亞洲能源物流

ASIA ENERGY Logistics

亞洲能源物流集團有限公司

ASIA ENERGY LOGISTICS GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 351

2019

ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Fu Yongyuan
Mr. Wu Jian

Non-Executive Director
Mr. Yu Baodong *(Chairman)*

Independent Non-Executive Directors
Mr. Chan Chi Yuen
Mr. Wong Cheuk Bun
Mr. Chan Sing Fai

AUTHORISED REPRESENTATIVES
Mr. Fu Yongyuan
Ms. Wong Shuk Ha, Cat

COMPANY SECRETARY
Ms. Wong Shuk Ha, Cat

AUDIT COMMITTEE
Mr. Chan Chi Yuen *(Chairman)*
Mr. Wong Cheuk Bun
Mr. Chan Sing Fai

REMUNERATION COMMITTEE
Mr. Chan Chi Yuen *(Chairman)*
Mr. Fu Yongyuan
Mr. Wong Cheuk Bun

NOMINATION COMMITTEE
Mr. Yu Baodong *(Chairman)*
Mr. Chan Chi Yuen
Mr. Wong Cheuk Bun

EXECUTIVE COMMITTEE
Mr. Fu Yongyuan *(Chairman)*
Mr. Wu Jian

PRINCIPAL BANKER
OCBC Wing Hang Bank Ltd.
BNP Paribas Hong Kong Branch

AUDITOR
Mazars CPA Limited

SHARE REGISTRAR
Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

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

HONG KONG STOCK EXCHANGE STOCK CODE
351

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Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group together with its joint venture were principally engaged in the (i) railway construction and operations; and (ii) shipping and logistics businesses. The Group disposed of its railway business during the second half of the year under review and the completion took place on 27 November 2019. Accordingly, the Group's railway construction and operations have been classified as discontinued operations in the Consolidated Financial Statements.

Discontinued Operations

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 via its indirect wholly owned subsidiary, namely, China Railway Logistic Holdings Limited ("China Railway"), indirectly held 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 the "Railway Companies"). The business scope of the Railway Companies consists of the construction and operation of a 121.7 kilometer single track railway (the "Zunxiao Railway") with 12 stations connecting two major municipalities in the Hebei Province (河北省), 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, the construction progress had been obstructed significantly owing to contingent circumstances. With a view to resuming the construction of the Zunxiao Railway, the Company's management paid numerous visits to the local governments to promote the settlement of the overlaid mine and expressed the Company's strong determination to resume the construction of the Zunxiao Railway.

As previously disclosed, 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 had entered into a joint appointment letter with the Mine Owner in 2018, pursuant to which, both parties agreed to engage an independent valuer to assess the reserve of the iron ore, assets and value of the overlaid mine, which would form the basis for determining the compensation amount payable to the Mine Owner. The preliminary assessment of the iron ore reserve of the mine conducted by the independent valuer was completed by end of 2018.

However, on 29 January 2019, the Board received a report from China Railway enclosed with a copy of an urgent letter of request dated 28 January 2019 ("Letter of Request") jointly issued by the Railway Companies. In the 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 carefully assessed the available resources of the Company and came to a view that the Company did not have sufficient resources to satisfy such request within the prescribed timeframe. In view of the funding level and financial position of the Group, the Board had considered various alternatives, including the restructuring of the Company's indirect interest in the Railway Companies and/or disposal of such equity interest, which would constitute a very substantial disposal ("VSD") of the Company.

* *for identification purposes only*

Management Discussion and Analysis

As announced by the Company on 26 August 2019, Top Fast Holdings Limited, a wholly owned subsidiary of Gofar, as vendor, among other parties, and Falcon Power Holdings Limited, as purchaser, (a wholly owned subsidiary of Golden Concord Holdings Limited ("GCHL"), which is beneficially wholly owned by Mr. Zhu Gongshan, a connected person of the Company) entered into a conditional sale and purchase agreement (the "SPA") in relation to the disposal of the entire issued share capital of China Railway at a consideration of RMB1.00. The SPA and the transactions contemplated thereunder constituted a VSD and connected transaction of the Company. On 11 November 2019, the ordinary resolution approving such VSD and connected transaction was duly passed by the independent Shareholders at the Company's general meeting and, upon fulfillment of all conditions precedent, completion of the VSD and the connected transaction contemplated thereunder took place on 27 November 2019. After completion, the respective assets and liabilities and profits and losses of China Railway and its subsidiaries are no longer be consolidated into the financial statements of the Company.

Continuing Operations

Shipping and Logistics

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

The Baltic Dry Index (BDI) has plunged by over 83% since early September 2019 as an 18-month trade war between the US and China and the coronavirus outbreak weighed on exports and manufacturing, while higher fuel costs under the new International Maritime 2020 regulations led to a significant rise in the cost of operating cargo ships.

The JV Group

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

Both JV vessels were under full employment throughout the year under review except for a short period of dry-docking and the JV Group recorded revenue of approximately HK$68,560,000 (2018: approximately HK$80,416,000), representing a decrease of approximately 15% as compared to 2018. The Group's share of loss from the JV Group was approximately HK$17,712,000 (2018: approximately HK$24,754,000).

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 conditions for the past few years, the JV Group had 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 such further acquisition.

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 approximately 92,000 DWT (2018: approximately 92,000 DWT).

Management Discussion and Analysis

The Company 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.

During the year under review, all 3 dry bulk carriers, namely, MV Asia Energy, MV Clipper Selo and MV Clipper Panorama were under full employment except a short period of dry-docking.

For the year of 2019, the Group recorded a revenue of approximately HK$61,072,000 (2018: approximately HK$50,669,000), representing an increase of approximately 21% and the gross profit was approximately HK$8,082,000 (2018: approximately HK$11,496,000), representing a decrease of approximately 30% as compared to the previous year. The increase in the revenue was mainly due to the full employment of 3 dry bulk carriers throughout the year. Whilst the decrease of gross profit for the year was resulted from the dry-docking for MV Clipper Selo and MV Clipper Panorama during the year under review.

PROSPECTS

China Dry Bulk Shipping Market: the coronavirus outbreak has caused an extensive suspension of manufacturing and a negative impact on the domestic economy in China. It could seriously strike on China Shipping market.

International Dry Bulk Shipping Market: the international dry bulk shipping sector has been fluctuating in the past years. The shipping market has been affected by a continuous trade war between the US and China, in addition, the recent coronavirus outbreak and the suspension of manufacturing in China have driven the BDI closed to its record low. The shipping market could possibly be hit again since the financial crisis in 2008.

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 continue generating positive contribution in the upcoming year as all 3 vessels are on charter contracts which will run until the end of 2020.

Following the disposal of the Group's railway business during the second half of 2019, the financial burden of the Group has been substantially eased off. The Directors have been in negotiation with investors for possible fund raising exercises and will continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which will bring in synergy with and positive contributions to the Group's existing businesses.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$61,072,000, representing an increase of approximately 21% compared with the revenue of approximately HK$50,669,000 for the year ended 31 December 2018.

The loss for the year ended 31 December 2019 was approximately HK$24,858,000, representing an improvement of approximately 85% compared with the loss of approximately HK$168,775,000 for the year ended 31 December 2018.

Management Discussion and Analysis

The significant decrease in loss for the year under review as compared for the loss for the year ended 31 December 2018 was mainly attributable to (i) the gain on disposal resulted from the disposal of the Group's railway business in an amount of approximately HK$86,977,000 (2018: Nil); (ii) the change in the fair value of derivative components of the GIC Convertible Bonds amounting to approximately HK$17,508,000 (2018: the adverse change in the fair value of derivative components in an amount of approximately HK$12,939,000); and (iii) the decrease in share of loss of the joint venture of approximately HK$7,042,000 from approximately HK$24,754,000 for the year ended 31 December 2018 to approximately HK$17,712,000 for the year ended 31 December 2019.

For the year under review, the basic and diluted loss per Share of the Company from continuing operations was HK12.27 cents (2018: HK20.61 cents) whilst the basic and diluted earnings per Share of the Company from discontinued operations was approximately HK11.66 cents (2018: loss per Share approximately HK8.93 cents).

Liquidity, Financial Resources and Gearing Ratio

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

As at 31 December 2019, the Group had bank and cash balances of approximately HK$8,414,000 (2018: approximately HK$18,456,000).

As at 31 December 2019, the Group had no bank loans and other borrowings.

As at 31 December 2018, the Group had guaranteed bank loans of approximately HK$922,151,000 repayable within one year. The effective interest rate for the previous year was 4.9% per annum.

As at 31 December 2018, the Group had unsecured other borrowings of approximately HK$725,632,000 repayable within one year or on demand. Other borrowings of approximately HK$34,524,000 were interest bearing at 1.0% to 8.0% per annum while the remaining balances of approximately HK$691,108,000 were interest-free.

The gearing ratio of the Group as at 31 December 2019, which is calculated as net debt (i.e. total liabilities less bank and cash balances) divided by adjusted capital (net debt less total deficits), was approximately 127% (2018: approximately 110%).

Share Capital

During the year, share options representing the rights to subscribe for a total of 49,597,524 Shares (as adjusted as a result of the Share Consolidation) were granted to the eligible participants under the 2018 Share Option Scheme on 4 July 2019 and the Shares of the Company were consolidated on a basis of every 5 then issued Shares into 1 consolidated Share, which had become effective on 19 August 2019.

As at 31 December 2019, there were 495,975,244 Shares (as adjusted as a result of the Share Consolidation) in issue (2018: 2,479,876,223 Shares).

Contingent Liabilities

During the year, GCHL had provided a guarantee to a bank in respect of the bank borrowings facilities, in aggregate, up to approximately RMB1,033 million (equivalent to approximately HK$1,179 million), granted to certain former non-wholly owned subsidiaries of the Company in the PRC, which have engaged in railway construction and operations. In return for GCHL's guarantee, the Group provided a counter-indemnity to indemnify GCHL 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$687 million) (the "Counter-Indemnity") and a share mortgage of its shareholding in China Railway, a former indirect wholly-owned subsidiary of the Company, and equity and asset pledges of China Railway's subsidiaries in favour of GCHL (the "Share Mortgage"). Following the completion of the disposal of the entire issued share capital of China Railway on 27 November 2019, the Counter-Indemnity and the Share Mortgage had been released on the same date.

Capital Commitments

As at 31 December 2019, the Group had no capital commitment (31 December 2018: approximately HK$259,538,000).

Exposure to Fluctuation in Exchange Rates

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

RISK MANAGEMENT

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

For the financial risks such as are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk arising from movements in its own equity share price and the fair value changes of its trading securities, the Group currently does not have a hedging policy. The management of the Company will monitor the situation and will consider to adopt hedging policy should the need arise. Furthermore, the Group's financial management policies and practices help to manage the financial risks. Further details about these financial risks are set out in Note 37 to the Consolidated Financial Statements.

The main source of income of the Group was derived from its shipping and logistics businesses. Therefore, the Group is exposed to shipping market fluctuation risk where any drastic downturn in shipping market will have an adverse effect on the Group's revenue. As a way of minimising the effect of shipping market fluctuation on the Group's revenue, the management of the Company is constantly monitoring the shipping market condition with a view to signing longer-term hire contract as and when the hire rate rises to an acceptable level.

Management Discussion and Analysis

As the Group's fleet of vessels trade worldwide, it is required that the operation of the vessels shall comply with the requirements of international conventions as well as various rules and regulations of different port states. In order to minimize the impact of any non-compliance on the Group's business operation, the management of the Company liaises closely with ship management company and officers on board to ensure the strict compliance with all the requirements. In cases where there are changes made to the regulatory policies, in particular, those policies related to environmental issues, the management of the Company will ensure that the ship management company and officers on board are fully informed.

FUNDRAISING ACTIVITIES

Convertible Bonds

(1) GIC Convertible Bonds

On 30 November 2017, the Company entered into a subscription agreement (the "GIC 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, as bondholder, had conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amount of HK$100,000,000 with a term of 3 years (the "GIC CB").

On 26 January 2018, the GIC CB Agreement and the transactions contemplated thereunder constituted connected transactions of the Company and were duly approved by an ordinary resolution passed by the independent Shareholders at the Company's general meeting. The conditions precedent specified in the GIC CB Agreement had been fulfilled and the completion thereof took place on 2 March 2018.

The Company had utilised all of the net proceeds amounted to approximately HK$98,700,000 raised from the issue of the GIC CB as intended during the year ended 31 December 2018.

On 15 August 2019, an ordinary resolution approving the Share Consolidation on the basis of every 5 then issued Shares into 1 consolidated Share was passed by the Shareholders at the Company's general meeting and the Share Consolidation became effective on 19 August 2019. Accordingly, the initial conversion price per conversion share was adjusted from HK$0.1701 to HK$0.8505 and the total number of the Shares to be issued and allotted to GIC upon full conversion was adjusted from 587,889,476 Shares to 117,577,895 Shares on 19 August 2019.

