

亞洲能源物流
ASIAENERGY
Logistics

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

(Incorporated in Hong Kong with limited liability)

Stock Code : 351

INTERIM REPORT 2019



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Management Discussion and Analysis

Business Review

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

Railway Construction and Operations

The Group started its investment in railway construction and operations in July 2009 through the acquisition of 100% equity interest in Gofar Holdings Limited (“Gofar”) which 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 “Railway Companies”). The business scope of the Railway Companies 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 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.

With a view to resuming the construction of the Zunxiao Railway, the management of the Company has visited the local governments to promote the settlement of the overlaid mine, express the Company’s strong determination to the construction of the Zunxiao Railway, catch on the latest local economic conditions and policies and discussed with other shareholders of the Zunxiao Railway in respect of funding for the resumption of construction works.

* for identification purposes only

Management Discussion and Analysis

As disclosed by the Company previously, the outstanding issue which caused the prolonged delay of the construction related mainly to the assessment of the scope of compensation payable to the overlaid mine owner (the "Mine Owner"). Upon various negotiations with the Mine Owner, the Group has achieved positive progress in the settlement of the overlaid mine issue. In the fourth quarter of 2018, the Group has entered into a joint appointment letter with the Mine Owner, pursuant to which, both parties have agreed to engage an independent valuer to assess the reserve of the iron ore, assets and value of the overlaid mine. Such assessment shall become a basis for determining the compensation amount payable to the Mine Owner in the future. As at the date of this Interim Report, the preliminary assessment of the iron ore reserve of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

On 29 January 2019, the Board received a report from its indirect wholly-owned subsidiary, namely China Railway Logistic Holdings Limited ("China Railway"), which is the majority shareholder of the Railway Companies. The report from China Railway enclosed a copy of an urgent letter of request dated 28 January 2019 ("Letter of Request") jointly issued by the Railway Companies. In their Letter of Request, the Railway Companies requested China Railway to pay in February 2019 the proportional contribution to the anticipated increase of the respective registered capital of the Railway Companies in an aggregate amount of RMB417 million. The Board has carefully assessed the available resources of the Company and come to the view that the Company did not have sufficient resources to satisfy the abovementioned request of the Railway Companies within the prescribed timeframe. For this reason, the Board believed that there may be a need to restructure the equity interest the Company holds indirectly in the Railway Companies (the "Possible Restructuring") with the objective to preserve the interests of the Company in the Zunxiao Railway to the utmost extent.



Management Discussion and Analysis

On 11 June 2019, the Company, Sharprise Holdings Limited (銳昇控股有限公司) (“Sharprise”) (which is an indirect wholly-owned subsidiary of the Company) and Golden Concord Holdings Limited (協鑫(集團)控股有限公司) (the “Proposed Purchaser”) entered into a non-legally binding memorandum of understanding (the “MOU”). Pursuant to which, the Proposed Purchaser intended to acquire a majority stake of not less than 80% shareholding in Gofar (the “Proposed Disposal”). Gofar is an indirect wholly-owned subsidiary of the Company and its entire issued shares are held by Sharprise.

With the distinctive nature and resource demands in association with the construction and operation of Zunxiao Railway and in light of the designed size and scale of Zunxiao Railway, it has not been easy for the Company to identify potential parties for the Possible Restructuring. By entering into the MOU with an ultimate objective to dispose of the indirect majority shareholding stake in the Railway Companies, the Directors believed that the Group will be released from the financial obligation to the contribution to the increase of the registered capital of the Railway Companies and the potential further contribution for the continuation of the construction of Zunxiao Railway towards completion. In turn, the Company is expected to achieve substantial improvement in its financial position and operational performance going forward, whilst the management of the Company can reallocate its relevant resources in the further development of the existing shipping and logistics businesses of the Group.

Shipping and Logistics

The Group started its shipping business in May 2010 through the joint venture company (the “JV Company” and together with its subsidiaries, the “JV Group”) and its own vessel owning and chartering business in November 2013 through acquisition of a Handysize bulk carrier, MV Asia Energy. In early 2018, two additional Handysize bulk carriers, MV Clipper Selo and MV Clipper Panorama, were acquired by the Group.

Although there was fluctuation in the Baltic Dry Index (BDI) which measures the demand for shipping capacity versus the supply of dry bulk, the shipping market during the first half of 2019 and charter rates for dry bulk vessels were maintained at a profitable level.

Management Discussion and Analysis

The JV Group

The JV Group currently owns two Handysize vessels with carrying capacity of about 35,000 DWT each operating in the China domestic shipping market.

For the period under review, both JV vessels were under full employment throughout except for a short period of dry-docking and the JV Group recorded revenue of approximately HK\$31,955,000 (six months ended 30 June 2018: approximately HK\$39,498,000), representing an decrease of approximately 19% as compared to the corresponding period of 2018. The Group's share of loss from the JV Group was approximately HK\$3,743,000 (six months ended 30 June 2018: a profit of approximately HK\$672,000).

Pursuant to the joint venture agreement entered into on 1 December 2009 (as amended by a supplemental agreement dated 1 December 2009) (collectively, the "JV Agreement") among the parties to the JV Agreement, a total of four vessels are to be acquired. However, due to the continuing poor shipping market condition for the past few years, the JV Group has not made further acquisition of the remaining two vessels as planned. The Group discussed with its joint venture partner and reached a mutual understanding to withhold enforcement of or otherwise discharge the Group's financial obligations under the JV Agreement to acquire the two remaining vessels until the Group's financial position has improved and the shipping market recovers to a more sustainable level which justifies the further acquisition. The Company will make further announcement in this regard as and when appropriate.



Management Discussion and Analysis

Own Vessels

The Group currently operates a fleet of three dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk fleet is about 92,000 DWT (30 June 2018: about 92,000 DWT).

The Company successfully acquired and took deliveries of MV Clipper Selo and MV Clipper Panorama in April 2018 and both vessels were then chartered out and started generating revenue immediately after their deliveries.

MV Clipper Panorama was under full employment throughout the period under review, whilst MV Clipper Selo and MV Asia Energy was also under full employment except for a short period of dry-docking.

For the period under review, the Group recorded a revenue of approximately HK\$30,059,000 (six months ended 30 June 2018: approximately HK\$18,826,000), representing an increase of approximately 60% as compared to the corresponding period of 2018. The gross profit was approximately HK\$5,214,000 (six months ended 30 June 2018: approximately HK\$4,932,000), representing an increase of approximately 6% as compared to the same period of 2018. The increase in both the revenue and gross profit were due to the increase in carrying capacity by the acquisition of two Handysize vessels in April 2018.

Overall, the performance of the Group's own vessels was satisfactory and has made positive contributions to the Group during the period under review.

Prospects

Railway Construction and Operations

Regarding the Proposed Disposal, the Directors believed that the Group will be released from the financial obligation to the contribution to the increase of the registered capital of the Railway Companies and the potential further contribution for the continuation of the construction of Zunxiao Railway towards completion. In turn, the Company is expected to achieve substantial improvement in its financial position and operational performance going forward, whilst the management of the Company can reallocate its relevant resources in the further development of the existing shipping and logistics businesses of the Group.

Shipping and Logistics

China Dry Bulk Shipping Market: the Chinese has been focusing more attention to environmental protection, especially on reducing the pollution caused by road transportation. The introduction of the Chinese emission rules which aim at strengthening the control of emission reduction and the new national transportation policies of Road-to-Rail and Road-to-Sea to support the environmental protection will have a positive impact on China shipping market.

International Dry Bulk Shipping Market: Following a reasonably positive year of 2018 for the dry bulk market, the first half of 2019 was disappointing with the average Baltic indices decreased across all dry bulk sectors. The U.S.–China trade war and the African swine fever epidemic in China are still having a disruptive impact on the dry bulk shipping market. It is expected that the dry bulk shipping market growth will remain flat in the near term.



Management Discussion and Analysis

Despite the uncertainties caused by the trade war and its potential adverse impact on the shipping market, the management of the Company expects that the Group's shipping and logistics business will not be significantly affected in 2019 as all three vessels are on charter contracts which will run until the end of 2019 or beyond.

The Group will continuously seek for suitable investment opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity.

Financial Review

For the period under review, the unaudited revenue of the Group was approximately HK\$30,059,000 (six months ended 30 June 2018: approximately HK\$18,826,000), representing an increase of approximately 60% as compared to the corresponding period of 2018.

The Group recorded a loss after tax for the period under review of approximately HK\$48,829,000 (six months ended 30 June 2018: a loss of approximately HK\$56,615,000) representing a decrease in loss of approximately 14% as compared to the same period of 2018. The decrease in loss was mainly attributable to the decrease in staff costs, finance costs and other operating expenses. The loss per Share was HK7.27 cents (30 June 2018: HK9.82 cents (Restated)).

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2019, the Group had bank and cash balances of approximately HK\$8,465,000 (31 December 2018: approximately HK\$18,456,000).

As at 30 June 2019, the Group had secured bank loans of approximately HK\$884,419,000 repayable within one year. The effective interest rate for the period was 4.90% per annum.

Management Discussion and Analysis

As at 30 June 2019, the Group had unsecured other borrowings of approximately HK\$7,500,000 repayable within one year and approximately HK\$768,086,000 repayable on demand. Other borrowings of approximately HK\$18,308,000 are interest bearing at 1% to 18% per annum with the remaining balances of HK\$757,278,000 being interest free.

As at 30 June 2019, the gearing ratio of the Group was approximately 113% (31 December 2018: approximately 110%). For this purpose, the gearing ratio is calculated as net debt divided by adjusted capital.

Share Capital

As at 30 June 2019, the total number of Shares in issue was 2,479,876,223.

Details of the movement in the Company's share capital are set out in Note 19 to the Condensed Consolidated Interim Financial Statements.

