B:		
At 30 June 2011 and 31 December 2010	10,000,000,000	100,000
Issued and fully paid		
At 1 January 2010	10,257,027,100	102,570
Issue of shares for acquisition of non-controlling interest	1,000,000,000	10,000
Issued on the conversion of the convertible bonds	100,000,000	1,000
New issue and allotment of shares	1,500,000,000	15,000
At 31 December 2010 and 30 June 2011	12,857,027,100	128,570

16. SHARE OPTIONS

On 21 April 2011, 313,200,000 share options carrying the rights to subscribe for a total of 313,200,000 ordinary shares of HK$0.01 each of the Company were granted to 51 individuals under the share option scheme of the Company adopted on 20 August 2008 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 terms and conditions of the options granted that were outstanding at the reporting date:

Options granted to employees	Number of options	Vesting condition	Contractual life of options	Exercise price
	('000)			
On 21 April 2011	312,200	*(Note)*	10 years	HK$0.168 per share
	312,200			

Note:

(i) up to 40% of the total number of options will be vested from the date of grant of the options;

(ii) an additional 30% of the total number of options will be vested upon the first anniversary of the date of grant of the options; and

(iii) the remaining 30% of the total number of options will be vested upon the second anniversary of the date of grant of the options.

Save as disclosed above, no share options were exercised, cancelled or lapsed during the six months ended 30 June 2011.

BUSINESS REVIEW

The Company and its subsidiaries (together, the "Group") are principally engaged in the (i) railway construction and operations; (ii) shipping and logistics; and (iii) waste incineration power generation businesses.

Railway Construction and Operations

The Group's investment in railway construction and operations started in July 2009 when the Group acquired a 70% equity interest in Gofar Holdings limited ("Gofar"). In February 2010, the Group acquired the remaining 30% interest in Gofar. Gofar indirectly holds a 62.5% equity interest in each of 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*) ("Kuanping Company") and 承德遵小鐵路有限公司 (Chengde Zunxiao Railway Limited*) ("Zunxiao Company"), and a 51% equity interest in 唐山唐承鐵路運輸有限責任公司 (Tangshan Tangcheng Railway Transportation Company Limited*) ("Tangcheng Company") (collectively called the "Gofar Group"). The business scope of the Gofar Group is the construction and operations of a 121.8 kilometre single-track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province, namely Tangshan City (唐山市) and Chengde City (承德市), in the People's Republic of China ("PRC").

The construction of the Zunxiao Railway was originally scheduled to be completed by the end of 2010. However, due to a delay in the processing of a major loan facility of RMB1.033 billion granted by 中國民生銀行股份有限公司 (China Minsheng Banking Corp., Limited) in November 2010, completion of the construction has been delayed to the end of 2011. It is estimated that the construction costs will amount to approximately RMB1.6 billion.

Relevant approvals for the construction of the Zunxiao Railway were obtained in 2008 and construction work for the first 25 kilometres of the Zunxiao Railway has been completed. Tangcheng Company obtained the "Temporary Operation License of the Hebei Railway Administration Bureau"* ("河北省鐵路臨時運輸營業許可證") for the first 25 kilometres of the Zunxiao Railway, which is valid for one year, on 29 June 2011. The operating range covers Zunhua South Station (遵化南站), which is also the transfer station of the national railway to Santunying Station (三屯營站).

In a bid to test the train traction capacity of the first 25 kilometres to ensure a high standard and efficient operation of the Zunxiao Railway when put into operation, the Zunxiao Railway co-operated with the Beijing Railway Bureau to launch a three-day trial test of train traction (from 30 June 2011 to 2 July 2011). The test involved three train journeys pulling 13,410 tonnes in total, with the largest train pulling up to 4,976 tonnes, to Santunying Station. The above trial was carried out on the condition that the trains were subject to multiple s-shaped bends and gradients of up to 1.5% (15 in 1,000).

The Group was satisfied with the fact that the three-day trial test was able to meet with the safety standard of the Beijing Railway Bureau and was completed smoothly. This signifies a major milestone for the Group, bringing it a step closer to the commercial operation of the Zunxiao Railway.

On 13 January 2011, the Gofar Group entered into a non-legally binding memorandum of understanding (the "Memorandum") with China Railway Leasing Corporation Limited ("CRLC"), an independent third party, in relation to, among other things, the establishment of a business cooperation partnership between the parties in four major areas of strategic cooperation (the "Cooperation Project") with respect to (i) the purchasing, financing and leasing services for various facilities, equipment and accessories for railway construction and operations in the PRC; (ii) the

* *for identification purpose only*

further cooperation on the project development and operation of the self-owned rail wagon chartering services; (iii) the cooperation in respect of rail-transport logistics, storage and trading in the PRC; and (iv) introduction of prospective rail transport business partners by CRLC to the Gofar Group.