On 17 September 2019, the Company and GIC entered into a deed of amendment (the "Deed of Amendment") whereby the Company and GIC had conditionally agreed to amend certain terms and conditions of the GIC CB conditions ("CB Conditions") as follows:

(i) To adjust the conversion price per conversion share from HK$0.8505 to HK$0.375 (subject to adjustment);

and

(ii) To allow the CB freely transferrable in whole or in part to any third party, which is not a connected person (within the meaning of the Listing Rules) of the Company.

The Deed of Amendment and the transactions contemplated thereunder constituted connected transactions of the Company and were duly approved by an ordinary resolution passed by the independent Shareholders at the Company's general meeting held on 11 November 2019. As all conditions precedent for completion had been fulfilled and on 20 November 2019, the amendments became effective.

Dilution Effect of the Conversion of the GIC Convertible Bonds

In case of full conversion by GIC in accordance with the terms of the GIC CB Agreement for the issue of the GIC CB, 266,666,666 Shares (as adjusted as a result of the Share Consolidation), representing approximately 35.0% of the total number of Shares in issue as at 31 December 2019, at the amended conversion price of HK$0.375 per conversion share will be issued and allotted 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 CB at the amended conversion price of HK$0.375 per conversion share only:

	As at the date of issue of the GIC CB		Immediately after full conversion of the GIC CB at the amended conversion price of HK$0.375 per conversion share	
Shareholders	**Number of Shares**	**Approximate % of issued Shares**	**Number of Shares** *(Note)*	**Approximate % of issued Shares**
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.4	91,059,406	11.9
GIC	—	—	266,666,666	35.0
Public Shareholders	2,024,579,191	81.6	404,915,838	53.1
Total	2,479,876,223	100	762,641,910	100

Note: Number of Shares as adjusted as a result of the Share Consolidation.

Dilution Impact on Loss per Share

The diluted loss per Share is the same as basic loss per Share, details of which are set out in Note 13 to the Consolidated Financial Statements.

Redemption Obligations

According to the terms and conditions of the GIC 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 CB in accordance with the terms of the GIC CB Agreement and the Company will have the ability to meet its redemption obligations in accordance with the terms of the GIC CB Agreement.

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 CB 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 2020	0.402	8%

(2) 2018 Convertible Bonds

On 4 September 2018, the Company entered into a placing agreement (the "2018 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 up to an aggregate principal amount of HK$46,000,000 for a term of 3 years (the "2018 CB"), on a best effort basis, on the terms and subject to the conditions set out in the 2018 CB Placing Agreement (the "2018 CB Placing"). Based on the initial conversion price of HK$0.0932 per conversion share, a total of 493,562,231 conversion shares will be allotted and issued upon exercise of the conversion rights in full of the 2018 CB, under the general mandate of the Company granted by the Shareholders at the 2018 AGM held on 17 May 2018.

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

In light of the unfavorable market conditions subsequent to the entry into by the parties of the 2018 CB Placing Agreement, on 18 October 2018, the Company and VCB, upon taking into account the progress of the 2018 CB Placing, 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 soliciting potential subscribers of the 2018 CB, and to revise the denomination of the 2018 CB 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 2018 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 2018 CB in the principal amount of HK$18,000,000 with the initial conversion price of HK$0.0932 had been successfully placed to six placees, who are independent third parties to the Company.

Upon the Share Consolidation becoming effective on 19 August 2019, the initial conversion price per conversion share under the 2018 CB was adjusted from HK$0.0932 to HK$0.466 and the total number of Shares to be issued and allotted to the bondholders upon full conversion of the 2018 CB was adjusted from 193,133,047 Shares to 38,626,609 Shares.

As at 31 December 2019, the Company had fully utilized the remaining balance of the net proceeds amounting to approximately of HK$8,630,000 raised from the issue of the 2018 CB and details are set out below:

Intended Uses	Allocation	Remaining Balance as at 1 January 2019	Utilization as at 31 December 2019	Remaining Balance as at 31 December 2019
	HK$	HK$	HK$	HK$
Staff Salary and Welfare	9,000,000	4,500,000	4,500,000	—
Travelling 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	—

Dilution Effect of the Conversion of the Convertible Bonds

In case of full conversion by the placees in accordance with the terms of the 2018 CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 3 October 2018 and the second supplemental agreement dated 18 October 2018) for the issue of the 2018 CB, 38,626,609 Shares (as adjusted as a result of the Share Consolidation), representing approximately 7.2% of the total number of Shares in issue as at 31 December 2019 at the adjusted conversion price of HK$0.466 per conversion share will be issued and allotted to the bondholders.

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 2018 CB at the adjusted conversion price of HK$0.466 per conversion share only.

	As at the date of issue of the 2018 CB		Immediately after full conversion of the 2018 CB at the adjusted conversion price of HK$0.466 per conversion share	
Shareholders	**Number of Shares**	**Approximate % of issued Shares**	**Number of Shares** *(Note)*	**Approximate % of issued Shares**
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.4	91,059,406	17.0
Placees	—	—	38,626,609	7.2
Public Shareholders	2,024,579,191	81.6	404,915,838	75.8
Total	2,479,876,223	100	534,601,853	100

Note: Number of Shares as adjusted as a result of the Share Consolidation.

Dilution Impact on Loss per Share

The diluted loss per Share is the same as basic loss per Share, details of which are set out in Note 13 to the Consolidated Financial Statements.

Redemption Obligations

According to the terms and conditions of the 2018 CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 3 October 2018 and the second supplemental agreement dated 18 October 2018), 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 2018 CB then outstanding prior to the maturity date, which will fall on the third anniversary date of the issue date of the 2018 CB.

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 2018 CB 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**	**Implied rate of return of the bondholders of the 2018 CB**
	HK$	
31 December 2020	0.521	8%

(3) 2019 Convertible Bonds

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 placees to subscribe for the convertible bonds up to an aggregate principal amount of HK$60,000,000 for a term of 3 years (the "2019 CB"), on a best effort basis, on the terms and subject to the conditions set out in the 2019 CB Placing Agreement (the "2019 CB Placing"). Based on the initial conversion price of HK$0.06 per conversion share, a total of 1,000,000,000 Shares will be allotted and issued upon exercise of the conversion rights in full of the 2019 CB, under the specific mandate of the Company to be granted by the Shareholders at a general meeting of the Company.

At the Company's general meeting held on 15 August 2019, an ordinary resolution approving the 2019 CB Placing Agreement and the transactions contemplated thereunder and the grant of the specific mandate was duly passed by the Shareholders thereat.

Upon the Share Consolidation becoming effective on 19 August 2019, the initial conversion price per conversion share under the 2019 CB was adjusted from HK$0.06 to HK$0.30 and the total number of Shares to be issued and allotted to the bondholders upon full conversion of the 2019 CB was adjusted from 1,000,000,000 Shares to 200,000,000 Shares.

As the Company and VCB contemplated that further time was required to satisfy or fulfill the conditions precedent to the 2019 CB Placing Agreement, on 13 September 2019, both parties entered into a supplemental agreement to the 2019 CB Placing Agreement to extend the placing period from 15 September 2019 to 4 October 2019 and the long stop date from 30 September 2019 to 31 October 2019 respectively, whilst all other terms in the 2019 CB Placing Agreement remained unchanged.

Having taking into account the progress of the 2019 CB Placing, on 4 October 2019, the Company and VCB, entered into a second supplemental agreement to further extend the placing period from 4 October 2019 to 25 October 2019 and the long stop date from 31 October 2019 to 15 November 2019 respectively so as to allow VCB more time to soliciting potential subscribers of the 2019 CB.

On 14 November 2019, the Company announced that the conditions precedent specified in the 2019 CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 13 September 2019 and the second supplemental agreement dated 4 October 2019) had been fulfilled and the closing took place on 14 November 2019. A portion of the 2019 CB in the principal amount of HK$42,500,000 with the initial conversion price of HK$0.30 per conversion share had been successfully placed to six placees, who are independent third parties to the Company.

As at 31 December 2019, the Company had utilized the net proceeds amounting to approximately of HK$40,725,000 raised from the issue of the 2019 CB and details are set out below:

Intended Uses	**Allocation**	**Utilization as at 31 December 2019**	**Remaining Balance as at 31 December 2019**
	HK$	HK$	HK$
Loan Repayments	11,000,000	11,000,000	—
Daily Operations and Logistics Business Development	22,225,000	18,587,000	3,638,000
Legal and Professional Fee	7,500,000	5,722,000	1,778,000
Total	40,725,000	35,309,000	5,416,000

Dilution Effect of the Conversion of the Convertible Bonds

In case of full conversion by the placees in accordance with the terms of the 2019 CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 13 September 2019 and the second supplemental agreement dated 4 October 2019) for the issue of the 2019 CB, 141,666,666 Shares (as adjusted as a result of the Share Consolidation), representing approximately 22.2% of the total number of Shares in issue as at 31 December 2019 at the adjusted conversion price of HK$0.30 per conversion share (as adjusted as a result of the Share Consolidation) will be issued and allotted to the bondholders.

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 2019 CB at the adjusted conversion price of HK$0.30 per conversion share only.

Shareholders	As at the date of issue of the 2019 CB		Immediately after full conversion of the 2019 CB at the adjusted conversion price of HK$0.30 per conversion share	
	Number of Shares *(Note)*	Approximate % of issued Shares	Number of Shares *(Note)*	Approximate % of issued Shares
Substantial Shareholders				
Mr. Wong Kin Ting	91,059,406	18.4	91,059,406	14.3
Placees	—	—	141,666,666	22.2
Public Shareholders	404,915,838	81.6	404,915,838	63.5
Total	495,975,244	100	637,641,910	100

Note: Number of Shares as adjusted as a result of the Share Consolidation.

Dilution Impact on Loss per Share

The diluted loss per Share is the same as basic loss per Share, details of which is set out in Note 13 to the Consolidated Financial Statements.

Redemption Obligations

According to the terms and conditions of the 2019 CB Placing Agreement (as revised and supplemented by the supplemental agreement dated 13 September 2019 and the second supplemental agreement dated 4 October 2019), 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 2019 CB then outstanding prior to the maturity date, which will fall on the third anniversary date of the issue date of the 2019 CB.

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 2019 CB based on its implied rate of return at a range of dates in the future is set out below:

Conversion dates for the Analysis	Share Price HK$	Implied rate of return of the bondholders of the 2019 CB
31 December 2020	0.319	8%
31 December 2021	0.335	8%

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had 17 (2018: 95, 67 of whom were based in the PRC) full-time employees. Upon completion of the disposal of the entire issued share capital of China Railway on 27 November 2019, the Group did not have any staff (2018: 67) based in the PRC.

Staff costs (including Directors' remuneration) of the Group for the year ended 31 December 2019 were approximately HK$20.9 million (2018: HK$41.6 million). The Group decides the remunerations and compensation payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved Mandatory Provident Fund Scheme for its Hong Kong employees and made contributions to the various social insurance funds for its PRC employees during the year under review.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to environmental protection and sustainable development through the adoption and promotion of green policies in its business operations to increase staff's awareness on environmental protection and energy conservation. Information on the environmental policies and performance of the Group is set out in the section headed "Environmental, Social and Governance Report" on pages 46 to 68 of this Annual Report.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Fu Yongyuan ("Mr. Fu")

Mr. Fu Yongyuan, aged 63, has been an ED since 6 July 2016 and is the chairman of the Executive Committee. He has been appointed as a member of the Remuneration Committee and an authorised representative of the Company under Rule 3.05 of the Listing Rules on 10 February 2019. Mr. Fu is a marine engineer and an economist for the shipping management. He graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management and has over 40 years of experience in shipping and freight management. For two decades from 1972 to 1992, Mr. Fu served in the COSCO System including 廣州遠洋運輸公司 (COSCO Guangzhou). His responsibilities ranged from management of freight to vessel chartering operations.

Mr. Fu was an executive director of Titan Petrochemicals Group Limited (Stock Code: 1192), a company listed on the Main Board, from 3 July 2012 to 30 September 2015.

Mr. Wu Jian ("Mr. Wu")

Mr. Wu, aged 64, has been an ED and a member of the Executive Committee since 1 March 2019. He joined the Group on 1 January 2019 as General Manager — China Department. He graduated from Renmin University of China with a bachelor's degree in political economics in 1983.