Convertible Bonds

GIC Convertible Bonds

On 30 November 2017, the Company entered into a subscription agreement (the "CB Agreement") with GIC Investment Limited ("GIC"), being a connected person of the Company, pursuant to which, the Company had conditionally agreed to issue, and GIC had conditionally agreed to subscribe for, the 5.5% convertible bonds in the aggregate principal amount of HK\$100,000,000 with a term of 3 years.

On 26 January 2018, the resolution approving the CB Agreement and the transaction contemplated thereunder was duly passed as an ordinary resolution of the Company by the Shareholders. The conditions precedent specified in the CB Agreement had been fulfilled and the completion thereof took place on 2 March 2018.



Management Discussion and Analysis

As at the date of this Interim Report, the Company had utilised all of the net proceeds raised from the issue of the GIC Convertible Bonds, details of which have been disclosed in the 2018 Annual Report.

Dilution Effect of the Conversion of the GIC Convertible Bonds

In case of full conversion by GIC in accordance with the terms of the CB Agreement for the issue of the GIC Convertible Bonds, 587,889,476 (equivalent to 117,577,895 after Share Consolidation) Shares, representing approximately 23.7% of the total number of Shares in issue as at 30 June 2019, at the initial conversion price of HK\$0.1701 (equivalent to HK\$0.8505 after Share Consolidation) per conversion share will be allotted and issued to GIC.

To the best knowledge, information and belief of the Directors, the following table sets out the total number of Shares to be issued upon full conversion of the GIC Convertible Bonds at the initial conversion price of HK\$0.1701 (equivalent to HK\$0.8505 after Share Consolidation) per conversion share:

Shareholders	As at the date of issue of the GIC Convertible Bonds		Immediately after the full conversion of the GIC Convertible Bonds at the initial conversion price of HK\$0.1701 per conversion share	
	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.36	455,297,032	14.84
GIC	–	–	587,889,476	19.16
Public Shareholders	2,024,579,191	81.64	2,024,579,191	66.00
Total	2,479,876,223	100	3,067,765,699	100

Management Discussion and Analysis

Dilution Impact on Loss per Share

The calculation of the basic and diluted loss per Share attributable to owners of the Company is based on the following data detailed in Note 10 to the Condensed Consolidated Interim Financial Statements:

Loss for the period ended 30 June 2019 attributable to owners of the Company	HK\$36,045,000
Weighted average number of Company's Shares in issue as at 30 June 2019 (<i>Note</i>)	495,975,244
Basic and diluted loss per Share	HK7.27 cents

Note: The number of total Shares in issue after the Share Consolidation becoming effective on 19 August 2019.

Redemption Obligations

According to the terms and conditions of the CB Agreement, both the Company and GIC are entitled to early redemption at any time on or after two years from the date of issue of the GIC Convertible Bonds in accordance with the terms of the CB Agreement and the Company will have the ability to meet its redemption obligations in accordance with the terms of the CB Agreement.



Management Discussion and Analysis

Analysis on the Share Price

The analysis of the Company's Share price at which it would be equally financially advantageous for GIC to convert the GIC Convertible Bonds based on its implied rate of return at a range of dates in the future is set out below:

Conversion date for the Analysis	Share Price (HK\$)	Implied rate of return of GIC
31 December 2019	0.178 (equivalent to HK\$0.890 after Share Consolidation)	8%
31 December 2020	0.183 (equivalent to HK\$0.915 after Share Consolidation)	8%

Convertible Bonds Due 2021

On 4 September 2018, the Company entered into a placing agreement (the "CB Placing Agreement") with the placing agent, VC Brokerage Limited ("VCB"), pursuant to which, the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds in the aggregate principal amount of HK\$46,000,000 for a term of three years, on a best effort basis, on the terms and subject to the conditions as set out in the CB Placing Agreement (the "CB Placing"). Based on the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 after Share Consolidation) per Share, a total of 493,562,231 (equivalent to 98,712,446 after Share Consolidation) conversion shares (the "Conversion Shares") will be allotted and issued upon exercise of the conversion rights in full of the Convertible Bonds Due 2021, under the general mandate of the Company granted by the Shareholders at the 2018 AGM.

Management Discussion and Analysis

As the Company and VCB contemplated that further time would be required to satisfy or fulfill the conditions precedent to the CB Placing, on 3 October 2018, both parties had entered into a supplemental agreement to the CB Placing Agreement to extend the long stop date of the CB Placing from 3 October 2019 to 18 October 2019 whilst all other terms in the CB Placing Agreement remained unchanged.

In light of the unfavourable market conditions subsequent to the entry by the parties of the CB Placing Agreement, on 18 October 2018, the Company and VCB, upon taking into account the progress of the CB Placing, had entered into a second supplemental agreement to further extend the long stop date from 18 October 2018 to 1 November 2018 so as to allow VCB more time to solicit potential subscribers of the Convertible Bonds Due 2021 and to revise the denomination of the Convertible Bonds Due 2021 from HK\$1,000,000 each to HK\$500,000 each upon their respective issue at closing.

On 8 November 2018, the Company announced that the conditions precedent specified in the CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 3 October 2018 and the second supplemental agreement dated 18 October 2018) had been fulfilled and the closing took place on 8 November 2018. A portion of the Convertible Bonds Due 2021 in the aggregate principal amount of HK\$18,000,000 with the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 after Share Consolidation) had been successfully placed to six places, who are independent third parties to the Company.

Management Discussion and Analysis

As at the date of this Interim Report, the Company had utilized all of the net proceeds in the amount of HK\$17,310,000 raised from the issue of the Convertible Bonds Due 2021 and details are set out below:

Intended Uses	Allocation HK\$	Remaining Balance as at	Utilisation as at	Remaining Balance as at
		31 December 2018 HK\$	30 June 2019 HK\$	30 June 2019 HK\$
Staff salary and welfare	9,000,000	4,500,000	4,500,000	—
Traveling and associated expenses	1,500,000	900,000	900,000	—
Operation of the Railway Business subsidiaries (Note)	2,800,000	1,700,000	1,700,000	—
Rental, utilities and management fee	1,200,000	740,000	740,000	—
Legal and professional fee	1,500,000	—	—	—
Administrative expenses	1,310,000	790,000	790,000	—
Total	17,310,000	8,630,000	8,630,000	—

Note: Such subsidiaries of the Company which carry on or will carry on the railway construction and operations business.

Dilution Effect of the Conversion of the Convertible Bonds Due 2021

In case of full conversion by the placees in accordance with the terms of the CB Placing Agreement, 193,133,047 (equivalent to 38,626,609 after Share Consolidation) Conversion Shares, representing approximately 7.79% of the total number of Shares in issue as at 30 June 2019, at the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 after Share Consolidation) per Conversion Share will be allotted to the placees.

Management Discussion and Analysis

To the best knowledge, information and belief of the Directors, the following table sets out the total number of Shares to be issued upon full conversion of the Convertible Bonds Due 2021 at the initial conversion price of HK\$0.0932 per Conversion Share:

Shareholders	As at the date of issue of the Convertible Bonds Due 2021		Immediately after the full conversion of the Convertible Bonds Due 2021 at the initial conversion price of HK\$0.1701 per Conversion Share	
	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.36	455,297,032	17.03
Placees	–	–	193,133,047	7.23
Public Shareholders	2,024,579,191	81.64	2,024,579,191	75.74
Total	2,479,876,223	100	2,673,009,270	100

Dilution Impact on Loss per Share

The calculation of the basic and diluted loss per Share attributable to owners of the Company is based on the following data detailed in Note 10 to the Condensed Consolidated Interim Financial Statements:

Loss for the period ended 30 June 2019 attributable to owners of the Company	HK\$36,045,000
Weighted average number of Company's Shares in issue as at 30 June 2019 (<i>Note</i>)	495,975,244
Basic and diluted loss per Share	HK7.27 cents

Note: The number of total Shares in issue after the Share Consolidation becoming effective on 19 August 2019.



Management Discussion and Analysis

Redemption Obligations

According to the terms and conditions of the CB Placing Agreement, neither the Company nor any bondholders shall have the right to redeem (in the case of the Company) or request for redemption (in the case of the bondholders) as the cases may be, in whole or in part of the Convertible Bonds Due 2021 then outstanding prior to the maturity date, which will fall on the third anniversary date of the issue date of the Convertible Bonds Due 2021.

Analysis on the Share Price

The analysis of the Company's Share price at which it would be equally financially advantageous for the bondholders to convert the Convertible Bonds Due 2021 based on its implied rate of return at a range of dates in the future is set out below:

Conversion date for the Analysis	Share Price HK\$	Implied rate of return of the bondholders
31 December 2019	0.099 (equivalent to HK\$0.495 after Share Consolidation)	8%
31 December 2020	0.104 (equivalent to HK\$0.520 after Share Consolidation)	8%

Management Discussion and Analysis

Fund Raising Activities

On 25 June 2019, the Company entered into a placing agreement (the “2019 CB Placing Agreement”) with the placing agent, VCB, pursuant to which, the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six places to subscribe for the convertible bonds in the aggregate principal amount of HK\$60,000,000 for a term of three years (the “Convertible Bonds Due 2022”), on a best effort basis, on the terms and subject to the conditions as set out in the 2019 CB Placing Agreement (the “2019 CB Placing”). Based on the initial conversion price of HK\$0.06 (equivalent to HK\$0.30 after Share Consolidation) per Share, a total of 1,000,000,000 (equivalent to 200,000,000 conversion shares after Share Consolidation) conversion shares will be allotted and issued upon exercise of the conversion rights in full of the Convertible Bonds Due 2022 under the specific mandate granted by the Shareholders of the Company in the general meeting which was held on 15 August 2019, details of the Convertible Bonds Due 2022 have been disclosed in the announcement dated 25 June 2019 and the circular dated 26 July 2019 of the Company.

In the general meeting duly held on 15 August 2019, the ordinary resolution approving the 2019 CB Placing under the specific mandate has been passed by the Shareholders. The Company would proceed to fulfilling the conditions precedent as set out in the 2019 CB Placing Agreement on or before the long stop date, i.e. 30 September 2019. Further announcement will be made by the Company should there be further update on the 2019 CB Placing.