The Memorandum is non-legally binding and may or may not lead to the entering into any formal agreement with respect to the Cooperation Project. The Cooperation Project, if materialised, would provide Gofar Group with, among others, a stable supply of railway facilities and equipment, reliable services in leasing and project financing, secured supply of railway facilities and rail-transport, and possible new railway related business, all of which are vital for the further development of the Group's business in the railway construction and operations in the PRC.

Shipping and Logistics

Following the completion of the acquisition of the entire equity interest in Ocean Jade Investments Limited ("Ocean Jade") on 19 May 2010, the Group has further diversified its business into the dry bulk shipping industry. Ocean Jade holds 50% interest in a joint venture company (the "JV Company", and together with its subsidiaries, the "JV Group") which is engaged in the investment in ship assets and provision of coal shipment services and accounted for as a jointly controlled entity of the Group. The other shareholder of JV Company is Waibert Navigation Company Limited ("Waibert") which is a wholly-owned subsidiary of Guangdong Navigation Holdings Company Limited (one of the key provincial government-owned enterprises) and is principally engaged in ship management, dry bulk carrier chartering and operation.

Under the shareholders' agreement among Ocean Jade, Waibert and the JV Company dated 1 December 2009 (as amended by a supplemental agreement also dated 1 December 2009) (collectively, the "JV Agreement"), the JV Group acquired two Handy-size vessels of about 35,000 metric tonnes deadweight each (the "First Vessel" and the "Second Vessel" respectively) at the consideration of RMB175 million and RMB178.8 million on 30 April 2010 and 10 August 2010, respectively, which were subsequently delivered in August 2010 and January 2011, respectively.

Due to the prevailing market conditions, Ocean Jade, Waibert and the JV Company agreed to extend the completion date for the acquisition of the other two vessels (either Panamax or Supramax type) (the "Third Vessel" and the "Fourth Vessel", respectively) to 31 December 2011.

On 30 March 2010, a contract of affreightment (運輸合同) (the "Contract of Affreightment") was entered into between the JV Company and a power plant in the Jiangsu Province, the PRC, for the provision of coal shipment services by the JV Company to the said power plant. Under the Contract of Affreightment, the power plant in the Jiangsu Province shall provide full employment with its own coal cargo throughout the life span of the First Vessel and the Second Vessel.

The JV Company recorded a revenue of approximately HK$50.54 million for the period under review, the contribution from this business segment was approximately HK$1.72 million.

Waste Incineration and Power Generation

During the period under review, the turnover of the waste incineration power plant in the PRC then owned by the Group was approximately HK$49.47 million, representing a decrease of approximately 29% as compared with the previous corresponding period.

Due to the continuing disappointing performance of the business of waste incineration power generation, the subsidiaries operating the said business were disposed of by the Group in July 2011. Details of the disposal are set out in the section headed "Material Disposal of Subsidiaries" below.

MATERIAL DISPOSAL OF SUBSIDIARIES

As disclosed in the Company's circular dated 10 June 2011, Palace View International Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Wise Track Group Limited for the disposal of the entire equity interest in China Green Power Holdings Limited and its subsidiaries (collectively referred to as the "China Green Power Group") and the shareholder's loan due from the China Green Power Group to the Group. The consideration for the disposal was HK$50,000,000 and the disposal constituted a very substantial disposal for the Company under the Listing Rules. The disposal was completed on 13 July 2011.

The principal business activity of the China Green Power Group is waste incineration power generation business which did not generate satisfactory performance in the past few years. In order to improve the performance of the incineration business, it is vital to reduce the use of coal as its main sources of fuel by carrying out major upgrading work to the existing power plant and substantial capital expenditures will be required if the upgrading work is to be implemented. In light of these circumstances, the Directors consider it beneficial to the Company to dispose of this loss making business in order to reallocate its resources to the other business segments of the Group which may have better prospects in generating better return for the Company.

The proceeds from the disposal, after deducting expenses incidental to the disposal will be used as general working capital of the Group.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Golden Concord Holdings Limited ("GCL"), a company beneficially owned by Mr. Zhu Gongshan, a director of various subsidiaries of the Company, had provided guarantee to the Group's bank loan amounting to approximately HK$872 million as at 30 June 2011. In return for the GCL's guarantee, the Group provided a counter-indemnity up to approximately HK$724 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. Therefore, there was a contingent liability of approximately HK$724 million for the Group as at 30 June 2011.

PROSPECTS

Following the disposal of the waste incineration power generation business, the Group continues to engage in railway construction and operations and the shipping and logistics businesses.