Mr. Wu started his career in 1983 by joining the China National Coal Group Corp. and held various senior positions including secretary of general office, manager of coal import and export department. During 1994 to 2007, Mr. Wu was the managing director of China Coal Hong Kong Ltd. He was then appointed as the assistant to president of China Coal Energy Company Limited (Stock Code: 1898), a company listed on the Stock Exchange, from 2007 and retired in early 2014. From April 2014 to June 2016, Mr. Wu was an executive director of Courage Marine Group Limited (now known as Courage Investment Group Limited) (Stock Code: 1145), a company listed on the Stock Exchange. Mr. Wu has more than 30 years of diversified experience in commodities trading, vessels operations as well as project financing.

NON-EXECUTIVE DIRECTOR

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

Mr. Yu, aged 56, has been a NED since 31 March 2009 and the Chairman since 26 January 2010. Mr. Yu is also the chairman of the Nomination Committee of the Company. He has over 10 years of experience in project investment and corporate management. He holds a master degree in Economics from the Renmin University of China and a doctorate degree in Economics from the Wuhan University. Mr. Yu was an executive director of GCL-Poly Energy Holdings Limited (Stock Code: 3800) from November 2006 to September 2014 and a non-executive director of GCL New Energy Holdings Limited (Stock Code: 451) from May 2014 to February 2015. Both companies are listed on the Main Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Chan, aged 53, has been an INED since 30 September 2004. He is the chairman of both the Audit Committee and the Remuneration Committee of the Company. He is also a member of the Nomination Committee. Mr. Chan holds a bachelor degree with honours in Business Administration and a master of science degree with distinction in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance. Mr. Chan is currently an executive director and chief executive officer of Hong Kong ChaoShang Group Limited (formerly known as Noble Century Investment Holdings Limited) (Stock Code: 2322), an executive director and chairman of Royal Century Resources Holdings Limited (Stock Code: 8125) and an executive director of e-Kong Group Limited (now known as Great Wall Belt & Road Holdings Limited) (Stock Code: 524). Mr. Chan is also an independent non-executive director of each of New Times Energy Corporation Limited (Stock Code: 166), China Baoli Technologies Holdings Limited (Stock Code: 164), Media Asia Group Holdings Limited (Stock Code: 8075), Leyou Technologies Holdings Limited (Stock Code: 1089) and Affluent Partners Holdings Limited (Stock Code: 1466) all of which are listed either on the Main Board or GEM of the Stock Exchange. Mr. Chan was an executive director of China Minsheng Drawin Technology Group Limited (now known as DIT Group Limited) (Stock Code: 726) from December 2013 to July 2015, Co-Prosperity Holdings Limited (now known as Asia Television Holdings Limited) (Stock Code: 707) from December 2014 to October 2015 and an independent non-executive director of China Sandi Holdings Limited (Stock Code: 910) from September 2009 to July 2014, Jun Yang Financial Holdings Limited (now known as Power Financial Group Limited) (Stock Code: 397) from January 2005 to October 2017 and U-RIGHT International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited) (Stock Code: 627) from November 2010 to December 2017, all of which are listed on the Main Board.

Mr. Wong Cheuk Bun ("Mr. Wong")

Mr. Wong, aged 45, has been an INED and a member of the Audit Committee since 3 July 2017 and member of each of the Remuneration Committee and the Nomination Committee since 24 March 2018. He is a practising certified public accountant and currently an adjunct lecturer specialising in accounting and finance areas in various tertiary institutions in Hong Kong and Mainland China. Mr. Wong received a Master degree of Professional Accounting from the Hong Kong Polytechnic University. He is presently an associate member of the Hong Kong Institute of Certified Public Accountants, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has about 20 years of diversified experience in accounting and finance.

Mr. Chan Sing Fai ("Mr. Felix Chan")

Mr. Felix Chan, aged 36, has been appointed as an INED and a member of the Audit Committee since 21 February 2020. He has over 12 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Felix Chan graduated from the Hong Kong Polytechnic University with a Bachelor's degree with honors in accountancy in 2007 and attained a Master of Corporate Governance from the Hong Kong Polytechnic University in 2015. He is a member of the Hong Kong Institute of Certified Public Accountants and is an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Felix Chan is currently the company secretary and financial controller of Global Bio-chem Technology Group Company Limited (Stock Code: 0809) and Global Sweeteners Holdings Limited (Stock Code: 03889), all of which are listed on the Main Board.

Directors' Report

The Board is pleased to present this Annual Report together with the Consolidated Financial Statements of the Group for the year ended 31 December 2019.

CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Hong Kong with limited liability. The Company acts as an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in Note 41 to the Consolidated Financial Statements. The analysis of segment information of the Group during the year is set out in Note 5 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year including the material factors underlying its results and financial position and the likely future developments of its business, in accordance with Section 388 of, and Schedule 5 to the Companies Ordinance, is set out in the section headed "Management Discussion and Analysis" ("MD&A") of this Annual Report. An analysis of the Group's performance using financial key performance indicators is provided in the section headed "Financial Review" included in the MD&A of this Annual Report.

A discussion covers the Group's strategic approach to sustainability and performance in environmental and social aspects of its business, environmental key performance indicators as well as an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group's operations and on which the Group's success depends are set out in the section headed "Environmental, Social and Governance Report" of this Annual Report.

The Group has established systems and procedures to ensure compliance with relevant laws and regulations which have significant impact on the Group in conducting its business, including but not limited to Personal Data (Privacy) Ordinance, Employment Ordinance, Occupational Safety and Health Ordinance, Prevention of Bribery Ordinance, Companies Ordinance, Listing Rules and SFO in Hong Kong, Employment Law and Environmental Protection Law as well as all other applicable laws in the PRC, its compliance of which is set out in the sections headed "Environmental, Social and Governance Report" and "Corporate Governance Report" of this Annual Report. All of the above sections form part of this Directors' Report.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the section headed "Consolidated Statement of Comprehensive Income" on pages 74 to 75 of this Annual Report. No interim dividend was paid to the Shareholders during the year (2018: Nil). The Directors did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the Consolidated Financial Statements is set out on page 146 of this Annual Report. This summary does not form part of the Consolidated Financial Statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 78 of this Annual Report and Note 40 to the Consolidated Financial Statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have any reserves available for distribution to Shareholders as calculated in accordance with the provisions of section 297 of the Companies Ordinance.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 30 to the Consolidated Financial Statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2019, the Group had no bank loans and other borrowings.

MAJOR CUSTOMERS

The Group's largest customer accounted for 73% of the Group's revenue of the year under review and 100% of the total revenue of the Group of the year under review was attributable to the Group's top five customers.

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes that good relationships with its employees, customers and suppliers are keys to its success. The Group maintains caring relationship with its employees and good partnership with its suppliers with an aim to providing the best service to its customers.

Directors' Report

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2019 and up to the date of this Annual Report are set out in the section headed "Corporate Governance Report" of this Annual Report.

The Company has received annual confirmation from each of the three INEDs (namely, Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Wong Yin Shun, who resigned as an INED on 31 December 2019) with regard to his independence and considers that the INEDs to be independent during the year under review.

Mr. Yu Baodong, an ED, and Mr. Wong Cheuk Bun, an INED, will retire from office by rotation pursuant to Articles 101A and 101B of the Articles of Association. Mr. Chan Sing Fai has been appointed as an INED on 21 February 2020 and he shall hold office until the upcoming AGM of the Company pursuant to Article 92 of the Articles of Association. All of the above retiring Directors are eligible and will offer themselves for re-election at the 2020 AGM.

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

DIRECTORS' BIOGRAPHIES

Biographical details of the current Directors are set out in the section headed "Directors' Profile" on pages 16 to 17 of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the year under review and up to the date of this Annual Report, Mr. Chan Chi Yuen ("Mr. Chan"), an INED, is an executive director and chief executive officer of Hong Kong ChaoShang Group Limited (formerly known as Noble Century Investment Holdings Limited) (Stock Code: 2322), a company listed on the Main Board, which has a subsidiary engaging in the vessel chartering business and therefore, Mr. Chan is considered to have interests in the businesses which compete or may compete with the businesses of the Group and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Given that Mr. Chan is an INED and does not participate in the daily operations of the Group, the Directors consider that any significant competition caused to the businesses of Group would be unlikely. Mr. Chan has confirmed he is fully aware of, and has been discharging, his fiduciary duty to the Company to avoid conflict of interests. In situations where any conflict of interests arises, Mr. Chan will refrain from taking part in the decision making process and from voting on the relevant resolution at the Board meeting.

Save as disclosed under the section headed "Directors and Directors' Service Contracts" of this Directors' Report and in Note 34 to the Consolidated Financial Statements, no contract of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss or damage which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and other officers of the Group for the year under review.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

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

REMUNERATION POLICY

The remuneration policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualification and competence with reference to the market benchmarks. The Director's remuneration is recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, and approved by the Board. The Company has adopted share option scheme as incentives to Directors, eligible employees and participants, details of which are set out in the section headed "Share Options" below.

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 9 and 10 to the Consolidated Financial Statements.

RETIREMENT BENEFITS SCHEMES

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

Directors' Report

SHARE OPTIONS

2008 Share Option Scheme

On 20 August 2008, the 2008 Share Option Scheme was adopted by the Company with a scheme life of 10 years commencing from the date of adoption. The purpose of the 2008 Share Option Scheme was to attract, retain and motivate talented participants to strive for future development 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 of the Group with weekly working hours of ten hours and above (collectively, the "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, the "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 the share options to be granted under the 2008 Share Option Scheme and any other scheme of the Company should 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 Shareholders. The total number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of the Company.

Since there was a substantial increase in the issued share capital of the Company after the adoption of the 2008 Share Option Scheme, the Directors had sought Shareholders' approval at the AGM of the Company held on 3 June 2010 to increase the total number of Shares which may be issued upon exercise of all the share options to 1,285,702,710 Shares (equivalent to 25,714,054 Shares after Share Consolidation), representing 10% of the issued share capital of the Company as at the date of passing of the resolution. The subscription price would be determined by the Directors, which should not be less than the highest 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 the share options; or (iii) the nominal value of a Share.

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 share options and expiring on the close of business on the last day of such period as determined by the Directors and notified to the grantee (in any event such period must not be more than 10 years from the date of grant of the share options) subject to any restrictions as may be imposed on the exercise of the share options during the period in which the share options may be exercised.

On 21 April 2011, 313,200,000 share options (equivalent to 6,264,000 share options after the Share Consolidation) were granted at an exercise price of HK$0.168 per Share (equivalent to HK$8.4 per Share after the Share Consolidation) under the 2008 Share Option Scheme, of which 312,200,000 share options (equivalent to 6,244,000 share options after the Share Consolidation) were accepted and 1,000,000 share options (equivalent to 20,000 share options after the Share Consolidation) were lapsed due to non-acceptance by a grantee within the prescribed time limit.

On 16 April 2018, 97,250,271 share options (equivalent to 19,450,054 share options after the Share Consolidation) were granted at an exercise price of HK$0.1432 per Share (equivalent to HK$0.716 per Share after the Share Consolidation) under the 2008 Share Option Scheme, all of which had been accepted.

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

Upon the Share Consolidation becoming effective on 19 August 2019, the number of total share options granted under the 2008 Share Option Scheme and the exercise price per Share had been adjusted accordingly.

For the year under review, 786,000 share options (2018: 1,050,000 share options (equivalent to 210,000 share options after the Share Consolidation)) were lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to their terms of issue.

The following table sets out the movements in the share options granted under the 2008 Share Option Scheme during the year:

Directors or category of participant	Exercise period of share options	Exercise price of share options HK$ *(Note 1)*	As at 1.1.2019	Granted during the year	Exercised during the year	Lapsed/forfeited during the year	As at 31.12.2019
Directors							
Mr. Liang Jun	21.4.2011 to 20.4.2021	8.4	1,000,000	—	—	—	1,000,000
	16.4.2018 to 15.4.2028	0.716	902,010	—	—	—	902,010
Mr. Fu Yongyuan	16.4.2018 to 15.4.2028	0.716	4,902,014	—	—	—	4,902,014
Mr. Yu Baodong	21.4.2011 to 20.4.2021	8.4	1,000,000	—	—	—	1,000,000
	16.4.2018 to 15.4.2028	0.716	902,010	—	—	—	902,010
Mr. Chan Chi Yuen	16.4.2018 to 15.4.2028	0.716	400,000	—	—	—	400,000
Mr. Wong Cheuk Bun	16.4.2018 to 15.4.2028	0.716	400,000	—	—	—	400,000
Ex-Director							
Mr. Wong Yin Shun	16.4.2018 to 15.4.2028	0.716	200,000	—	—	—	200,000
Employees (in aggregate)	21.4.2011 to 20.4.2021	8.4	1,040,000	—	—	506,000	534,000
	16.4.2018 to 20.4.2028	0.716	11,744,020	—	—	280,000	11,464,020
		Total	22,490,054	—	—	786,000	21,704,054

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. The Company may grant share options to selected eligible participants (as defined in the 2018 Share Option Scheme) as incentives or rewards for their contribution 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 the grant of share options (e.g. the minimum period of the share options to be held, the performance targets to be achieved before the share options can be exercised and the subscription price). This provides the Board with more flexibility in imposing appropriate conditions in light of the circumstances of each grant and help to achieve the purpose of the 2018 Share Option Scheme. The aggregate number of Shares in respect of which share options (including both exercised and outstanding share options) may be granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate 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 share 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 exercise of the share options granted and to be granted to each eligible participant in any 12-month period shall not exceed 1.0% 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:

(i) any employee (whether full time or part time, including any EDs but excluding any NEDs) of the Company, or of any of its subsidiaries of invested entity in which the Group holds any equity interest;

(ii) any NED (including INED) of the Company, any of its subsidiaries or any invested entity;

(iii) 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;

(iv) any other entity (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; or

(v) any other persons (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contributed to the Group.