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

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

As at the date of this Interim Report, there was no plan authorized by the Board for any material investments or additions of capital assets.



Management Discussion and Analysis

Pledge of Assets and Contingent Liabilities

Golden Concord Holdings Limited (“GCL”), a company beneficially owned by Mr. Zhu Gongshan, a director of various subsidiaries of the Company, had provided guarantee to the Group’s bank loan facilities in aggregate, up to RMB1,033 million (equivalent to approximately HK\$1,174 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\$684 million) and a share mortgage of its shares in China Railway, an indirect wholly-owned subsidiary of the Company, and equity and asset pledges of China Railway’s subsidiaries in favour of GCL. As at 30 June 2019, the outstanding bank loans amounted to approximately RMB778 million (equivalent to approximately HK\$884 million). Therefore, according to the Group’s percentage equity interest holdings in the subsidiaries, there was a contingent liability of approximately RMB452 million (equivalent to approximately HK\$514 million).

Capital Commitments

As at 30 June 2019, the Group had capital commitment of approximately HK\$257,338,000 (31 December 2018: approximately HK\$259,538,000), details of which are set out in Note 20 to the Condensed Consolidated Interim Financial Statements.

Exposure to Fluctuation in Exchange Rates

The Group’s assets, liabilities and transactions are mainly denominated 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, the Directors consider that the Group’s currency exchange risk is minimal. Therefore, no hedging devices or other alternatives have been implemented.

Management Discussion and Analysis

Employees

As at 30 June 2019, the Group had 86 (31 December 2018: 95) full-time employees, 67 of whom were based in the PRC. Staff costs of the Group for the period under review, including Directors' remuneration and equity-settled share-based payments, were approximately HK\$12,756,000 (30 June 2018: approximately HK\$17,690,000). The Group decides the remunerations payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved mandatory provident fund scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees.

During the period under review, the Company has two share option schemes, namely, the 2008 Share Option Scheme (the term of which was terminated on 20 August 2018) and 2018 Share Option Scheme.

The 2008 Option Scheme was adopted on 20 August 2008 with its scheme mandate limit refreshed on 3 June 2010, the 2008 Share Option Scheme was terminated by the Shareholders in the general meeting held on 20 August 2018 and the Options granted thereunder continue to be valid and exercisable in accordance with their terms of issue. As at 30 June 2019, there were 111,150,271 outstanding Options granted under the 2008 Share Option Scheme entitling the holders thereof to subscribe for 111,150,271 Shares, details of which are set out in pages 30 to 33 of this Interim Report.

Following the termination of the 2008 Share Option Scheme on 20 August 2018, the Company had adopted the 2018 Option Scheme on the same date, which scheme mandate limit was refreshed on 27 May 2019. As at 30 June 2019, there were 245,337,622 outstanding Options granted under the 2018 Share Option Scheme entitling the holders thereof to subscribe for 245,337,622 Shares, details are set out in pages 33 to 36 of this Interim Report.



Management Discussion and Analysis

Change in Directorship

On 1 March 2019, Mr. Wu Jian was appointed as an ED and a member of the Executive Committee of the Company.

Subsequent Events

Events subsequent to the period under review are as follows:

Grant of Options under the 2018 Share Option Scheme

On 4 July 2019, the Company announced that, as resolved by the Board on the same date, Options carrying the rights to subscribe for a total of 247,987,622 Shares at an exercise price of HK\$0.091 per Share were granted to 22 individuals, subject to the acceptance to the grantees under the 2018 Share Option Scheme. Among the Options granted, 184,000,000 Options were granted to the following Directors (the "Conditional Grantees"), subject to the approval from the Shareholders of the Company in the general meeting pursuant to Rule 17.03(4) of the Listing Rules and the terms of the 2018 Share Option Scheme, details of which have been set out in the Company's announcement dated 4 July 2019 and circular dated 26 July 2019:

Name of Director	Number of Options granted
Liang Jun	21,000,000
Fu Yongyuan	71,000,000
Wu Jian	71,000,000
Yu Baodong	21,000,000

On 15 August 2019, the ordinary resolutions approving the grant of the Options to the respective Conditional Grantees have been duly passed by the Shareholders at the general Meeting.

Management Discussion and Analysis

Share Consolidation

As disclosed in the Company's announcement dated 10 July 2019, the Board has proposed to implement the Share Consolidation on the basis of every five Shares into one consolidated share (the "Consolidated Share(s)"). Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches to the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of securities. The Stock Exchange in November 2018 reminded the Company that the Stock Exchange considered trading price under HK\$0.10 is close to such extremity and would not consider approving listing on future fund raising if the Share price of the Company is close such extremity. By way of implementing the Share Consolidation and upon it becoming effective, the Company would be able to comply with the trading requirements of the Listing Rules and eliminate the negative risk associated with not being able to obtain necessary listing approval for fund raising exercises, including the 2019 CB Placing. Details of the Share Consolidation have been disclosed in the Company's announcement dated 10 July 2019 and circular dated 26 July 2019.

In the general meeting held on 15 August 2019, the ordinary resolution approving the Share Consolidation has been passed by the Shareholders of the Company and thus, the Share Consolidation has become effective on 19 August 2019.

Consequential to the Share Consolidation has become effective on 19 August 2019, adjustments have been made to (i) the exercise price of the outstanding Options granted under the 2008 Share Option Scheme and 2018 Share Option Scheme respectively and the number of Consolidated Shares to be issued upon exercise of subscription rights attaching to the outstanding Options; and (ii) the conversion price of the existing convertible bonds and the number of Consolidated Shares to be issued upon conversion of the existing convertible bonds. Details of the aforesaid adjustments have been disclosed in the Company's announcement dated 15 August 2019.



Corporate Governance and Other Information

Corporate Governance

Compliance with Corporate Governance Code

AELG is committed in maintaining high standard of corporate governance and considers that effective corporate governance enhances corporate success and its Shareholder value. The Company has adopted and applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2019, the Company has complied with the CG Code save as specified and explained below:

Code Provision A.2.1

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

Code Provision A.6.7

Code provision A.6.7 stipulates, among other things, that the INEDs and other NEDs should attend general meetings. Mr. Yu Baodong, the Chairman and a NED, was absent from the 2019 AGM held on 27 May 2019 due to other business engagement.

Board of Directors

(1) Board Composition

Save for the appointment of Mr. Wu Jian as an ED on 1 March 2019, there is no change in the composition of the Board since the last published 2018 Annual Report.

Corporate Governance and Other Information

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

Executive Directors

Mr. Liang Jun

Mr. Fu Yongyuan

Mr. Wu Jian (*appointed on 1 March 2019*)

Non-Executive Director

Mr. Yu Baodong (*Chairman*)

Independent Non-Executive Directors

Mr. Chan Chi Yuen

Mr. Wong Cheuk Bun

Mr. Wong Yin Shun

(2) Disclosure of Information on Directors

Save for the change in the directorships and composition of Board committees of the Company disclosed in the sections headed "Management Discussion and Analysis" and "Corporate Governance and Other Information – Board of Directors" above, since the last published 2018 Annual Report, there is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

(3) Board Committees

The Board currently has four committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee. All the Board committees are empowered by the Board under their own written terms of reference which were published on the Company's website. Their respective role and function and the composition of these committees are also available on the Company's website.



Corporate Governance and Other Information

During the period under review, works and duties performed by the Board committees (either by ways of meetings or resolutions in writing of all members of the respective committees) were summarized as below:

Audit Committee

- To consider the audit plan for the financial year ended 31 December 2018;
- To consider and review the audited consolidated financial statements for the year ended 31 December 2018 and recommend the same to the Board for approval;

Nomination Committee

- To consider and propose the appointment of Mr. Wu Jian as an ED of the Company and a member of the Executive Committee with effect from 1 March 2019;
- To consider and propose the renewal of term of appointment of Mr. Chan Chi Yuen, an INED of the Company, for a further term of three years commencing from 2 June 2019;

Remuneration Committee

- To consider the remuneration package of Mr. Wu Jian as an ED of the Company and propose the same to the Board for approval;
- To consider the revision to the current remuneration package of Mr. Liang Jun, an ED of the Company and propose the same to the Board for approval;
- To consider the remuneration package of Mr. Chan Chi Yuen as an INED for his renewed term of appointment commencing from 2 June 2019 and propose the same to the Board for approval;

Corporate Governance and Other Information

Executive Committee

- To resolve the written request to GIC for seeking its approval to the 2019 CB Placing pursuant to the terms and conditions of the 2019 CB Agreement.

(4) Continuous Professional Development

Ongoing professional trainings and seminars had been and will continuously be offered to all Directors in order for them to develop and refresh their knowledge and skills as Directors of listed company.

Compliance with Model Code

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the period under review.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2019 and up to the date of this Interim Report.

Risk Management and Internal Control

During the period under review, the Group has complied with Code Provision C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis.



Corporate Governance and Other Information

The Group has outsourced the internal audit work (the “IA function”) to SHINEWING Risk Services Limited, which is one of the professional internal audit services providers in Hong Kong. The IA function is independent of the Group’s daily operations and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Disclosure of Interests

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

As at 30 June 2019, the following persons are Directors of the Company who had or was deemed to have an interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Corporate Governance and Other Information

Long Position in the Shares and underlying Shares

Directors	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of Shareholding (Note 1)
Mr. Liang Jun	Beneficial Owner	–	30,510,050 (Note 2)	30,510,050	1.23%
Mr. Fu Yongyuan	Beneficial Owner	–	71,510,071 (Note 3)	71,510,071	2.88%
Mr. Wu Jian	Corporate Interest	–	24,000,000 (Note 4)	24,000,000	0.96%
Mr. Yu Baodong	Beneficial Owner	–	54,510,050 (Note 5)	54,510,050	2.20%
Mr. Chan Chi Yuen	Beneficial Owner	–	4,400,000 (Note 6)	4,400,000	0.18%
Mr. Wong Cheuk Bun	Beneficial Owner	–	4,400,000 (Note 6)	4,400,000	0.18%
Mr. Wong Yin Shun	Beneficial Owner	–	3,400,000 (Note 7)	3,400,000	0.14%

Notes:

- (1) The approximate percentage of shareholding was calculated based on the number of Shares in issue of 2,479,876,223 Shares as at 30 June 2019.
- (2) These are Options granted by the Company to the Director on 21 April 2011 and 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 under the 2018 Share Option Scheme respectively. 5,000,000 Options can be exercised by the Director at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$1.680 per Share. 4,510,050 Options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share whilst 21,000,000 Options can be exercised by the Director at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.