Railway Construction and Operations

As announced by the Company on 24 November 2009, a co-operative framework agreement was entered into by the Company with China Oriental Group Company Limited ("China Oriental"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which the parties confirmed that they will negotiate in good faith within two years from the date of the co-operative framework agreement to conclude, among other things, a formal agreement relating to the provision by the Gofar Group of railway logistics and transportation services via the Zunxiao Railway to a subsidiary of China Oriental. China Oriental and its subsidiaries are principally engaged in the manufacture and sale of iron and steel products in the Hebei Province in the PRC. In addition, the Gofar Group has obtained letters of intent from nine iron and steel producers indicating the estimated annual demand for freight carriage services from the Zunxiao Railway after the Zunxiao Railway has commenced operations.

The Directors expect that the formal agreement with China Oriental will be signed and the Company will commence negotiations with the other iron and steel producers to formalise the services arrangements. The Gofar Group will generate revenue to the Group from the carriage of natural resources (such as coal and iron ore powder), provision of cargo loading and/or unloading services and storage services of goods once trial operation is underway. The construction work of the Zunxiao Railway is expected to be completed by the end of 2011 and all necessary permits from the relevant PRC government authorities are expected to be obtained in order for the whole Zunxiao Railway to commence operation in mid-2012.

According to the statistics published by the National Bureau of Statistics of China, freight traffic by railway in China has increased continuously over the past years, with a year-on-year growth of approximately 5.48% per annum from approximately 2.7 billion tonnes in 2005 to approximately 3.3 billion tonnes in 2009. Although the national railway still accounted for the majority of the freight traffic by railway, the contribution of non-government controlled joint venture railways has seen a rapid growth from approximately 196.6 million tonnes (7.30% of total freight traffic by railway) in 2005 to 319.0 million tonnes (9.57% of total freight traffic by railway) in 2009. As mentioned above, the Zunxiao Railway is adjacent to a number of large scale mineral production facilities which constitute a huge and steady demand for transportation logistics. At present, there is a strong reliance on road transport which is more expensive and less reliable, particularly in winter time. The Directors believe that freight railway is more cost efficient and reliable and will become a more favourable and viable alternative to road transport. Having taken these factors into account, the Directors believe that the Zunxiao Railway is well positioned to take advantage of the economic growth in the PRC as well as the expected increasing demand for freight traffic by railway to contribute positively to the Group once it has commenced operations.

Shipping and Logistic Business

As evidenced by the Baltic Dry Index which is an index that measures the demand for shipping capacity versus the supply of dry bulk carriers and tracks worldwide international shipping prices of commodities, shipping prices have dropped significantly after the financial tsunami, with the index falling from a level of above 11,000 in May 2008 to the level of about 1,200 in early to mid-May 2011. The Directors consider that the shipping market has bottomed and are positive that the market is set to turnaround, as indicated by the Baltic Dry Index which rose to a level of about 1,500 in late May 2011 within a short period of time. In view of this, the JV Company plans to acquire another two bulk carriers of about 55,000 metric tonnes each within 2011 to increase its carriage capacity. It is contemplated that the JV Company will seek to acquire further vessels if market conditions are favourable to increase its transportation volume and expand its customer base to steel mills and traders, importers, exporters and/or end users of bulk cargo of new material and grain in bulk.

The Board will continue to seek other investment opportunities and to explore the feasibility of expanding into other business sectors to diversity the Group's business portfolio so that the Group's profitability and its shareholders' value can be enhanced.

CORPORATE GOVERNANCE

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

Throughout the period of six months ended 30 June 2011, the Company has complied with the CG Code save as specified and explained below:

Code Provision A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer ("CEO") should be separate and should not be performed by the same individual. The post of CEO has remained vacant since 30 March 2009, and the duties of CEO were performed by executive Directors so that there existed a clear division of responsibilities. The Board considered that the vacancy of the CEO position did not have any material impact on the operations of the Group. However, the Board will continue reviewing the current structure of the Board from time to time. If a candidate with suitable knowledge, skill and experience is identified, the Company will make appointment to fill the post of CEO as appropriate.

Code Provision A.4.1

Under Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. In January 2011, three service contracts were entered into by the Company with each of the three non-executive Directors of the Company respectively for a period of three years. Up to the date of this report, all non-executive directors were appointed for a specific term. According to the Articles, at each annual general meeting of the Company, one third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules. The main purpose of the Audit Committee is to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors of the Company.

During the period under review, the Audit Committee performed its duties according to its written terms of reference which complies with Code Provision C.3.3 of the CG Code.

The unaudited consolidated results of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

By Order of the Board
Liang Jun
Executive Director

18 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Liang Jun, Mr. Fung Ka Keung, David and Ms. Yu Sau Lai; the non-executive directors of the Company are Mr. Yu Baodong (Chairman), Ms. Sun Wei and Mr. Tse On Kin; and the independent non-executive directors of the Company are Mr. Chan Chi Yuen, Mr. Zhang Xi and Professor Sit Fung Shuen, Victor.