The 2018 Share Option Scheme is valid and effective for a period of ten years commencing on the date of adoption.

On 29 August 2018, 247,987,622 share options (equivalent to 49,597,524 share options after the Share Consolidation) were granted at an exercise price of HK$0.0976 per Share (equivalent to HK$0.488 per Share after the Share Consolidation) under the 2018 Share Option Scheme, all of which have been accepted. The share options are exercisable during a period of 10 years commencing from the date of grant.

Since the scheme mandate limit of the 2018 Share Option Scheme was used up, the Directors had sought approval from the Shareholders at the Company's 2019 AGM, which was held on 27 May 2019 to refresh the scheme mandate limit so as to increase flexibility of the Company to grant share options under the 2018 Share Option Scheme. As such, the total number of Shares which may be issued upon exercise of all the share options granted under the 2018 Share Option Scheme had been refreshed to 247,987,622 Shares (equivalent to 49,597,524 Shares after the Share Consolidation), representing 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution. The subscription price would be determined by the Directors, which should 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 the share options.

On 4 July 2019, the Board resolved to grant 247,987,622 share options carrying the rights to subscribe for a total of 247,987,622 Shares (equivalent to 49,597,524 Shares after the Share Consolidation) to the eligible participants, including Directors and employees, at an exercise price of HK$0.091 per Share (equivalent to HK$0.455 per Share after the Share Consolidation) with are exercisable during a period of 10 years commencing from the date of grant of the share options. Among the share options granted, 191,200,000 share options (equivalent to 38,240,000 share options after the Share Consolidation) were granted to seven Directors at that relevant time, of which, in aggregate, 184,000,000 share options (equivalent to 36,800,000 share options after the Share Consolidation) granted to 3 EDs and 1 NED, as conditional grantees, with details as follows were subject to the approval from the Shareholders of the Company pursuant to Rule 17.03(4) of the Listing Rules and the terms of the 2018 Share Option Scheme:

Name of Director	Number of share options granted
Mr. Liang Jun (ED)	21,000,000 (equivalent to 4,200,000 share options after the Share Consolidation)
Mr. Fu Yongyuan (ED)	71,000,000 (equivalent to 14,200,000 share options after the Share Consolidation)
Mr. Wu Jian (ED)	71,000,000 (equivalent to 14,200,000 share options after the Share Consolidation)
Mr. Yu Baodong (NED)	21,000,000 (equivalent to 4,200,000 share options after the Share Consolidation)

The ordinary resolutions approving the grant of share options to each of Mr. Liang Jun, Mr. Fu Yongyuan, Mr. Wu Jian and Mr. Yu Baodong were duly passed by the Shareholders at the Company's general meeting held on 15 August 2019.

For the year under review, 1,870,000 share options (as adjusted as a result of the Share Consolidation) (2018: nil) were lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to their terms of issue.

Directors' Report

The following table sets out the movements in the share options granted under the 2018 Share Option Scheme during the year:

Directors or category of participant	Exercise period of share options	Exercise price of share options HK$ *(Note 2)*	As at 1.1.2019	Granted during the year	Exercised during the year	Lapsed/forfeited during the year	As at 31.12.2019
Directors							
Mr. Liang Jun	29.8.2018 to 28.8.2028	0.488	4,200,000	—	—	—	4,200,000
	4.7.2019 to 3.7.2029	0.455	—	4,200,000	—	—	4,200,000
Mr. Fu Yongyuan	29.8.2018 to 28.8.2028	0.488	9,400,000	—	—	—	9,400,000
	4.7.2019 to 3.7.2029	0.455	—	14,200,000	—	—	14,200,000
Mr. Wu Jian	29.8.2018 to 28.8.2028	0.488	—	—	—	—	—
	4.7.2019 to 3.7.2029	0.455	—	14,200,000	—	—	14,200,000
Mr. Yu Baodong	29.8.2018 to 28.8.2028	0.488	9,000,000	—	—	—	9,000,000
	4.7.2019 to 3.7.2029	0.455	—	4,200,000	—	—	4,200,000
Mr. Chan Chi Yuen	29.8.2018 to 28.8.2028	0.488	480,000	—	—	—	480,000
	4.7.2019 to 3.7.2029	0.455	—	480,000	—	—	480,000
Mr. Wong Cheuk Bun	29.8.2018 to 28.8.2028	0.488	480,000	—	—	—	480,000
	4.7.2019 to 3.7.2029	0.455	—	480,000	—	—	480,000
Ex-Director							
Mr. Wong Yin Shun	29.8.2018 to 28.8.2028	0.488	480,000	—	—	480,000	—
	4.7.2019 to 3.7.2029	0.455	—	480,000	—	480,000	—
Eligible Participants	29.8.2018 to 28.8.2028	0.488	25,557,524	—	—	690,000	24,867,524
(in aggregate)	4.7.2019 to 3.7.2029	0.455	—	11,357,524	—	220,000	11,137,524
		Total	49,597,524	49,597,524	—	1,870,000	97,325,048

Notes:

(1) The exercise price for the share options granted under the 2008 Share Option Scheme on 21 April 2011 and 16 April 2018 had been adjusted after the Share Consolidation with effect from 19 August 2019.

(2) The exercise price for the share options granted under the 2018 Share Option Scheme on 29 August 2018 and 4 July 2019 had been adjusted after the Share Consolidation with effect from 19 August 2019.

During the year under review, save for the movements as set out in the above table, no share options granted under the 2008 Share Option Scheme had been exercised or cancelled. The number of Shares which may be issued upon exercise of the share options which have been granted and outstanding on 31 December 2019 under the 2008 Share Option Scheme was 21,704,054 (2018: 112,450,271 (equivalent to 22,490,054 share options after the Share Consolidation), representing approximately 4.4% (2018: approximately 4.5%) of the total number of Shares in issue as at 31 December 2019.

In respect of the 2018 Share Option Scheme, save for the movements as set out in the above table, no share options had been exercised or cancelled during the year. The number of Shares which may be issued upon exercise of the share options which have been granted and outstanding on 31 December 2019 under the 2018 Share Option Scheme was 97,325,048 (2018: 247,487,622 (equivalent to 49,597,524 share options after the Share Consolidation)), representing approximately 19.6% (2018: approximately 10%) of the total number of Shares in issue as at 31 December 2019.

Accordingly, the aggregate number of Shares which may be issued upon exercise of all outstanding share options granted under the 2008 Option Scheme, which remained exercisable, and the 2018 Share Option Scheme of the Company was 119,029,102, representing approximately 24% of the total number of Shares in issue as at 31 December 2019.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions for the year ended 31 December 2019 are set out in Note 34 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best of knowledge of the Directors, the percentage of the Shares in the public's hands exceeded 25% throughout the year as required under the Listing Rules.

CORPORATE GOVERNANCE

Throughout the year under review, the Company complied with the applicable code provisions and principles as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned in the section headed "Corporate Governance Report — Corporate Governance Practices" on page 29 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Company complied with the applicable code provisions and principles as set out in Appendix 16 to the Listing Rules throughout the year under review and details of which are set out in the section headed "Environmental, Social and Corporate Report" on page 46 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year under review, the Company had not aware of any material breach of or non-compliance with the applicable laws and regulations by the Group. The management regularly reviews and updates the rules and policies of the Group to ensure it is in compliance with the legal and regulatory requirements.

AUDITOR

The Consolidated Financial Statements of the Group for the year ended 31 December 2019 were audited by Mazars CPA Limited. A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the 2020 AGM of the Company.

On behalf of the Board

Fu Yongyuan
Executive Director
Hong Kong, 28 February 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

It is a continuing commitment of the Board and the management of the Company to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the Shareholders and enhance the performance of the Group. The Company has adopted and applied the principles as set out in the CG Code.

Throughout the year ended 31 December 2019, the Company complied with the applicable CG Code and principles, save for the deviations specified and explained below.

Code Provision A.2.1

The post of chief executive (the "Chief Executive") of the Company has remained vacant since March 2009. The duties of Chief Executive have been performed by other EDs. 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. Nevertheless, the Board will review the current structure from time to time and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of Chief Executive as appropriate.

Code Provision A.2.7

Pursuant to code provision A.2.7 of the CG Code, the Chairman should at least annually hold meetings with the INEDs without the presence of the other Directors. During the year under review, due to other business engagements, Mr. Yu Baodong, the Chairman of the Board, did not hold any meetings with the INEDs without the presence of other Directors.

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates, among other things, that the INEDs and other NEDs should attend the general meetings of the Company. Due to prior business engagements, Mr. Yu Baodong, the Chairman of the Board and a NED, did not attend the 2019 AGM held on 27 May 2019 and the three general meetings held on 15 August 2019 and 11 November 2019 respectively. Whilst Mr. Wong Cheuk Bun, an INED, did not attend the three general meetings held on 15 August 2019 and 11 November 2019 respectively and Mr. Chan Chi Yuen did not attend the general meeting held on 15 August 2019 due to other business engagements.

DIRECTORS' SHAREHOLDING INTERESTS

Directors' Interests in AELG's Securities

Directors' interests in the Company's securities as at 31 December 2019 are disclosed in the Directors' Report and in this Corporate Governance Report.

Compliance with the Model Code

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all current Directors confirmed that they have complied with the Model Code throughout the period/year ended 31 December 2019 (where applicable).

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

As at 31 December 2019, the following person(s) is/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 were deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of shareholding *(Note 2)*
Current Director					
Mr. Liang Jun	Beneficial Owner	—	10,302,010	10,302,010	2.08%
Mr. Fu Yongyuan	Beneficial Owner	—	28,502,014	28,502,014	5.75%
Mr. Wu Jian	Beneficial Owner and Corporate Interest *(Note 3)*	—	19,000,000	19,000,000	3.83%
Mr. Yu Baodong	Beneficial Owner	—	15,102,010	15,102,010	3.05%
Mr. Chan Chi Yuen	Beneficial Owner	—	1,360,000	1,360,000	0.27%
Mr. Wong Cheuk Bun	Beneficial Owner	—	1,360,000	1,360,000	0.27%
Ex-Director					
Mr. Wong Yin Shun *(Note 4)*	Beneficial Owner	—	200,000	200,000	0.04%

Notes:

(1) These are share options granted by the Company to the Directors under the 2008 Share Option Scheme and the 2018 Share Option Scheme respectively. Such share options can be exercised by the Directors at various intervals during the period of 10 years from the respective dates of grant, i.e. 21 April 2011, 16 April 2018, 29 August 2018 and 4 July 2019, details of the respective grants are set out in the section headed "Share Options" in the Directors' Report.

(2) The approximate percentage of shareholding was calculated based on the total number of Shares in issue, being 495,975,244 Shares (adjusted as a result of the Share Consolidation) as at 31 December 2019.

(3) 4,800,000 share options were granted by the Company to Chatwin Capital Services Limited, 51% of which is beneficially owned by Mr. Wu Jian, on 29 August 2018 under the 2018 Share Option Scheme. As such, Mr. Wu Jian is deemed to be interested in these 4,800,000 share options. 14,200,000 share options were granted to Mr. Wu Jian under the 2018 Share Option Scheme on 4 July 2019, which was duly approved by the Shareholders of the Company at its general meeting held on 15 August 2019, details of the respective grants are set out in the section headed "Share Options" in the Directors' Report.

(4) Mr. Wong Yin Shun resigned as an INED of the Company with effect from 31 December 2019, these are share options granted to him under the 2008 Share Option Scheme on 16 April 2018, which remain valid and exercisable for a further period of 9 months from the date of his resignation up to 30 September 2020 pursuant to the terms of issue under the 2008 Share Option Scheme.