Corporate Governance and Other Information

- (3) These are Options granted by the Company to the Director granted on 16 April 2018 under the 2008 Share Option Scheme and on 29 August 2019 under the 2018 Share Option Scheme respectively. 24,510,071 Options can be exercised by the Director from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share whilst 47,000,000 Options can be exercised by the Director at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.
- (4) These are Options granted by the Company to Chatwin Capital Services Limited (“Chatwin”), 51% of which is beneficially owned by the Director, on 29 August 2018 under the 2018 Share Option Scheme. As such, the Director is deemed to be interested in these Options, which can be exercised by Chatwin at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.
- (5) These are Options granted by the Company to the Director on 21 April 2011 and 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 under the 2018 Share Option Scheme respectively. 5,000,000 Options can be exercised by the Director at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$1.680 per Share. 4,510,050 Options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share whilst 45,000,000 Options can be exercised by the Director at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.
- (6) These are Options granted by the Company to the Directors on 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 under the 2018 Share Option Scheme respectively. 2,000,000 Options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share whilst 2,400,000 Options can be exercised by the Directors at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.
- (7) These are Options granted by the Company to the Director on 16 April 2018 under the 2008 Share Option Scheme and 29 August 2018 under the 2018 Share Option Scheme respectively. 1,000,000 Options can be exercised by the Director during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share whilst 2,400,000 Options can be exercised by the Directors at an exercise price of HK\$0.0976 per Share during the period from 29 August 2018 to 28 August 2028.

Save as disclosed above, as at 30 June 2019, as far as the Board was aware, none of the Directors had or were deemed to have any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 30 June 2019, so far as is known to the Board, the following persons (other than a Director or Chief Executive of the Company) had interests in the Shares or underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of Shareholding <i>(Note 4)</i>
Mr. Wong Kin Ting ("Mr. Wong")	Interest of controlled corporations	455,297,032 <i>(Note 1)</i>	18.36
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of a discretionary trust & interest of controlled corporations	213,745,000 <i>(Note 2)</i>	8.62
Credit Suisse Trust Limited ("CST")	Trustee	200,000,000 <i>(Note 3)</i>	8.06

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Wong, Mr. Wong was deemed to be interested in 455,297,032 Shares through his interests in the following corporations which are 100% owned by him:

- (i) 29,500,000 Shares held by Delight Assets Management Limited, and
- (ii) 425,797,032 Shares held by King Castle Enterprises Limited.



Corporate Governance and Other Information

- (2) According to the individual substantial shareholder notice filed by Mr. Zhu, Mr. Zhu was deemed to be interested in 213,745,000 Shares that comprised:
- (i) 200,000,000 Shares indirectly held by Asia Pacific Energy Fund, a trust fund to which Mr. Zhu is both a founder and a beneficiary, details of which are described in Note 3 below, and
 - (ii) 13,745,000 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 was deemed to be interested in 200,000,000 Shares in its capacity as the trustee of these Shares. These 200,000,000 Shares were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord Group Limited ("Golden Concord"). Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited ("APEFL"). APEFL is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST.
- Out of these 200,000,000 Shares, 100,000,000 Shares are consideration Shares which may be issued (in whole or in part as appropriate) to Golden Concord or its nominee pursuant to an agreement dated 18 December 2009 (as amended by supplemental agreements on 24 December 2009 and 28 April 2010, respectively) in relation to the acquisition of the entire equity interests in Ocean Jade (collectively, the "Agreements"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 100,000,000 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 2,479,876,223 Shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 Shares and Debentures" above) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

Corporate Governance and Other Information

Share Option Schemes

2008 Share Option Scheme

The 2008 Share Option Scheme was adopted by the Company on 20 August 2008 on terms in compliance with Chapter 17 of the Listing Rules for a term of ten years commencing from the date of adoption with the purposes 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 NED and INED) 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 total number of Shares which may be issued upon exercise of all Options 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 to each participant in any 12-month period shall not exceed 1% of the total number of Shares in issue.



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Since there was a substantial increase in the issued share capital of the Company after the adoption of the 2008 Share Option Scheme, a shareholders' resolution was passed at the annual general meeting held on 3 June 2010 to refresh the scheme mandate limit of the 2008 Option Scheme such that the total number of Shares which may be issued upon exercise of all the options to be granted under the 2008 Share Option Scheme (as refreshed) amount to 128,570,271 Shares, representing 10% of the issued share capital of the Company as at the date of passing of the resolution. The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of Options; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of Options; 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 ten 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, 31,320,000 Options were granted at an exercise price of HK\$1.680 per Share under the 2008 Share Option Scheme, of which 31,220,000 Options were accepted and 100,000 Options were lapsed due to non-acceptance by the grantee within the prescribed time limit.

On 16 April 2018, 97,250,271 Options were granted at an exercise price of HK\$0.1432 per Share under the 2008 Share Option Scheme, all of which were accepted.

On 20 August 2018, the Shareholders of the Company approved the termination of the 2008 Share Option Scheme and the Options granted thereunder continue to be valid and exercisable in accordance with their terms of issue.

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The following table sets out the movements in the Company's Options granted under the 2008 Share Option Scheme during the period under review:

Directors or category of participants	Exercise period of the share options	Exercise price of the share options HK\$	Granted	Exercised	Lapsed	As at 30.6.2019
			As at 1.1.2019	during the period	during the period	
Directors						
Mr. Liang Jun <i>(Note 1&2)</i>	21.4.2011 to 20.4.2021	1.680	2,000,000	-	-	2,000,000
	21.4.2012 to 20.4.2021	1.680	1,500,000	-	-	1,500,000
	21.4.2013 to 20.4.2021	1.680	1,500,000	-	-	1,500,000
	16.4.2018 to 15.4.2028	0.1432	4,510,050	-	-	4,510,050
Mr. Fu Yongyuan <i>(Note 2)</i>	16.4.2018 to 15.4.2028	0.1432	24,510,071	-	-	24,510,071
Mr. Yu Baodong <i>(Note 1&2)</i>	21.4.2011 to 20.4.2021	1.680	2,000,000	-	-	2,000,000
	21.4.2012 to 20.4.2021	1.680	1,500,000	-	-	1,500,000
	21.4.2013 to 20.4.2021	1.680	1,500,000	-	-	1,500,000
	16.4.2018 to 15.4.2028	0.1432	4,510,050	-	-	4,510,050
Mr. Chan Chi Yuen <i>(Note 2)</i>	16.4.2018 to 15.4.2028	0.1432	2,000,000	-	-	2,000,000
Mr. Wong Cheuk Bun <i>(Note 2)</i>	16.4.2018 to 15.4.2028	0.1432	2,000,000	-	-	2,000,000
Mr. Wong Yin Shun <i>(Note 2)</i>	16.4.2018 to 15.4.2028	0.1432	1,000,000	-	-	1,000,000
Employees (in aggregate) <i>(Note 1&2)</i>	21.4.2011 to 20.4.2021	1.680	1,910,000	-	-	1,390,000
	21.4.2012 to 20.4.2021	1.680	1,665,000	-	-	1,275,000
	21.4.2013 to 20.4.2021	1.680	1,625,000	-	-	1,235,000
	16.4.2018 to 15.4.2028	0.1432	58,720,100	-	-	58,720,100
Total			112,450,271	-	1,300,000	111,150,271



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Notes:

- (1) These are Options granted on 21 April 2011 by the Company to the Directors and/or employees (as the case may be) under the 2008 Share Option Scheme, which can be exercised by the Directors and/or employees (as the case may be) at various intervals during the period from 21 April 2011 to 20 April 2021 at an exercise price of HK\$1.680 per Share.
- (2) These are Options granted on 16 April 2018 by the Company to the Directors and/or employees (as the case may be) under the 2008 Share Option Scheme which can be exercised by the Directors and/or employees (as the case may be) during the period from 16 April 2018 to 15 April 2028 at an exercise price of HK\$0.1432 per Share.

During the period under review, 1,300,000 Options were lapsed and no Options were exercised and cancelled. The number of Shares which may be issued upon exercise of the Options which had been granted and outstanding on 30 June 2019 under the 2008 Share Option Scheme was 111,150,271 (31 December 2018: 112,450,271), representing approximately 4.48% (31 December 2018: approximately 4.53%) of the number of Shares in issue as at 30 June 2019.

2018 Share Option Scheme

Following the termination of the 2008 Share Option Scheme on 20 August 2018, the 2018 Share Option Scheme was adopted by the Company on the same date on terms in compliance with Chapter 17 of the Listing Rules for a term of ten years commencing from the date of adoption. The Company may grant Options to selected participants (as defined in the 2018 Share Option Scheme) as incentives or rewards for their contributions to the Group (or any member of the Group) and/or to enable the Group (or any member of the Group) to recruit and retain high caliber employees and attract human resources that are valuable to the Group (or any member of the Group) and/or to any invested entity.

Under the 2018 Share Option Scheme, the Board has the authority to set the terms and conditions in respect of grant of Options (e.g. the minimum period of the Options to be held, the performance targets to be achieved before the Options can be exercised and the subscription price). This provides the Board with more flexibility in imposing

Corporate Governance and Other Information

appropriate conditions in light of the circumstances of each grant and help to achieve the purposes of the 2018 Share Option Scheme. The aggregate number of Shares in respect of which Options (including both exercised and outstanding Options) may be granted under the 2018 Share Option Scheme of the Company shall not exceed 10% of the total number of Shares in issue on its adoption date, i.e. 20 August 2018. Further, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercised of the Options granted and to be granted to eligible participant in any 12-month period shall not exceed 1% of the total number of Shares in issue of the Company.