Save as disclosed above, as at 31 December 2019, as far as the Board was aware, none of the Directors of the Company had or was deemed to have any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or were deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other persons' interests and short positions in shares and underlying Shares

So far as is known to any Directors, as at 31 December 2019, the following persons (not being a Director) had interests in the Shares or underlying Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of shareholding** *(Note 6)*
Mr. Wong Kin Ting ("Mr. Wong")	Interest of controlled corporations	91,059,406 *(Note 1)*	18.4%
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of discretionary trust & interest of controlled corporations	42,749,000 *(Note 2)*	8.6%
Credit Suisse Trust Limited ("CST")	Trustee	40,000,000 *(Note 3)*	8.1%
Ms. Mak Siu Hang Viola	Interest of controlled corporations	86,666,666 *(Note 4)*	17.5%
Value Convergence Holdings Limited	Beneficiary owner and interest of controlled corporations	57,621,333 *(Note 5)*	11.6%

Notes:

(1) According to the individual substantial shareholder notice filed by Mr. Wong, Mr. Wong was deemed to be interested in 91,059,406 Shares (as adjusted as a result of the Share Consolidation) through his interests in the following corporations which are 100% owned by him:

(i) 5,900,000 Shares (as adjusted as a result of the Share Consolidation) held by Delight Assets Management Limited; and

(ii) 85,159,406 Shares (as adjusted as a result of the Share Consolidation) held by King Castle Enterprises Limited.

(2) According to the individual substantial shareholder notice filed by Mr. Zhu, Mr. Zhu was deemed to be interested in 42,749,000 Shares (as adjusted as a result of the Share Consolidation) that comprised:

(i) 40,000,000 Shares (as adjusted as a result of the Share Consolidation) indirectly held by Asia Pacific Energy Fund, a trust fund of which Mr. Zhu is both a founder and a beneficiary, details of which are described in Note 3 below); and

(ii) 2,749,000 Shares (as adjusted as a result of the Share Consolidation) directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.

(3) According to the corporate substantial shareholder notice filed by CST, CST was deemed to be interested in 40,000,000 Shares (as adjusted as a result of the Share Consolidation) in its capacity as the trustee of these Shares. These 40,000,000 Shares (as adjusted as a result of the Share Consolidation) 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. Asia Pacific Energy Fund Limited is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Selector Limited are 100% controlled by CST.

Out of these 40,000,000 Shares (as adjusted as a result of the Share Consolidation), 20,000,000 Shares (as adjusted as a result of the Share Consolidation) 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 dated 24 December 2009 and 28 April 2010, respectively) in relation to the acquisition of the entire equity interests in Ocean Jade Investments Limited (collectively, the "Agreements"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 20,000,000 Shares (as adjusted as a result of the Share Consolidation) is subject to the achievement of the profit guarantee as contained in the Agreements.

(4) According to the individual substantial shareholder notice filed by Ms. Mak Siu Hang Viola ("Ms. Mak"), Ms. Mak is deemed to be interested in 86,666,666 Shares through her interests in VMS Investment Group Limited, which is 100% owned by Ms. Mak. These 86,666,666 Shares represent the Shares to be issued (either in whole or in part) to VMS, being the bondholder of the 2019 CB in an aggregate amount of HK$26,000,000, upon VMS's conversion of the 2019 CB at a conversion price of HK$0.30 per conversion share (subject to adjustments) pursuant to the terms and conditions as stipulated in the 2019 Placing Agreement and the bond instrument dated 14 November 2019. Details of the 2019 Placing Agreement and the 2019 CB are set out in the Company's circular dated 29 July 2019.

(5) According to the corporate substantial shareholder notice filed by Value Convergence Holdings Limited ("VCH"), VCH is the beneficial owner of 24,288,000 Shares and is also deemed to be interested in 33,333,333 Shares through its interests in VC Financial Group Limited ("VCF"), which is 100% owned by VCH. VCF owns 100% of VC Brokerage Limited ("VCB"). These 33,333,333 Shares represent the Shares to be issued (either in whole or in part) to VCB, a bondholder of the 2019 CB in an aggregate amount of HK$10,000,000, upon VCB's conversion of the 2019 CB at a conversion price of HK$0.30 per conversion share (subject to adjustments) pursuant to the terms and conditions as stipulated in the 2019 Placing Agreement and the bond instrument dated 14 November 2019. Details of the 2019 Placing Agreement and the 2019 CB are set out in the Company's circular dated 29 July 2019.

(6) The approximate percentage of shareholding was calculated based on the total number of Shares in issue of 495,975,244 Shares (as adjusted as a result of the Share Consolidation) as at 31 December 2019.

Save as disclosed above, as at 31 December 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 Share and Debentures" above) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

BOARD OF DIRECTORS

(1) Board Composition

The Board currently comprises two EDs, one NED and three INEDs. The biographical details of each Director are shown in the section headed "Directors' Profile" on pages 16 to 17 of this Annual Report and are on the Company's website. The Directors during the year under review and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Fu Yongyuan
Mr. Wu Jian (appointed on 1 March 2019)
Mr. Liang Jun (resigned on 10 February 2020)

Non-Executive Director

Mr. Yu Baodong *(Chairman)*

Independent Non-Executive Directors

Mr. Chan Chi Yuen
Mr. Wong Cheuk Bun
Mr. Chan Sing Fai (appointed on 21 February 2020)
Mr. Wong Yin Shun (resigned on 31 December 2019)

The Company has received annual confirmation from each of the three INEDs (namely, Mr. Chan Chi Yuen, Mr. Wong Cheuk Bun and Mr. Wong Yin Shun, who resigned on 31 December 2019) with regard to his independence to the Company and considers that each of the INEDs to be independent during the year under review.

Further, the Directors do not have any relationship (including financial, business, family or other material relationships) between themselves.

(2) Nomination and Appointment of Directors

The Company has adhered to its policy in selecting candidate(s) for the appointment as Directors by considering advices from the Nomination Committee and taking into account the Board Diversity Policy. The existing Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the Company's AGM. For the newly appointed Director, he shall hold office only until the next general meeting of the Company (in case of filling a casual vacancy) or until the next following AGM of the Company (in case of an addition to the existing Board), and shall then be eligible for re-election.

(3) Changes in Directorship

Mr. Wu Jian was appointed as an ED on 1 March 2019 and Mr. Wong Yin Shun resigned as an INED on 31 December 2019.

Mr. Liang Jun resigned as an ED on 10 February 2020.

Following the resignation of Mr. Wong Yin Shun as an INED on 31 December 2019, the total number of INEDs of the Company fell below the minimum number as required under Rule 3.10(1) of the Listing Rules, on 21 February 2020, the Board has appointed Mr. Chan Sing Fai as an INED to fill the vacancy and the Company has complied with the requirement under Rule 3.10(1) of the Listing Rules with effect from 21 February 2020.

(4) Responsibility of the Board of Directors

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

Other duties include but are not limited to:

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

The day-to-day management, administration and operations of the Group and the implementation of policies have been delegated to the management of the Group. The Board fully supports the management with appropriate power and authorities in operating the Group's businesses within the strategic directions given by the Board. The management should report back to the Board before any significant decisions and commitments are to be made. The Board also reviews the authorities delegated to the management regularly to ensure that these are appropriate and effective.

Although the Board has delegated its certain responsibilities and functions to the management and various committees, it acknowledges that it remains ultimately accountable for the performance and affairs of the Company.

(5) Board Meetings and General Meetings

There were seven Board meetings and four general meetings held during the year under review. The attendance of Directors at the Board meetings and the general meetings are as follows:

	Attendance No. of Board meetings attended/ No. of Board meetings held during the year	Attendance No. of general meetings attended/ No. of general meetings held during the year
Executive Directors		
Mr. Fu Yongyuan	7/7	4/4
Mr. Wu Jian (appointed on 1 March 2019)	5/7	4/4
Mr. Liang Jun (resigned on 10 February 2020)	6/7	4/4
Non-Executive Director		
Mr. Yu Baodong *(Chairman)*	5/7	0/4
Independent Non-Executive Directors		
Mr. Chan Chi Yuen	7/7	3/4
Mr. Wong Cheuk Bun	7/7	1/4
Mr. Wong Yin Shun (resigned on 31 December 2019)	4/7	4/4

(6) Board Activities

The Board meets regularly and holds not less than 4 meetings yearly at approximately quarterly intervals to review and discuss the Company's operations, financial results and other relevant matters as identified by the Directors. Additional meetings will also be arranged at the Directors' request as driven by circumstances. Through participating in the Board meetings, committee meetings and general meetings, the Directors are able to make contributions as required from them to the Board and to the development of the Group.

The Board proceedings are well defined and in adherence to the requirements under the Articles of Association and the Listing Rules. The Company Secretary prepares the agendas for Board meetings and issue to all Directors with a notice period (either written and/or verbal) of at least 14 days for regular Board meetings, and shorter notice period for other Board meetings, and distribute to all Directors the Board papers containing relevant information and documents at least 3 days before the Board meetings. During each Board meeting, the Chairman of the meeting encourages all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interests of the Company. Directors are also encouraged to discuss the matters at the meeting and express their different views to ensure that the Board's decisions fairly reflect the consensus of all Directors. EDs are responsible for reporting to the Board the respective business segments, including but not limited to, operations of the respective divisions, business update, progress of the projects, financial performance, corporate governance and compliance matters.

The Directors are required to declare their and their connected entities' direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at the Board meetings and should not vote and be counted in the quorum on the relevant resolutions in relation to such proposals and transactions thereat.

The Company Secretary prepares written resolutions and minutes as required by the circumstances and keeps detailed records of matters discussed and decisions resolved at the Board meetings, committee meetings and general meetings, including any concern raised by the Directors, members of the committees and the Shareholders (as the case may be) or their dissenting views expressed. Draft resolutions and minutes of the Board/committee meetings will be circulated to the Directors/members of the committees for comments in a timely manner. Original minutes and resolutions of the Board/committees and general meetings are placed on record and kept by the Company Secretary. These are available for inspection upon request by the Directors.

(7) Continuous Professional Development

For newly appointed Director, the Company will provide an induction package including necessary information of the Group and briefings relevant to the business and/or director's duties. The Directors are encouraged to participate in professional development courses and seminars to ensure that they are aware of their responsibilities under the Listing Rules, legal and other regulatory requirements. Ongoing professional trainings and seminars will be offered to all Directors in order for them to develop and refresh their knowledge and skills as directors of listed company as and when appropriate. Regulatory and industry-related updates will also be provided to all Directors from time to time.

(8) Monthly Management Reports to Directors

All Directors are provided with monthly report on the Company's performance, position and prospects, together with the latest development on the changes of applicable rules and regulations to enable the Board as a whole and each Director to discharge their duties. Last but not the least, all Directors have been continuously keeping themselves updated on relevant issues, such as, corporate governance and regulatory requirements through self-reading materials.

The individual training record of each Director for the year ended 31 December 2019 are as follows:

	Updates on laws, rules & regulations/management and/ other professional skills and Self-reading
Executive Directors	
Mr. Fu Yongyuan	√
Mr. Wu Jian (appointed on 1 March 2019)	√
Mr. Liang Jun (resigned on 10 February 2020)	√
Non-Executive Director	
Mr. Yu Baodong *(Chairman)*	√
Independent Non-Executive Directors	
Mr. Chan Chi Yuen	√
Mr. Wong Cheuk Bun	√
Mr. Wong Yin Shun (resigned on 31 December 2019)	√

(9) Chairman and Chief Executive

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

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

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

(10) NED and INEDs with clear guideline on responsibilities and authorities

During the year under review and up to the date of this Annual Report, NED and all INEDs have been appointed for a specific term of service. Pursuant to the Articles of the Association, NED and all INEDs shall be subject to retirement by rotation at least once every three years at the AGM of the Company and shall be eligible for re-election.

Although Mr. Chan Chi Yuen has served as an INED of the Company for more than nine years, he does not have any management role in the Group and he has at all times exercised independent judgment concerning issues of strategy, policy, performance and standards of conduct when participating the Board and/or committee meetings. The Board considers that he possesses the character, integrity, independence and experience commensurate with the office of INED.

(11) Meetings with INEDs

Pursuant to code provision A.2.7 of the CG Code, the Chairman should at least annually hold meetings with the INEDs without the presence of the other Directors. During the year under review, due to other business engagements, Mr. Yu Baodong, the Chairman of the Board, did not hold any meetings with the INEDs without the presence of the other Directors.

(12) Directors' and Officers' Liability Insurance

The Company has taken out the directors' and officers' liability insurance coverage pursuant to the Articles of Association in relation to the liability of the Directors and officers for any loss or damage which may happen to or be incurred by the Company in the execution of the duties of his/their office(s) or in relation thereto.

(13) Independent Advice to the Board

The Directors, upon reasonable request to the Company in an agreed procedure, are authorized, at the expenses of the Company, to seek independent professional advices in appropriate circumstances in order to assist them in performing their duties.