The eligible participants as defined under the 2018 Share Option Scheme are as follows:

- (1) Any employees (whether full time or part time, including any EDs but excluding any NEDs) of the Company, or of any of its subsidiaries or invested entity in which the Group holds any equity interest;
- (2) Any NEDs (including INEDs) of the Company, any of its subsidiaries or any invested entity;
- (3) Any shareholders of any members of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity;
- (4) Any other entity (including any consultant, advisor, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner or service provider of any member of the Group) whom the Broad considers, in its sole discretion, has contributed or will contribute to the Group; or



Corporate Governance and Other Information

- (5) Any other persons (including any individual staff member of any consultant, advisor, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner or service provider of any member of the Group) whom the Broad considers, in its sole discretion, has contributed or will contribute to the Group.

On 29 August 2018, 247,987,622 Options were granted at an exercise price of HK\$0.0976 per Share under the 2018 Share Option Scheme, of which all had been accepted.

Since the scheme mandate limit of the 2018 Share Option Scheme had been used up after the grant of Options on 29 August 2018, approval had been sought from the Shareholders at the 2019 AGM held on 27 May 2019 to pass an ordinary resolution to refresh the scheme mandate limit so as to increase the flexibility of the Company to grant Options under the 2018 Share Option Scheme. As such, the total number of Shares which may be issued upon exercise of all the Options to be granted under the 2018 Share Option amount to 247,987,622 Shares (as refreshed), representing 10% of the total number of Shares in issue of the Company as at the date of passing of the ordinary resolution.

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The following table sets out the movements in the Company's Options granted under the 2018 Share Option Scheme during the period under review:

Directors or category of participants	Exercise period of the share options	Exercise price of the share options HK\$	As at	Granted	Exercised	Lapsed	As at
			1.1.2019	during the period	during the period	during the period	30.6.2019
Directors							
Mr. Liang Jun	29.8.2018 to 28.8.2028	0.0976	21,000,000	-	-	-	21,000,000
Mr. Fu Yongyuan	29.8.2018 to 28.8.2028	0.0976	47,000,000	-	-	-	47,000,000
Mr. Yu Baodong	29.8.2018 to 28.8.2028	0.0976	45,000,000	-	-	-	45,000,000
Mr. Chan Chi Yuen	29.8.2018 to 28.8.2028	0.0976	2,400,000	-	-	-	2,400,000
Mr. Wong Cheuk Bun	29.8.2018 to 28.8.2028	0.0976	2,400,000	-	-	-	2,400,000
Mr. Wong Yin Shun	29.8.2018 to 28.8.2028	0.0976	2,400,000	-	-	-	2,400,000
Eligible Participants	29.8.2018 to 28.8.2028	0.0976	127,787,622	-	-	2,650,000	125,137,622
Total			247,987,622	-	-	2,650,000	245,337,622

During the period under review, 2,650,000 Options were lapsed and no Options were granted, exercised and cancelled under the 2018 Share Option Scheme. The number of Shares which may be issued upon exercise of the options which had been granted and outstanding on 30 June 2019 under the 2018 Share Option Scheme was 245,337,622 (31 December 2018: 247,987,622), representing approximately 9.89% (31 December 2018: approximately 10%) of the number of Shares in issue as at 30 June 2019.



Corporate Governance and Other Information

Related Party Transactions

Details of the related party transactions are set out in Note 22 to the Condensed Consolidated Interim Financial Statements. All related party transactions constituted connected transactions under the Listing Rules and that they have complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Note	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	30,059	18,826
Cost of sales		(24,845)	(13,894)
Gross profit		5,214	4,932
Other income (loss)	5	892	(16)
Depreciation		(1,921)	(856)
Staff costs		(12,756)	(17,690)
Change in fair value of contingent consideration payable		1,136	867
Change in fair value of derivative components of GIC Convertible Bonds		2,056	–
Change in fair value of derivative components of convertible notes		–	(4)
Change in fair value of options/commitment to issue convertible notes		–	(16)
Share of results of joint venture		(3,743)	672
Other operating expenses		(5,978)	(10,336)
Finance costs	7	(33,729)	(34,168)
Loss before tax	8	(48,829)	(56,615)
Income tax expense	9	–	–
Loss for the period		(48,829)	(56,615)

Condensed Consolidated Statement of Comprehensive Income

	Note	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		1,192	2,181
Total comprehensive loss for the period		(47,637)	(54,434)
Loss for the period attributable to:			
Owners of the Company		(36,045)	(43,364)
Non-controlling interests		(12,784)	(13,251)
		(48,829)	(56,615)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(35,354)	(42,102)
Non-controlling interests		(12,283)	(12,332)
		(47,637)	(54,434)
Loss per share			(Restated)
Basic and diluted (HK cents)	10	(7.27)	(9.82)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	218,415	211,457
Intangible asset		1,000	1,000
Construction in progress	13	1,595,982	1,598,782
Railway construction prepayment	13	4,756	4,775
Interest in a joint venture		–	–
Right-of-use assets		3,488	–
Deposits paid for acquisition of property, plant and equipment		1,424	2,610
		1,825,065	1,818,624
Current assets			
Trade and other receivables	14	6,640	32,076
Bank balances and cash		8,465	18,456
		15,105	50,532
Current liabilities			
Trade and other payables	15	150,584	154,669
GIC Convertible Bonds	16	76,926	–
Derivative components of GIC Convertible Bonds	17	13,101	–
Bank and other borrowings	21	1,660,005	1,647,783
Amount due to a joint venture	22(d)	147,153	143,411
Amounts due to minority equity owners of subsidiaries	22(e)	8,315	8,348
Lease liabilities		2,380	–
		2,058,464	1,954,211

Condensed Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Net current liabilities		(2,043,359)	(1,903,679)
Total assets less current liabilities		(218,294)	(85,055)
Non-current liabilities			
Contingent consideration payable		2,564	3,700
GIC Convertible Bonds	16	–	71,330
Derivative components of GIC Convertible Bonds	17	–	15,157
Convertible Bonds Due 2021	18	12,942	12,152
Lease liabilities		1,231	–
		16,737	102,339
NET LIABILITIES		(235,031)	(187,394)
Capital and reserves			
Share capital	19	1,709,316	1,709,316
Reserves		(1,804,594)	(1,769,240)
Equity attributable to owners of the Company		(95,278)	(59,924)
Non-controlling interests		(139,753)	(127,470)
TOTAL DEFICITS		(235,031)	(187,394)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total deficits HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
As at 1 January 2018 (Audited)	1,608,309	4,190	-	18,474	19,726	(1,740,973)	(90,274)	(101,748)	(192,022)
Loss for the period	-	-	-	-	-	(43,364)	(43,364)	(13,251)	(56,615)
Other comprehensive income for the period									
Exchange difference arising from translation of foreign operations	-	-	-	-	1,261	-	1,261	920	2,181
Total comprehensive loss for the period	-	-	-	-	1,261	(43,364)	(42,103)	(12,331)	(54,434)
Transactions with owners of the Company									
<i>Contributions and distributions:</i>									
Shares issued on conversion of convertible notes	3,543	-	-	-	-	-	3,543	-	3,543
Issuance of GIC Convertible Bonds	-	-	37,261	-	-	-	37,261	-	37,261
Shares options granted	-	-	-	7,941	-	-	7,941	-	7,941
Shares issued on placing, net of expenses	97,464	-	-	-	-	-	97,464	-	97,464
	101,007	-	37,261	7,941	-	-	146,209	-	146,209
As at 30 June 2018 (Unaudited)	1,709,316	4,190	37,261	26,415	20,987	(1,784,337)	13,832	(114,079)	(100,247)
As at 1 January 2019 (Audited)	1,709,316	4,190	40,614	39,203	26,156	(1,879,403)	(59,924)	(127,470)	(187,394)
Loss for the period	-	-	-	-	-	(36,045)	(36,045)	(12,784)	(48,829)
Other comprehensive income for the period									
Exchange difference arising from translation of foreign operations	-	-	-	-	691	-	691	501	1,192
Total comprehensive loss for the period	-	-	-	-	691	(36,045)	(35,354)	(12,283)	(47,637)
As at 30 June 2019 (Unaudited)	1,709,316	4,190	40,614	39,203	26,847	(1,915,448)	(95,278)	(139,753)	(235,031)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(11,187)	(41,722)
Net cash used in investing activities	(16,306)	(168,130)
FINANCING ACTIVITIES		
Interest on convertible notes	–	1
New bank and other borrowings raised	77,603	46,845
Repayment of bank and other borrowings	(58,702)	(23,000)
Proceeds from issue of convertible notes	–	2,500
Proceeds from issue of GIC Convertible Bonds	–	98,778
Proceeds from issue of shares on placing	–	97,464
Redemption of convertible notes	–	(2,056)
Payment of lease liabilities	(1,399)	–
Net cash from financing activities	17,502	220,532
Net (decrease) increase in cash and cash equivalents	(9,991)	10,680
Effect on exchange rate changes	–	(6)
Cash and cash equivalents at beginning of the period	18,456	5,968
Cash and cash equivalents at end of the period represented by bank balances and cash	8,465	16,642

Notes to the Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

Asia Energy Logistics Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The Company’s registered office and principal place of business is located at Room 2404, 24/F., Wing On Centre, 111 Connaught Road Central, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (the “Group”), together with its joint venture, are engaged in (i) railway construction and operations; and (ii) shipping and logistics businesses. There were no significant changes in the nature of the Group’s principal activities during the six months ended 30 June 2019.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

2.1 Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2018.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION *(continued)*

2.1 Basis of Preparation *(continued)*

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing these condensed consolidated interim financial statements and their effect are the same as those applied to the consolidated financial statements of the Company for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's specified financial statements for that year as defined in section 436 of the Hong Kong Companies Ordinance but is derived therefrom. The Company's specified financial statements for the year ended 31 December 2018 had been delivered to the Registrar of Companies in Hong Kong, on which the auditor had reported and disclaimed their opinion, and had included a statement under section 407(3) of the Hong Kong Companies Ordinance.