BOARD COMMITTEES

The Board currently has four committees, namely the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee. All the Board committees are empowered by the Board under their own TORs which have been published on the Stock Exchange's website and the Company's website respectively.

(1) Remuneration Committee

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

During the year under review, the members of the Remuneration Committee consisted of 2 INEDs and 1 ED, namely, Mr. Chan Chi Yuen (Chairman), Mr. Wong Cheuk Bun and Mr. Liang Jun.

During the year under review, no meeting of the Remuneration Committee was held. The Remuneration Committee performed the following duties/reviews/assessments and resolved its decisions by way of resolutions in writing and submitted its recommendations to the Board for approval:

- Assessing the remuneration package of Mr. Wu Jian, an ED, upon his appointment on 1 March 2019;
- Reviewing and assessing the remuneration package of Mr. Liang Jun, an ED and the Director's fee of the three INEDs on 1 March 2019;
- Reviewing and assessing the Director's fee for Mr. Chan Chi Yuen, an INED, upon his renewal of term of appointment for a further term of 3 years from 2 June 2019 to 1 June 2022, both days inclusive;
- Reviewing and assessing the proposal in respect of the grant of share options under the 2018 Share Option Scheme to the Directors (including the INEDs) on 4 July 2019; and
- Reviewing and assessing the renewal of the service agreements in September 2019 with Mr. Liang Jun and Mr. Fu Yongyuan, both being EDs and their respective remuneration packages.

On 10 February 2020, Mr. Liang Jun resigned as a member of the Remuneration Committee and Mr. Fu Yongyuan has been appointed as a member of which to fill the vacancy left by the resignation of Mr. Liang Jun on the same date. Thereafter, members of the Remuneration Committee consist of Mr. Chan Chi Yuen (Chairman), Mr. Wong Cheuk Bun and Mr. Fu Yongyuan.

(2) Audit Committee

The Audit Committee comprising only INEDs was established with specific written TOR that complied with the Listing Rules. The main purpose of the Audit Committee is to review and provide supervision over the Group's financial reporting process, risk management and internal controls.

During the year under review, members of the Audit Committee were Mr. Chan Chi Yuen (Chairman), Mr. Wong Cheuk Bun and Mr. Wong Yin Shun, who has resigned on 31 December 2019.

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

- Reviewing the audit plan for the financial year ended 31 December 2018;
- Reviewing the Company's audited consolidated financial statements for the year ended 31 December 2018;
- Reviewing the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019; and
- Reviewing the Company's financial controls, internal control and risk management systems.

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

	No. of meetings attended/ No. of meetings held during the year
Mr. Chan Chi Yuen *(Chairman)*	3/3
Mr. Wong Cheuk Bun	3/3
Mr. Wong Yiu Shun (resigned on 31 December 2019)	1/3

Following the resignation of Mr. Wong Yin Shun as a member of the Audit Committee on 31 December 2019, the number of the Audit Committee members fell below the minimum number as required under Rule 3.21 of the Listing Rules, on 21 February 2020, the Board has appointed Mr. Chan Sing Fai as a member of the Audit Committee to fill the vacancy and the Company has complied with the requirement under Rule 3.21 of the Listing Rules with effect from 21 February 2020.

Upon the appointment of Mr. Chan Sing Fai, an INED, as a member of the Audit Committee on 21 February 2020, members of the Audit Committee consist of Mr. Chan Chi Yuen (Chairman), Mr. Wong Cheuk Bun and Mr. Chan Sing Fai.

(3) Nomination Committee

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board adopted a board diversity policy setting out the approach to achieve board diversity. All Board appointments will be made based on merit and contribution that the selected candidates will bring to the Board while taking into account the diversity components including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge and length of service. In nomination of members to the Board, the Nomination Committee should take into account the background, skill and experience of the selected candidates with reference to the requirements as set out in the Company's board diversity policy. The Nomination Committee will make assessment based on a merit and contribution basis, which the selected candidates can bring to the Group, and submit recommendation to the Board for consideration.

During the year under review, members of the Nomination Committee comprised of 1ED and 2 INEDs, namely, Mr. Yu Baodong (Chairman), Mr. Chan Chi Yuen and Mr. Wong Cheuk Bun.

During the year under review, no meeting of the Nomination Committee was held. The Nomination Committee performed the following duties and resolved its decisions by way of resolutions in writing and submitted its recommendations to the Board for approval:

- Reviewing the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy in particularly, to propose the appointment of Mr. Wu Jian as an ED on 1 March 2019;
- Assessing the independence of INEDs;
- Making recommendations to the Board on the re-appointment of Directors at the 2019 AGM; and
- Reviewing the renewal of term of appointment of Mr. Chan Chi Yuen, an INED for a further term of 3 years commencing from 2 June 2019.

(4) Executive Committee

The Board established the Executive Committee in April 2018, comprising at least two EDs, with specific written TOR. It's main functions are to provide business strategies and future directions to the Company and advise on all commercial matters and operations of the Group and make recommendations to the Board for approval (if necessary).

During the year under review, the Executive Committee comprised Mr. Fu Yongyuan (Chairman), Mr. Wu Jian, (who was appointed on 1 March 2019) and Mr. Liang Jun (who resigned on 10 February 2020).

During the year under review, the Executive Committee performed its duties as follows either by ways of meeting or written resolutions:

- Approving the daily operational matters of the Group and the tasks as delegated by the Board; and
- Approving the following up issues/compliance matters in relation to the corporate exercises of the Group, including but not limited to the 2019 CB Placing; the adjustments to certain terms and conditions of the GIC CB including the adjustment to the conversion price per conversion share; and the disposal of the Group's railway's business.

The Executive Committee held seventeen meetings during the year and the attendance of its members are as follows:

	Attendance No. of meetings attended/ No. of meetings held during the year
Mr. Fu Yongyuan *(Chairman)*	17/17
Mr. Wu Jian (appointed on 1 March 2019)	6/17
Mr. Liang Jun (resigned on 10 February 2020)	16/17

Following the resignation of Mr. Liang Jun as a member of the Executive Committee on 10 February 2020, members of the Executive Committee consist of Mr. Fu Yongyuan (Chairman) and Mr. Wu Jian.

(5) Corporate Governance Function

The Company has not established any committee responsible for the corporate governance function of the Group and it is collectively performed by the Board. The Board acknowledges overseeing the corporate governance function of the Group collectively with a view in compliance with the Listing Rules.

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

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

AUDITOR'S REMUNERATION

During the year under review, the fee for audit services provided by Mazars CPA Limited, the external auditor of the Company, was HK$1,100,000 (2018: HK$1,200,000) and that for the non-audit services mainly representing non-assurance work in relation to the interim report for the six months ended 30 June 2019 and the reporting accountant's work relating to a very substantial disposal, in aggregate, amounted to HK$810,000 (2018: HK$131,250 mainly relating to review of the interim report for the six months ended 30 June 2018, which was performed by the former external auditor of the Company, namely, BDO Limited).

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the financial statements which give true and fair view of the Group. The Directors are aware of the Group's net current liabilities of HK$226,860,000 and net liabilities of HK$60,966,000 as at 31 December 2019 as well as the Group's loss from continuing operations for the year amounted to HK$60,869,000 and these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion on this issue has been set out in the "Directors' Report" and "Note 4 — Principal Accounting Policies — Going concern basis" to the Consolidated Financial Statements in this Annual Report.

Having made appropriate enquiries and examined the major areas which will give rise to the aforesaid significant financial exposure, the Directors, based on the Cash Flow Forecast which has been prepared on the basis that the Group will successfully implement the plans and measures as set out in Note 4 to the Consolidated Financial Statements, are satisfied that the Group will have sufficient working capital to meet with its financial obligations when they fall due. In this connection, the Directors have continued to prepare the Consolidated Financial Statements on a going concern basis for the year ended 31 December 2019 and considered that the Group has applied consistent accounting policies and made judgments and estimates that are appropriate and reasonable in accordance with the applicable accounting standards.

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

A statement by the Independent Auditor about its reporting and its responsibilities is set out in the Independent Auditor's Report on pages 69 to 73 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group 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. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

Based on the risk assessments conducted in 2019, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The EDs are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2019, no significant control deficiency was identified.

Internal Auditors

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 provider 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.

An internal audit plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring annual review of the effectiveness of these systems. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

COMPANY SECRETARY

On 14 January 2019, Ms. Wong Shuk Ha, Cat has been appointed as the Company Secretary of the Company in place of Mr. Yu Kin Wing. She has complied with Rule 3.29 of the Listing Rules of obtaining no less than 15 hours of relevant professional training during the year under review.

COMMUNICATIONS WITH SHAREHOLDERS

(1) Annual General Meeting

The Company strives to maintain an amicable and open relationship with its Shareholders and regards its AGM providing a forum at which the Board members and Shareholders can exchange opinions and ideas. Shareholders are cordially invited to attend the AGM and direct their questions to the Board. Those available to answer such questions thereat include not only the EDs but also chairmen of the relevant committees, or in their absence, members of the committees and the external auditor.

(2) Shareholders' Rights

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

(3) Investor Relations

In order to ensure effective communication with the Shareholders and investors, information on the Group's latest major development, news and updates are made available to them in a timely manner through the Company's website. In addition, financial reports, announcements and circulars including but not limited to results announcements, notices of general meetings and related explanatory statements issued by the Company are also released through the respective websites of the Stock Exchange and the Company. The Company's constitutional documents are also made available on the Company's website, save for the updates made to the respective TORs of the Audit Committee and the Nomination Committee on 21 January 2019, there was no significant changes made to them during the year and up to the date of this Annual Report.

DIVIDEND POLICY

During the year, the Board has adopted a dividend policy (the "Dividend Policy") on 21 January 2019 pursuant to Code Provision E.1.5. The Dividend Policy sets out the principles and procedures for the payment of dividend to the Shareholders. The Board shall monitor the payment of dividends and review the Dividend Policy from time to time and approve any revision thereof subject to the requirements of the Companies Ordinance, the Listing Rules and all other applicable legislations.

Pursuant to the Dividend Policy, in brief, the Company shall distribute such amount of profits by way of dividend as the Board may decide from time to time. The dividend amount should be correlated with the performance of the financial year and the Company should maintain a stable payout ratio that is in line with the future prospect of the business. As a guideline, the payout ratio should not be more than 50% of the profits of the Company and its subsidiaries for the year. If due to any special reason that demands a higher payout ratio, the management must explain the rationale to the Board in details. The dividend may be distributed in the form of either cash or bonus Shares at an option for the Shareholders to select, subject to such provisions as stipulated in the Articles of Association and the Companies Ordinance as well as applicable rules and legislations from time to time.

UPDATE OF TORS OF THE COMMITTEES

During the year under review, in view of the amendments to the CG Code and Listing Rules, which became effective on 1 January 2019, the Board reviewed the respective TORs of the Audit Committee and Nomination Committee and resolved to revise their TORs on 21 January 2019, in particularly the following areas, in order to ensure compliance therewith:

(i) The cooling off period for former audit partner acting as member of the Audit Committee be amended from 1 year to 2 years; and

(ii) The Board should state in circular to the Shareholders accompanying the resolution to appoint an INED its diversity consideration, including process used for identification, perspectives, skills and experience that the proposed INED can bring to the Board and how the candidate can contribute to the Board's diversity; in addition, in case the proposed INED will be holding more than 7 or more listed company directorships, the Board's view in determining why he/she would be able to devote sufficient time to the Board.

Updated versions of the TORs of the Audit Committee and the Nomination Committee were uploaded to the websites of the Stock Exchange and the Company on 21 January 2019 respectively.

Environmental, Social and Governance Report

I. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

About the Report

The Environmental, Social and Governance Report (the "Report") summarizes the initiatives, plans and Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (collectively, the "Group")) in the environmental, social and governance ("ESG") aspects, and illustrates the sustainability of our business activities in terms of ESG.

The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group's ESG matters effectively and responsibly, which we believe are of great significance for our business and operation.

Reporting Framework

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The details of the operations of the Group are set out in the "Management Discussion and Analysis" section of the annual report of the Company for the financial year ended 31 December 2019 annual report (the "Annual Report"). If there is any conflict or inconsistency, the English version shall prevail.

Reporting Period

The ESG Report elaborates on the Group's ESG events, challenges and measures during the year from 1 January 2019 to 31 December 2019 (the "Reporting Period").

Reporting Scope

During the Reporting Period, the principal operating activities of the Group were as below:

(1) Railway Construction and Operations (the "Railway Construction and Operations"), which is primarily operated in the People's Republic of China (the "PRC");

(2) Shipping and Logistics Business (the "Shipping and Logistics Business").

However, 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.

Environmental, Social and Governance Report

The directors (the "Directors") and the board of Directors (the "Board") of the Company have confirmed that the Report does not contain any false information, misleading statements or material omissions, and collectively and individually, accept responsibility for the truthfulness, accuracy and completeness of its contents.

The Group refers to the Reporting Guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide. This year's Report is further enhanced, with a wider range of key performance indicators ("KPIs"). In line with these standards, key stakeholders, including operation departments, management and independent third parties, were engaged in the material assessment and identification of the relevant and important environmental, social and governance policies, for incorporation in the Report.

Stakeholder Engagement

The Group is committed to maintaining the sustainable development of its business and the environmental protection of the communities in which it operates. We maintain a close tie with its stakeholders, including government/regulatory organizations, shareholders/investors, employees, customers, business partners/contractors/suppliers, community, etc. and strive to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. We assess and determine our environmental, social and governance risks, and ensure that the relevant risk management measures and internal control systems are operating effectively. The following table shows the management response to the stakeholders' expectations and concerns:

Major Stakeholders	Expectations and concerns	Management response
Government/ regulatory organizations	Compliance in laws and regulations	Establish comprehensive and effective internal control system
	Fulfill tax obligation	Pay tax on time, and in return contributing to the society
	On-site visits and inspections	Uphold integrity and compliance in operations
Investors/Shareholders	Return on investment	Management possesses relevant experience and professional knowledge in business sustainability
	Information transparency	Ensure transparent and effective communications by dispatching information on the websites of HKEX and the Company
	Corporate governance system	Continue to improve the internal control system and focus on risk management
Customers	High quality services	Improve the quality of services continuously in order to maintain customer satisfaction
	Reasonable price	Ensure proper contractual obligations are in place

Major Stakeholders	Expectations and concerns	Management response
Business partners, contractors and Suppliers	Good relationship with the Company	Business Partners and Suppliers management meetings and events
	Corporate reputation	Business Partners and Suppliers on-site audit management policy
Employees	Career development	Encourage employees to participate in continuous education and professional trainings
	Compensation and welfare	Establish a fair, reasonable and competitive remuneration scheme
	Health and workplace safety	Pay attention to occupational health and safety
Community	Environmental protection	Pay attention to climate change
	Community contribution	Encourage employees to actively participate in charitable activities and voluntary services
	Economic development	Maintain good and stable financial performance and business growth

Materiality Assessment

The management and employees that perform major functions in the Group have all participated in preparing the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to our business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

During the Reporting Period, the Group confirmed that appropriate and effective management policies and control systems for ESG matters have been established and that the disclosed contents are in compliance with the requirements of the Reporting Guide. Corporate governance is addressed separately in the "Corporate Governance Report" of the Annual Report. The Group is committed to implementing the environmental policies and safety assessments in business processes comprehensively, through continuously improving its management systems and measures, aiming to minimize the impact on the environment and to achieve zero employee fatalities in business processes.

Contact us

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us via email at enquiries@aelg.com.hk.

II. ENVIRONMENT

Major Scope & Aspects

The Group attaches high importance to environmental management in its businesses and formulates scientific environmental protection and measures by adopting the world's leading practices in its operation. The Group also endeavors to fulfil the social responsibility for environmental protection as its efforts to protect the Earth and build a sustainable future for our future generations. In order to monitor our environmental management and minimize the impacts of our business operation, the Group has formulated relevant policies for environmental management, while promoting employees' awareness on environmental protection and complying with relevant laws and regulations.

One of the principal businesses of the Group is provision of chartered vessels for the transportation of dry bulk cargoes as well as operation of international voyages. Our vessels are required to comply with the law of the countries while in the territorial waters of the respective countries. These laws, regulations and rules generally govern the legal requirements, technical standards, Health-Safety-Environmental (HSE) procedures and measures of vessel operation and are outlined below:

Laws/Regulations	Description
International Convention for the Prevention of Pollution from Ships ("MARPOL")	The prevention of marine environment pollution by vessels from operational or accidental causes regulates the emission of all forms of pollutants by vessels including oil, sewage, garbage and gas.
International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW Convention")	Standards for training, certification and watchkeeping for seafarers working on board of the vessels which operates on international voyages.
Convention on the International Regulations for Preventing Collisions at Sea ("COLREGS")	The road for vessels engaged on voyages on the high sea. It contains rules for steering and sailing, conduct of vessels in limited visibility etc.
International Convention on Load Lines	The limit to the draught to which a ship may be loaded, in addition to setting provisions to prevent water from entering a ship through doors, hatches, windows, ventilators etc.
International Safety Management Code for Safe Operation of Ships and for Pollution Prevention ("ISM Code")	The enhancement in greater responsibility to onshore management in respect of safe operation of ships as well as prevention of pollution.
Hong Kong Merchant Shipping (Safety) Ordinance (Chapter 369)	ESG Reporting Guide states that Hong Kong-registered vessels are required to be compliant with the applicable laws, regulations and requirements

The Group has established a set of policies and procedures in place with respect to the shipboard operation for each of the Group's vessels, as below:

1) Safety and environmental protection policy;

2) Instructions and procedures to ensure safe operation of ships and protection of environment in compliance with relevant international and flag state legislation;

3) Procedures for reporting accidents and non-conformities with the provisions of the ISM Code;

4) Procedures of preparation for and response to emergency.

The Group's safety and environmental policies are implemented through its safety management system in place in compliance with the requirements of the ISM Code. Each of the Group's vessels have been awarded with and have maintained the relevant certificates issued by the American Bureau of Shipping and Lloyd's Register of Shipping pursuant to the ISM Code and MARPOL for compliance with various requirements relating to prevention of air pollution, oil pollution and other kinds of marine pollution.

During the Reporting Period, the Group has not committed to any material breaches of the relevant laws, rules and regulations concerning environmental protection.

1. Emissions

General Disclosures and Key Performance Indicators ("KPIs")

During the Reporting Period, the Company was principally engaged in the shipping and logistics businesses. Our operations, through consumption of various kinds of fossil fuel, inevitably release Nitrogen Oxides (NOx), Sulphur Oxides (SOx), and Carbon Dioxide (CO_2) into the air, which are considered to be one of the major sources of global warming. The Group is well aware of the impact of global warming on the planet Earth and all human. As such, the Group has been paying close attention to our emissions to ensure that they comply with the industry standards, and that transparent data are communicated effectively throughout the Group to implement applicable changes, including reduction measures.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emission, as well as discharge of domestic waste and sewage and other pollutants. We strictly comply with the environmental protection laws and regulation that are applicable to our business operations. Our Group's legal team have been working closely with our business units to assess the impact of those promulgated environmental protection laws and regulations such as the "Environmental Protection Law of the PRC" 《中華人民共和國環境保護法》, "Prevention and Control of Atmospheric Pollution of the PRC" 《中華人民共和國大氣污染防治法》, "Prevention and Control of Water Pollution of the PRC" 《中華人民共和國水污染防治法》, "Prevention and Control of Environmental Pollution by Solid Waste" 《中華人民共和國固體廢物防治法》 and "National Environmental Emergency Response Plan"《國家突發環境事件應急預案》etc.

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

1.1 Key Performance Indicators ("KPIs") of Emission Management

Types of Emissions and Respective Emissions Data

With respect to the vessels operating in Hong Kong, we observe the Hong Kong Shipping Ordinances. All of the vessel engines, including both main and auxiliary installed on self-owned vessels, comply with the applicable emissions limit, in accordance with the revised NOx Technical Code 2008. The vessels' rated power and speed have been recorded to ensure to minimize the emission of nitrogen oxides. In addition, to monitor the emissions of sulphur oxides and particulate matter, the ship consumes low-sulphur fuel oil with a sulphur content lower than 3.50% m/m (before 1 January 2020) or 0.50% m/m when operating outside of an Emission Control Area; and no more than 1% m/m (before 1 January 2015) or 0.10% m/m when operating inside an Emission Control Area, as specified in regulation 14.3 of Annex VI to the MARPOL Convention.

The following table summarises the KPIs of the Group's overall emission management:

Source of emissions arising come from fuel consumption in the use of the vessel engines, vehicles, electricity consumption at the offices and air travel by employees.

	Unit	**31 December 2019**
Nitrogen Oxides (NOx)	Tonnes	928.79
Sulphur Oxides (SOx)	Tonnes	483.44
Particulate Matter (PM)	Tonnes	84.03

The Group also encourages the employees to keep the usage of electricity to a minimum by introducing certain energy conservation measures, such as turning off unnecessary electronic appliances. The Group has also put notes at prominent places to encourage the employees to cut electricity consumption and conserve energy during office hours.

1.1.1 *GHG Emission*

During the Reporting Period, the GHG emission of the Group was approximately 31,493.17 tonnes and the total GHG emission per million HKD revenue was 516.29 tonnes. An overview is as follows:

Indicator[1]	Total emissions (in tonnes)	Intensity — Quantity (tonnes) per million HKD revenue[2]
Direct GHG emission (Scope I) — fuel consumption	30,999.32	508.19
Indirect GHG emission (Scope II) — electricity consumption	491.44	8.06
Other Indirect Emissions (Scope III)-Business Air Travel	2.41	0.04
Total GHG emission	31,493.17	516.29

Note:

1. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard《溫室氣體盤查議定書：企業會計與報告標準》published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs《環境關鍵績效指標彙報指引》published by the Stock Exchange and the 2017 Sustainability Report published by CLP Power Hong Kong Limited.

2. During the Reporting Period, the total revenue of the Group was HKD61 million. Other intensity data in the ESG Report are also measured using this data.

1.1.2 *Waste Management*

The Group adheres to the principles of waste management and is committed to a sound and proper management of all waste generated during our operation.

Our waste management practice is compliant with laws and regulations relating to environmental protection. The Group has also implemented policies to reduce waste generation through environmental education, aiming at waste management from the source.

During the Reporting Period, the Group's waste gas treatment meets the requirements of relevant laws and regulations.

Hazardous Waste

The disposal of hazardous waste is the responsibility of an independent third party and the business partner. Some hazardous waste (such as waste oil rag, organic cleaning waste liquid, waste cutting fluid, waste day light tube, waste empty container, waste dry battery, waste glue water, waste washing machine water and waste engine oil) must be isolated and stored in a designated container to prevent leakage and be recycled and disposed of by a licensed waste collector. We also arrange adequate training for our employees to ensure their safety and prepare emergency response plans to prevent leakage.

Non-hazardous Waste

Non-hazardous wastes such as metals, waste residues, plastics, paper and general waste are properly classified according to recyclable waste and non-recyclable waste, and are stored in designated collection areas. The collected recyclable waste is then periodically recycled by the waste collector. The Group identifies and classifies waste, centrally stores it, and disposes it in a unified manner. The persons in charge dispose of waste in a timely manner and maintain environmental sanitation around them.

In addition, the Group is committed to establishing electronic and green headquarter operations:

- Making full use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- Requiring employees to copy or print on both sides as much as possible;
- Using both sides of offices paper as much as possible;
- Collecting and recycling waste paper by the administrative department; and
- Disposing of waste packaging boxes as "recyclable" waste.

The table below sets out the data on total waste discharge of the Group during the Reporting Period:

Each waste discharge	**Unit (in Kg)**	**Intensity — Quantity (Kg) per million HKD revenue**
Type of hazardous waste		
– waste dry battery	1.17	0.02
Type of non-hazardous waste		
– Paper	340	5.57
– General waste	984	16.13

Waste Water Discharge

With respect to the wastewater management, which is handled by the responsibility of an independent third party and the business partner ensure all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment.

During the Reporting Period, the Group's wastewater treatment meets the requirements of relevant laws and regulations.

2. Use of Resources/Energy Efficiency Management

General Disclosures and KPIs

2.1. Energy Consumption

The main types of energy consumed by the Group in its operations include diesel fuel and electricity. Its demand for electricity is especially great. The Group saves energy and reduces consumption of it through technological upgrade, equipment renewal and enhancement of energy utilization efficiency.

The table below sets out the data on energy use and emission of the Group during the Reporting Period:

Types of energy	Consumption (unit)	Intensity — Unit per million HKD revenue
Diesel fuel	11,687,579 (L)	191,599.66
Unleaded Petrol	153,372 (L)	2,514.30
Electricity	622,080 (kWh)	10,198.03

Energy consumption control and energy saving measures include, but are not limited to:

- the upgrading of the existing wiring and establishment of special lines for better electricity transmission and for reducing damage to the wiring; and
- optimizing equipment management and improving the technique of the operation to enhance the Group's standards of energy saving and management.

Moreover, the Group has developed a number of specific energy-saving initiatives to reduce greenhouse gas emission and conserve energy usage throughout our operation, including:

- equipment, machines and electronic devices shall be turned off after office hours;
- indoor temperature is maintained at an optimal level for comfort;
- signage is put up at appropriate areas to raise the awareness of energy-saving;
- LED lighting system is recommended to set up widely in workplaces in order to save energy during the office hours; and
- telecommunication system is recommended to replace unnecessary travel arrangements wherever appropriate and possible.