2.2 Going concern assumption

As at 30 June 2019, the Group had net current liabilities of approximately HK\$2,043,359,000 (31 December 2018: HK\$1,903,679,000) and net liabilities of approximately HK\$235,031,000 (31 December 2018: HK\$187,394,000). In addition, it incurred a loss of approximately HK\$48,829,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$56,615,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notes to the Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

2.2 Going concern assumption (continued)

The Group's net current liabilities as at 30 June 2019 are mainly attributable to its three non-wholly owned subsidiaries, 承德寬平鐵路有限公司 (Chengde Kuanping Railway Limited*), 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").

The construction work of the Zunxiao Railway has been suspended since July 2013 because the Group could not reach an agreement with the overlaid mine owner (the "Mine Owner") in respect of the compensation payable to the Mine Owner for the reserve of the mine located at around the Tangcheng section of the Zunxiao Railway.

With continuous effort of the management of the Company, an agreement to jointly appoint independent valuers was entered into between Tangcheng Company and the Mine Owner in November 2018 in order to assess the volume and fair value of the reserve of the mine together with relevant affected assets, which will form a basis of the amount of the compensation payable to the Mine Owner. As at the date of the condensed consolidated interim financial statements, the preliminary assessment of the volume of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

* English name for identification purpose only

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION *(continued)*

2.2 Going concern assumption *(continued)*

Following the positive developments of the negotiation of the compensation payable to the Mine Owner, which has been dragged on for years, the directors of the Company are optimistic that the construction work of the Zunxiao Railway could be resumed soon. In addition, the future economic benefits to be brought by the Zunxiao Railway to the Group are expected to be significant, given the State Council promulgated the Three-year Action Plan to Make the Skies Blue Again (《打贏藍天保衛戰三年行動計劃》) in 2018.

The directors expect that the Railway Companies will continue to rely on the financial support from certain companies (the “Lenders”) in order to meet their financial obligations including payment of interests on bank borrowings, construction cost payables and other operating expenses. One of the Lenders is Golden Concord Holdings Limited (“GCL”), a guarantor of the Group’s bank borrowings. The Lenders are beneficially owned by Mr. Zhu Gongshan (“Mr. Zhu”), a director of certain subsidiaries, including the Railway Companies, of the Company. Mr. Zhu is also a beneficiary of a discretionary trust which is a substantial shareholder of the Company.

In this connection, GCL, which is also the holding company of the other companies comprising the Lenders, has confirmed in writing that it will continue to provide financial support to the Railway Companies and will not demand for repayment of other borrowings of the Group, which amounted to approximately HK\$768,086,000 as at 30 June 2019 (31 December 2018: HK\$725,632,000), and related interests until the financial position of the Railway Companies is improved and the loan repayments will not affect the construction and operation of the Zunxiao Railway.

Notes to the Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

2.2 Going concern assumption (continued)

In addition, the Railway Companies will negotiate with the bank for extension of the repayment date of the entire or partial amount of the Group's bank borrowings which are due for repayment on 31 December 2019.

Furthermore, the directors have also taken into account the urgent letter of request dated 28 January 2019 from the Railway Companies in respect of the proportional contribution to the anticipated increase of capital, details of which have been disclosed in the Company's announcement dated 30 January 2019.

As for the shipping and logistics operations, the Group and the joint venture partner had preliminary discussions and concluded the mutual intention on withholding enforcement of the Group's obligations under a shareholders' agreement to acquire the two remaining vessels until the Group's financial position is improved and the shipping market recovers to a level which justifies the acquisition of the two remaining vessels or otherwise discharge the Group's obligations to acquire the two remaining vessels.

On 25 June 2019, the Company entered into a placing agreement (the "2019 CB Placing Agreement") with the placing agent, VC Brokerage Limited ("VCB"), pursuant to which, the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds in the aggregate principal amount of HK\$60,000,000 for a term of three years (the "Convertible Bonds Due 2022"), on a best effort basis, on the terms and subject to the conditions as set out in the 2019 CB Placing Agreement. The placing of Convertible Bonds Due 2022 was approved by the shareholders of the Company at the general meeting held on 15 August 2019.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION *(continued)*

2.2 Going concern assumption *(continued)*

The directors have prepared a cash flow forecast covering a period up to 30 June 2020 on the basis that the Group's aforementioned plans and measures will be successful, 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 30 June 2019. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group will be able to successfully implement its plans and measures as mentioned above. The appropriateness of the use of the going concern basis depends on whether (i) the Group would be able to successfully negotiate with the bank for extension of the repayment date of the Group's bank borrowings; (ii) the Lenders which have been providing financial support to the Railway Companies will continue to have sufficient and adequate financial resources to provide financial support to the Railway Companies; (iii) the Group and the joint venture partner's mutual intention on withholding enforcement of or otherwise discharge the Group's obligations under the shareholders' agreement to acquire the two remaining vessels will continue and remain unchanged; and (iv) the Group will be able to reach an agreement with the Mine Owner on the amount of compensation payable to the Mine Owner as planned so that the Group would be able to resume and complete the construction of the Zunxiao Railway.

Notes to the Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

2.2 Going concern assumption (continued)

There are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the condensed consolidated interim financial statements be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated statement of financial position as at 30 June 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2018 have been applied consistently to these condensed consolidated interim financial statements, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective from 1 January 2019.

The Group has adopted, for the first time, the following new/revised HKFRSs that are relevant to the Group.

Annual Improvements to HKFRSs	2015–2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Except for HKFRS 16 as described below, the adoption of the above new/ revised HKFRSs does not have any significant impacts on the condensed consolidated interim financial statements of the Group.

HKFRS 16: Leases

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows applying HKAS 7 *Statement of Cash Flows*.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied from 1 January 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 at 1 January 2019 in equity.

Notes to the Condensed Consolidated Interim Financial Statements

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16: Leases *(continued)*

The reconciliation of operating lease commitments to lease liabilities is set out below:

	At 1 January 2019 HK\$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	5,580
Discounted operating lease commitments as at 1 January 2019	4,759
Less: short-term leases recognised on a straight-line basis as expenses	(108)
Total lease liabilities	4,651

Notes to the Condensed Consolidated Interim Financial Statements

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16: Leases *(continued)*

The recognised right-of-use assets in respect of the Group's office premises and staff quarters together with the corresponding lease liabilities are as follows:

	At 30 June 2019 HK\$'000 (Unaudited)	At 1 January 2019 HK\$'000 (Unaudited)
Right-of-use assets	3,488	4,651
Lease liabilities – Current portion	2,380	2,177
Lease liabilities – Non current portion	1,231	2,474
Total lease liabilities	3,611	4,651

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17.

Notes to the Condensed Consolidated Interim Financial Statements

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16: Leases *(continued)*

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate of 18% at the date of initial application.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

4. REVENUE

Revenue represents the amount received and receivable for time charters:

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating lease income		
Charter-hire income	30,059	18,826

The Group did not enter into any contracts with customers within HKFRS 15.

Notes to the Condensed Consolidated Interim Financial Statements

5. OTHER INCOME (LOSS)

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss on redemption of convertible notes	–	(42)
Reversal of impairment loss of consideration receivable	600	–
Sundry income	292	26
	892	(16)

6. SEGMENT INFORMATION

The chief operating decision makers evaluate the performance of and allocate resources to operating segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses.

The Group's reportable segments are as follows:

- (a) Railway construction and operations
- (b) Shipping and logistics

Segment results represent the result from each reportable segment without allocation of corporate income and expenses.

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2019 (Unaudited)	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	–	30,059	30,059
Segment loss	(29,520)	(4,838)	(34,358)
Other segment information:			
Interest expense	(23,482)	(8,309)	(31,791)
Depreciation of property, plant and equipment	(326)	(5,028)	(5,354)
Share of results of joint venture	–	(3,743)	(3,743)
Change in fair value of derivative components of GIC			
Convertible Bonds	–	2,056	2,056
Additions to non-current segment assets	3,561	12,745	16,306

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2018 (Unaudited)	Railway construction and operations HK'000	Shipping and logistics HK'000	Total HK'000
Segment revenue from external customers	–	18,826	18,826
Segment (loss) profit	(32,263)	5,461	(26,802)
Other segment information:			
Interest expense	(28,510)	–	(28,510)
Depreciation of property, plant and equipment	(316)	(2,474)	(2,790)
Operating lease payments	(49)	–	(49)
Share of results of joint venture	–	672	672
Additions to non-current segment assets	–	167,094	167,094

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss		
Segment loss	(34,358)	(26,802)
Change in fair value of contingent consideration payable	1,136	867
Change in fair value of derivative component of convertible notes	–	(4)
Change in fair value of options/commitment to subscribe for convertible notes	–	(16)
Other unallocated corporate expenses	(15,607)	(30,660)
Consolidated loss before tax	(48,829)	(56,615)

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Assets		
Railway construction and operations	1,603,798	1,630,383
Shipping and logistics	227,423	223,999
Segment assets	1,831,221	1,854,382
Unallocated corporate assets	8,949	14,774
Consolidated total assets	1,840,170	1,869,156
Liabilities		
Railway construction and operations	1,791,482	1,789,895
Shipping and logistics	241,310	234,796
Segment liabilities	2,032,792	2,024,691
Contingent consideration payable	2,564	3,700
Convertible Bonds Due 2021	12,942	12,152
Other unallocated corporate liabilities	26,903	16,007
Consolidated total liabilities	2,075,201	2,056,550

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

Geographical information

Apart from the vessels, 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 and logistics services, which are carried out internationally, preclude a meaningful allocation of operating results to specific geographical segments.

Major customers

Revenue from customers from shipping and logistics segment individually accounting for 10% or more of the revenue of the Group is as follows:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	22,269	9,049
Customer B	7,790	9,429
	30,059	18,478

Notes to the Condensed Consolidated Interim Financial Statements

7. FINANCE COSTS

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank and other borrowings	24,046	29,412
Interest on Convertible Bonds		
Due 2021	1,015	–
Interest on GIC Convertible Bonds	8,309	4,755
Interest on convertible notes	–	1
Interest on lease liabilities	359	–
	33,729	34,168

Notes to the Condensed Consolidated Interim Financial Statements

8. LOSS BEFORE TAX

This is stated after charging:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment:		
Recognised in cost of sales	5,028	2,474
Recognised in administrative expenses	758	856
	5,786	3,330
Depreciation of right-of-use assets, recognised in administrative expenses	1,163	–
Staff costs (including director's remuneration):		
Employee benefits expenses	11,745	8,980
Equity-settled share-based payment expenses	–	7,941
Contributions to defined contribution retirement scheme	1,011	769
	12,756	17,690
Operating lease charges for premises	–	1,158

Notes to the Condensed Consolidated Interim Financial Statements

9. INCOME TAX

No provision for Hong Kong profits tax and PRC enterprise income tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong and the PRC had no estimated assessable profits for the six months ended 30 June 2019 and 2018.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share of the Company is based on the following data:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss attributable to owners of the Company	36,045	43,364

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited) (Restated)
Weighted average number of ordinary shares for the purposes of basic loss per share (Notes (a) & (b))	495,975,244	441,508,772

Notes to the Condensed Consolidated Interim Financial Statements

10. LOSS PER SHARE *(continued)*

Notes:

- (a) The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2019 and 2018 has been adjusted for the share consolidation on 19 August 2019 as disclosed in note 24.
- (b) Diluted loss per share for the six months ended 30 June 2019 and 2018 is the same as the basic loss per share as the average market price of the Company's shares during both periods was lower than the conversion price of the GIC Convertible Bonds (as defined in note 16) and the Convertible Bonds Due 2021 (as defined in note 18) and the effect of the assumed conversion of the potential shares from exercising the Company's share options, conversion of the convertible notes and issue of the contingent consideration shares is anti-dilutive.

11. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2019 and 2018.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with aggregate cost of HK\$12,745,000.

Notes to the Condensed Consolidated Interim Financial Statements

13. CONSTRUCTION IN PROGRESS AND RAILWAY CONSTRUCTION PREPAYMENT

	Construction in progress HK\$'000	Railway construction prepayment HK\$'000
Cost		
As at 1 January 2018 (Audited)	2,007,470	6,448
Additions	4,199	–
Exchange adjustment	(92,584)	–
As at 31 December 2018 (Audited)	1,919,085	6,448
Additions	3,561	–
Exchange adjustment	(7,622)	(26)
As at 30 June 2019 (Unaudited)	1,915,024	6,422
Impairment		
As at 1 January 2018 (Audited)	335,742	1,754
Exchange adjustment	(15,439)	(81)
As at 31 December 2018 (Audited)	320,303	1,673
Exchange adjustment	(1,261)	(7)
As at 30 June 2019 (Unaudited)	319,042	1,666
Carrying amount		
As at 30 June 2019 (Unaudited)	1,595,982	4,756
As at 31 December 2018 (Audited)	1,598,782	4,775

Notes to the Condensed Consolidated Interim Financial Statements

13. CONSTRUCTION IN PROGRESS AND RAILWAY CONSTRUCTION PREPAYMENT *(continued)*

Construction in progress and railway construction prepayment represent railway construction costs and related prepaid construction costs of the Zunxiao Railway. The construction in progress, the railway construction prepayment and related property, plant and equipment (collectively referred to as the "Railway Assets") have the carrying amount of approximately HK\$1,602,632,000 as at 30 June 2019 (31 December 2018: HK\$1,605,139,000).

The construction work of the Zunxiao Railway has been suspended since July 2013 because the Group could not reach an agreement with the Mine Owner in respect of the compensation payable to the Mine Owner for the reserve of the mine together with relevant affected assets located at around the Tangcheng section of the Zunxiao Railway.

With continuous effort of the management of the Company, an agreement to jointly appoint independent valuers was entered into between Tangcheng Company and the Mine Owner in November 2018 in order to assess the volume and fair value of the reserve of the mine together with relevant affected assets, which will form a basis of the amount of the compensation payable to the Mine Owner. As at the date of the condensed consolidated interim financial statements, the preliminary assessment of the volume of the mine conducted by the independent valuer was completed. The management of the Company is in discussion with the Mine Owner about the compensation amount of the overlaid mine.

The management considered that there have been no material changes in circumstances since 31 December 2018 that would have required recognition of additional impairment loss or reversal of impairment loss on the carrying amounts of the Railway Assets as at 30 June 2019. The management will closely monitor the situation and engage an independent expert to assess the recoverable amounts of the Railway Assets if and when necessary.

Notes to the Condensed Consolidated Interim Financial Statements

14. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Trade receivables	14(a)	345	345
Other receivables			
Consideration receivable		9,150	9,850
Amount due from Golden Concord Group Management Limited		–	23,682
Other debtors		4,175	4,021
Deposits		1,074	1,080
Prepayments		1,046	2,848
		15,445	41,481
Less: Loss allowance on consideration receivable		(9,150)	(9,750)
		6,295	31,731
		6,640	32,076

14(a) Trade receivables

As at 30 June 2019, all trade receivables aged over 6 months but less than 12 months (31 December 2018: aged within 6 months), based on the invoice date.

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER PAYABLES

	<i>Note</i>	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Trade payables			
– current and up to 30 days	15(a)	2,110	2,392
Other payables			
Construction cost payables	15(b)	120,395	126,303
Other payables and accruals		26,916	24,887
Contract liabilities		1,163	1,087
		148,474	152,277
		150,584	154,669

15(a) Trade payables

As at 30 June 2019 and 31 December 2018, all trade payables aged within 30 days, based on the invoice date.

15(b) Construction cost payables

The construction cost payables are unsecured and repayable on demand, of which approximately HK\$53,643,000 (31 December 2018: HK\$53,855,000) bears interest at rates ranging from 3.5% to 4.75% per annum (31 December 2018: 3.5% to 4.75% per annum) while the remaining balances are interest-free.

16. GIC CONVERTIBLE BONDS

On 30 November 2017, the Company entered into a subscription agreement with GIC Investment Limited (“GIC”), an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited of which Mr. Zhu is a director and a substantial shareholder, pursuant to which the Company has conditionally agreed to issue, and GIC has conditionally agreed to subscribe for, convertible bonds in an aggregate principal amount of HK\$100,000,000 (the “GIC Convertible Bonds”). The GIC Convertible Bonds bear 5.5% interest per annum and carry a right to convert the aggregate principal amount into conversion shares at the initial conversion price of HK\$0.1701 per conversion share (subject to adjustments) during the period from eighteen months after 2 March 2018, the date on which the GIC Convertible Bonds were issued, and ending on 1 March 2021. The conversion price is subject to adjustment on the occurrence of dilutive or concentration event.

Both the Company and GIC have early redemption options at any time on or after two years from the issue date at an amount equal to the aggregate of 105.5% of the principal amount of the GIC Convertible Bonds and any outstanding interests and amounts due.

At initial recognition, the GIC Convertible Bonds are separated into a liability component, comprising straight debt component of the bonds, embedded derivatives (i.e. early redemption options by the Company and GIC) and an equity component representing the conversion options of the GIC Convertible Bonds. The early redemption options are separately recognised as derivative financial liabilities and are measured at fair value. The equity component is recognised in the convertible bonds reserve, whereas the liability component is recognised at amortised cost under liabilities. The effective interest rate of the liability component on initial recognition is 22.59% per annum.

Notes to the Condensed Consolidated Interim Financial Statements

16. GIC CONVERTIBLE BONDS *(continued)*

As at 30 June 2019, one of the vessels of the Group with carrying amount of HK\$80,201,000 (31 December 2018: HK\$81,779,000) was pledged to GIC for the GIC Convertible Bonds.

The movements of liability component of the GIC Convertible Bonds are as follows:

	HK\$'000
As at 31 December 2018 (Audited)	71,330
Imputed interest expenses	8,309
Payment of interest expenses	(2,713)
As at 30 June 2019 (Unaudited)	76,926

17. DERIVATIVE COMPONENTS OF GIC CONVERTIBLE BONDS

	HK\$'000
As at 31 December 2018 (Audited)	15,157
Fair value gain	(2,056)
As at 30 June 2019 (Unaudited)	13,101

The fair value of the derivative components of the GIC Convertible Bonds was estimated by an independent professional valuer using Binomial Option Pricing Model at the date of issue and at the end of the reporting period.



Notes to the Condensed Consolidated Interim Financial Statements

17. DERIVATIVE COMPONENTS OF GIC CONVERTIBLE BONDS

(continued)

The significant unobservable input used in the fair value measurement is the expected volatility of 39.64%.

As at 30 June 2019, if the expected volatility had been 10% higher/lower while all other variables were held constant, the Group's loss for the period would increase/decrease by approximately HK\$897,000 and HK\$901,000 respectively.

18. CONVERTIBLE BONDS DUE 2021

On 4 September 2018, the Company entered into a placing agreement (the "CB Placing Agreement") with VCB pursuant to which the Company proposed to offer for subscription, and VCB agreed to procure not less than six placees to subscribe for, 3-year non-redeemable convertible bonds up to HK\$46,000,000 (the "Convertible Bonds Due 2021") on a best effort basis on the terms and subject to the conditions set out in the CB Placing Agreement.

The Convertible Bonds Due 2021 bear 2.5% interest per annum and carry a right to convert the aggregate principal amount into conversion shares at the initial conversion price of HK\$0.0932 per conversion share (subject to adjustment) during the period from the date of expiry of the period of twelve months after the issue date and ending on the third business day prior to the maturity date, the date falling on the third anniversary of the issue date (both days inclusive).

Notes to the Condensed Consolidated Interim Financial Statements

18. CONVERTIBLE BONDS DUE 2021 *(continued)*

The conditions specified in the CB Placing Agreement (as revised and supplemented by the first supplemental agreement dated 3 October 2018 and second supplemental agreement dated 18 October 2018) have been fulfilled and the completion of the placing took place on 8 November 2018. A portion of the Convertible Bonds Due 2021 in the principal amount of HK\$18,000,000 with the initial conversion price of HK\$0.0932 was successfully placed to six places. The effective interest rate of the liability component on initial recognition is 15.85% per annum.

As at 30 June 2019, one of the vessels of the Group with carrying amount of HK\$80,380,000 (31 December 2018: HK\$81,908,000) was pledged to the holders of the Convertible Bonds Due 2021.

The movements of liability component of the Convertible Bonds Due 2021 are as follows:

	HK\$'000
As at 31 December 2018 (Audited)	12,152
Imputed interest expenses	1,015
Payment of interest expenses	(225)
As at 30 June 2019 (Unaudited)	12,942

Notes to the Condensed Consolidated Interim Financial Statements

19. SHARE CAPITAL

	At 30 June 2019		At 31 December 2018	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Issued and fully paid:				
As at 1 January	2,479,876,223	1,709,316	1,525,780,526	1,608,309
Shares issued on conversion of convertible notes	–	–	30,734,663	3,543
Shares issued on placing, net of issue expenses	–	–	923,361,034	97,464
As at 30 June 2019 and 31 December 2018	2,479,876,223	1,709,316	2,479,876,223	1,709,316

20. CAPITAL COMMITMENTS

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Authorised and contracted for:		
– Railway construction and operations	256,389	257,402
– Shipping and logistics	949	2,136
	257,338	259,538

These commitments were entered into by Zunxiao Company and Tangcheng Company, in which the Group's effective interests are 62.50% and 51% respectively as at 30 June 2019 and 31 December 2018.

Notes to the Condensed Consolidated Interim Financial Statements

21. BANK AND OTHER BORROWINGS

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Bank borrowings – guaranteed (Note a)	884,419	922,151
Other borrowings – unsecured (Note b)	775,586	725,632
	1,660,005	1,647,783

The ranges of effective interest rates on the Group's borrowings are as follows:

	At 30 June 2019		At 31 December 2018	
	Effective interest rate (%) (Unaudited)	HK\$'000 (Unaudited)	Effective interest rate (%) (Audited)	HK\$'000 (Audited)
Bank borrowings – fixed rate	4.9%	884,419	4.9%	922,151
Other borrowings – fixed rate	1.0% to 18.0%	18,308	1.0% to 8.0%	34,524
Other borrowings – interest free	0%	757,278	0%	691,108
		1,660,005		1,647,783

As at 30 June 2019 and 31 December 2018, all bank and other borrowings were repayable on demand or within 1 year.



Notes to the Condensed Consolidated Interim Financial Statements

21. BANK AND OTHER BORROWINGS *(continued)*

- (a) GCL is a guarantor of the Group's bank borrowings. In return, the Company has provided a counter-guarantee to indemnify GCL and the Company has entered into share mortgage, equity and assets pledges in respect of the Company's equity interest in the Railway Companies in favour of GCL.

- (b) Other borrowings of approximately HK\$775,586,000 (31 December 2018: HK\$725,632,000) are unsecured and repayable on demand or within one year, of which HK\$768,086,000 (31 December 2018: HK\$725,632,000) are borrowed from the Lenders.

Notes to the Condensed Consolidated Interim Financial Statements

22. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group had entered into the following significant related party transactions during the six months ended 30 June 2019:

- a) Compensation of key management personnel of the Group comprised the directors only whose remuneration is set out below.

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	2,469	2,883
Contributions to defined contribution retirement scheme	33	42
Equity-settled share-based payment expenses	–	5,637
	2,502	8,562



Notes to the Condensed Consolidated Interim Financial Statements

22. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

- b) The Company has provided a counter-guarantee to indemnify GCL as disclosed in note 21(a).
- c) Interest expenses on other borrowings amounting to approximately HK\$912,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$1,190,000) were charged by GCL and its subsidiaries.
- d) The amount mainly represented the excess of the Group's share of losses over its investment in the joint venture, which is unsecured, non-interest-bearing and has no fixed repayment term.
- e) The amounts due to minority equity owners of subsidiaries are unsecured, interest-free and repayable on demand.
- f) Interest expenses in relation to GIC Convertible Bonds of approximately HK\$8,309,000 (six months ended 30 June 2018: HK\$4,755,000) were charged by GIC.
- g) Consultancy fee of HK\$240,000 (six months ended 30 June 2018: Nil) to Chatwin Capital Services Limited which is beneficially owned by Wu Jian, a director of the Company.

Transactions disclosed in notes 22(b) 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 transactions disclosed in notes 22(c), 22(d), 22(e), 22(f) and 22(g) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Notes to the Condensed Consolidated Interim Financial Statements

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following presents the financial liabilities measured at fair value in the condensed consolidated interim financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13 *Fair Value Measurement* with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- 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.

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

At 30 June 2019	Level 1	Level 2	Level 3
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Liabilities			
Contingent consideration payable	–	–	2,564
Derivative component of GIC			
Convertible Bonds (Note 17)	–	–	13,101

Notes to the Condensed Consolidated Interim Financial Statements

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis *(continued)*

At 31 December 2018	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)
Liabilities			
Contingent consideration payable	–	–	3,700
Derivative component of GIC			
Convertible Bonds	–	–	15,157

The Group's contingent consideration payable and derivative component of GIC Convertible Bonds are measured at fair value. During the six months ended 30 June 2019, there was no transfer between Level 1 and Level 2 (six months ended 30 June 2018: nil), or transfer into or out of Level 3 (six months ended 30 June 2018: nil).

The fair value of the contingent consideration payable is estimated based on the expected number of consideration shares to be issued and the share price of the Company as at 30 June 2019. The expected number of consideration shares to be issued is based on the profit forecasts of the four vessels operated/to be operated by the joint venture. The key assumptions used in the profit forecasts are the charter rate of RMB36.41 (31 December 2018: RMB42.35) per ton and the daily rental rate of US\$10,664 (31 December 2018: US\$11,444) per vessel.

The share price of the Company of HK\$0.08 (31 December 2018: HK\$0.06) per share adopted in the calculation is the Company's quoted share price as at 30 June 2019.

Notes to the Condensed Consolidated Interim Financial Statements

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis (continued)

An increase in the charter rate/daily rental rate and the Company's share price would result in an increase in fair value of the contingent consideration payable, and vice versa.

As at 30 June 2019, it is estimated that a general increase/decrease of 10% (31 December 2018: 10%) in charter rate/daily rental rate, with all other variables held constant, the fair value of the contingent consideration payable would increase/decrease by approximately HK\$2,666,000 (31 December 2018: HK\$2,145,000). In addition, a 10% (31 December 2018: 10%) increase/decrease in share price of the Company would increase/decrease the fair value of the contingent consideration payable by 10% (31 December 2018: 10%).

Further details of the fair value of the derivative component of GIC Convertible Bonds are set out in note 17.

24. EVENTS AFTER THE END OF REPORTING PERIOD

As set out in the Company's circular dated 26 July 2019, the Company proposed to (i) grant 247,987,622 share options under the 2018 Option Scheme among which 184,000,000 share options granted to the conditional grantees, whose share options are conditional upon the approval by the independent shareholders of the Company at the general meeting, and other eligible participants; (ii) implement a share consolidation (the "Share Consolidation") on the basis that every five issued shares being consolidated into one consolidated share; and (iii) offer for subscription, and VCB has agreed to procure not less than six placees, to subscribe for, the Convertible Bonds Due 2022 on a best effort basis of a principal amount up to HK\$60,000,000 on the terms and subject to the conditions in the 2019 Placing Agreement.

On 15 August 2019, the granting of options to the conditional grantees, the Share Consolidation with effective from 19 August 2019 and placing of Convertible Bonds Due 2022 of HK\$60,000,000 were approved by the shareholders of the Company.

Glossary

2008 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2008, the scheme mandate limit of which was refreshed on 3 June 2010, the term of the 2008 Share Option Scheme was terminated by the Shareholders on 20 August 2018
2018 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2018, the scheme mandate limit of which was refreshed on 27 May 2019
2018 AGM	The Company's Annual General Meeting held on 17 May 2018
2019 AGM	The Company's Annual General Meeting held on 27 May 2019
Annual General Meeting or AGM	The Company's annual general meeting
Articles of Association	The Company's Articles of Association as amended, supplemented or modified from time to time
Audit Committee	The audit committee of the Company
Board	The Board of Directors of the Company
CG Code	The Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules



Glossary

Chairman	Chairman of the Company
Companies Ordinance or CO	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or AELG	Asia Energy Logistics Group Limited
Condensed Consolidated Interim Financial Statements	The unaudited condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2019
Convertible Bonds Due 2021	The convertible bonds in the aggregate outstanding principal amount of HK\$18,000,000 issued by the Company on 8 November 2018
Director(s)	Director(s) of the Company
ED(s)	Executive Director(s) of the Company
Executive Committee	The executive committee of the Company
GIC Convertible Bonds	The convertible bonds in the aggregate outstanding principal amount of HK\$100,000,000 issued by the Company on 2 March 2018
Group	AELG together with its subsidiaries
HKAS(s)	Hong Kong Accounting Standard(s)

HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Main Board	The main board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NED	Non-executive Director of the Company
Nomination Committee	The nomination committee of the Company
PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of the PRC



Glossary

SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Consolidation	The share consolidation on the basis that every five issued Shares being consolidated into one consolidated Share, which was approved pursuant to an ordinary resolution passed at the general meeting of the Company held on 15 August 2019 and became effective on 19 August 2019
Stock Exchange	The Stock Exchange of Hong Kong Limited
US\$	Unites States dollars, the lawful currency of United States of America