2.2 Water Consumption

During the Reporting Period, there was no major problem about sourcing water that is fit for use in its operations. As for the offices of the Group, due to the nature of the operations, water consumption mainly arises from the daily use of water by the employees at the offices during working hours, and the domestic sewage is directly discharged into municipal sewage pipelines.

As the Group rented an office premise from an independent third party and paid management fee for the use of the common water facilities so data for the water consumption was not available.

2.3 Paper Consumption

The Group is committed to a paperless operation, constantly encouraging all employees to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents.

Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate during our operation.

In addition, due to the nature of business, the Group does not involve any purchase of packaging materials. Therefore, this disclosure is not applicable to the Group.

Environmental, Social and Governance Report

3. Environmental Protection and Natural Resources Conservation

General Disclosures and KPIs

Shipping and logistics businesses drives global trade, nevertheless, the industries still generate negative impacts on the marine environment. The Group is highly aware of our adverse impact on the environment and natural resources, and thus taking steps to minimize those negative footprints by our operation. In addition to compliance with relevant environmental laws and regulations, the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability including prevention measures and planned maintenance system (PMS).

3.1. Prevention Measures

Our shipping and logistics business adversely impacts the marine environment, through the form of, such as, air pollution, greenhouse gas emissions, releases of ballast water containing aquatic invasive species, historical use of antifoulants, oil and chemical spills, dry bulk cargo releases, garbage, underwater noise pollution, ship-strikes on marine megafauna, risk of ship grounding or sinking and widespread sediment contamination of ports during trans-shipment or ship breaking activities.

We require our vessels to meet the requirements of oil pollution prevention certificates which provide assurance to the structure, equipment, systems, fittings, arrangement and materials of the vessels we operate. Our awarded certificates are summarized as below:

Certificate(s)	**Vessel**
International Oil Pollution Prevention Certificate under the provisions of the International Convention for the Prevention of Pollution from Ships (IOPPC)	MV Asia Energy MV Clipper Selo MV Clipper Panorama

The Group requires all crews to perform regular assessment of pollution prevention measures. Further technical support will be sought if necessary. Operators are professionally trained to handle various emergency situations with due care.

3.2. Planned Maintenance System (PMS)

The Group executed the Planned Maintenance System for all our vessels which allows operators to plan, perform and document vessel maintenance at intervals complying with Class and manufacturer requirements. With such a systematic approach to maintenance in place, the Group believes that we not only ensure safe and reliable vessel operations, including compliance with all applicable regulations, safety and environmental objectives set out in the ISM Code but also effectively provide a protection to the Group's assets.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3.3. *Daily Administration*

The Group is aware that our major contribution to the greenhouse gas emission and energy footprints lies on the electricity consumption by our corporate offices and business premises. As such, we actively maintain a steady focus on reducing our energy consumption to manage our impacts on the environment, being committed to observing the "Indoor Temperature Energy Saving Charter" and the "No Incandescent Light Bulbs ("ILB") Energy Saving Charter" introduced by the Environment Bureau of the Government of Hong Kong Special Administrative Region.

The measures include:

- turning off lights and air conditioners at the conference rooms and other places after use;

- requiring the employee who is the one to leave the office on any workday to turn off all the lights in the office unless otherwise instructed;

- encouraging employee to make less print-outs; and, when printouts are necessary, to make the full use of copying or printing paper by printing documents on both sides of the paper or in double-page layout. The employees are also encouraged to use paper which is already printed on one side to print drafts, and dispose of paper materials in bins which are separated from those for the disposal of other materials. Confidential or sensitive documents including official signatures are destroyed; and

- collecting empty toner cartridges, empty cans or other recyclable materials and delivering them to recycling companies.

During the Reporting Period, no significant impacts of activities on the environment and natural resources.

III. SOCIETY

Major Scope & Aspects

The Group makes an effort to provide a safe working environment for the employees and to care for the overall wellbeing of the employees. In relation to employment and labour practices, the human resource department focuses on employment, health, safety, development and training. The Group complies with laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity and other benefits as well as anti-discrimination law.

1. Employment and Labour Practices

General Disclosure

The Group strictly follows the relevant laws and regulations. The Group determines salaries on the principle of fairness and ensures that wages are no lower than the minimum wage stipulated by law. Wages in related markets are also referenced, so that the Group can provide attractive compensation. The Group offers a variety of allowances to qualified employees, and provides staff members with retirement protection plans, as stipulated by law and regulations. The Group welcomes diversity in its staff members. Regardless of ethnicity, religion, gender or age, all people receive equal employment opportunity in such matters as recruitment, development, promotion and training.

Employment and Labour

During the Reporting Period, the Group had total of 17 employees. The Group decides the remunerations payable to its staff based on their duties, work 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 complies with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) by participating in the Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) for our eligible employees, Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the “EO”) and Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “ECO”) by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees.

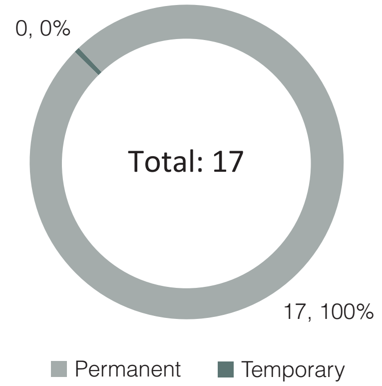
Inclusion and Exclusion of Data

The data includes the HSE data in the production and business activities of the Company and excludes the Employment and Labour data of business partner, contractors and suppliers.

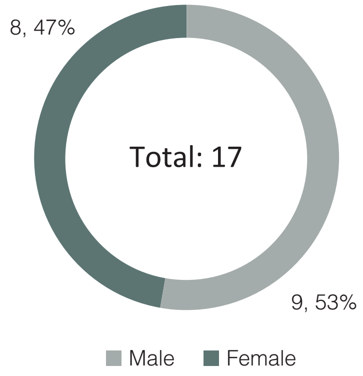
The table below sets out the employees are classified by employment type, gender and age group of the Group during the Reporting Period:

	By Employment type		By Gender		By Age		
	Permanent	**Temporary**	**Male**	**Female**	**<30**	**30-50**	**>50**
Total employees	17	0	9	8	0	6	11

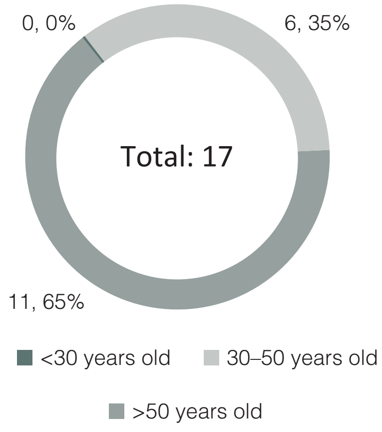
Total number of employees by employment type



Total number of employees by gender



Total number of employees by age



During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in respect of human resources.

Equal Opportunities and Anti-discrimination

With an objective to uphold an open, fair, just and reasonable human resource policy, the Group recruits and promotes employees based on virtues, skillsets and experience, irrespective of gender, age, race, religion, political affiliation, national origin, and/or disability.

The Group constantly monitors its employees' performances. Newly admitted employees will have a 3-month probation period and then they will be able to join the Group, permanently.

The Group also provides comprehensive support for its female employees. It provides comprehensive support for pregnant employees in accordance with the law. The female employees are allowed to return to their original jobs after childbirth. Also, during their pregnancy period, the Group prohibits its pregnant employees from performing physically demanding assignments to ensure the safety of both the child and mother.

During the Reporting Period, we continued to strictly follow the relevant laws and regulations and our employment policies, providing competitive remuneration package, including internal promotion opportunities and performance-based bonus, to recruit and retain our experienced employees. We also provided a formal complaints procedure for employees to express their opinions.

2. Health and Safety

General Disclosure

The Group puts particular emphasis on health and safety and attaches great importance to health protection and a safe working environment as it firmly upholds the principle of "safety first and prevention prevails". We maintain the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- prohibiting smoking and abuse of alcohol and drugs in the workplace;
- providing clean and tidy rest area such as corridors and pantry;
- providing adjustable chairs and monitors for eye protection;
- setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;
- conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and
- improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

During the Reporting Period, the Group complies with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), by ensuring that the employees are working in a safe environment; as well as providing induction programs and safety training programs to new employees such that they can be familiar with our corporate policies in relation to health and safety matters as quickly as they can.

The summary of work-related fatalities and injuries of the Group during the Reporting Period:

No. of Work-Related Fatalities	—
Rate of Work-Related Fatalities	—
No. of Injuries at Work	—
Lost Days due to Injury at Work	—

During the Reporting period, the Group did not encounter any material injuries or casualties. In addition, we did not record any accidents that resulted in death or serious bodily injury, did not pay any reimbursements or compensations to the Group's employees due to such accidents, and was not aware of any major violations against laws and regulations related to employees' health and safety.

3. Development and Training

General Disclosure

Talent development is an important part of the Group's strategy for managing human resources. Being closely related to corporate sustainable development, training can enhance the overall quality of staff members, and this enables them to adapt to new job requirements, as well as improve their capabilities to perform their current duties. It can also help staff members to seize opportunities for promotion and meet their aspirations for career. The Group provides effective training for staff members and formulates a clear path for promotion to ensure that the staff members are equipped with the necessary skills. This also helps the Group to groom outstanding staff to be the successors and foster enthusiasm for learning within the Group.

To match the Group's development strategy and meet the demand for training, the human resources and administrative personnel collaborate with various departments to provide regular and ad hoc training for different types of employees so that they can meet the specific requirements of their positions.

The table below sets out the employees' training records of the Group during the Reporting Period:

Indicators	Hours	Percentages (%)
Total no. of training hours received/rate of employee trained	624	12
Average no. of training hours per employee/rate of employees trained by employee category		
Senior	52	17
Middle-level	63	20
General	0	0
Average no. of training hours per employee/rate of employees trained by gender category		
Male	35	11
Female	39	13

Furthermore, the Group encourages and supports employees to participate in personal and professional trainings in response to the relevant evolving market needs, such as changes in laws and regulations, market trends, product trends and customer behaviours. Based on the needs of individual employees, we also provide education allowances to facilitate improvement of their job skills and encourage them to maintain the non-stop learning spirit; therefore, there was no employee left the group during the Reporting period.

4. Labour Standards

General Disclosure

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group constantly rejects to engage suppliers and contractors, that hire child labour or forced labour in their operations, to provide administrative supplies and services.

The Group strictly complies with the relevant laws and regulations, including the Labour Law, the Protection of Minors and the Prohibition of Using Child Labour of the PRC and the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with the laws and regulations related to the prevention of child labour or forced labour have been found by the Group.

5. Supply Chain Management Mechanism

General Disclosure

The Group believes the value in ethics, honesty and integrity, operating in compliance with applicable laws and regulations. We encourage our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. We collaborate closely with business partners, suppliers and contractors through an improved market management and centralized procurement system. Advanced technology is also widely utilized in all operations to monitor all purchases and sales transactions. All our processes for procurement, price control, resource management are carefully monitored and documented. In order to guarantee the safety of our products and services, every single purchase is registered with the authority before being put to use and sold.

In addition to purchasing products and services according to the specified standards, we have developed the selection mechanism in which we require our potential business partners, contractors or suppliers to comply with all the applicable laws and regulations and confirm their compliance with safety, environment, and social aspects. Inspection and assessments may be conducted by the Group if deemed necessary. To maintain a good corporate control and governance, the Group has developed a series of management system as and procedures in alignment with the Corporate Governance required by the Stock Exchange. We are obliged to terminate the cooperation contract with business partners, suppliers and contractors that may cause or have caused serious pollution or serious social accidents.

The Group continues to promote 100% the localization of suppliers. Under the same terms and conditions, we prioritized a mutually beneficial partnership with local suppliers. With the application of scientific technology in logistic management, we are committed to shortening material delivery time, while controlling warehouse storage and delivery pressure, reducing vehicle emissions and negative impact on the environment.

We believe that, through the above review process, we can minimize the potential environmental and social risks associated with the supply chain management.

6. Product Responsibility

General Disclosure

To be a successful business, we maintain continuous communication with our customers to ensure that we understand and fulfil their needs and expectations, so that we can improve the quality of our services in the long run. The Group is committed to the highest standards of service we deliver.

PRC Region

Our operation in the PRC complies with relevant laws and regulations in relation to advertising, labelling and consumer protection, such as "Consumer Protection Law of the People's Republic of China", the "Advertising Law of the People's Republic of China", and "PRC Product Quality Law", by ensuring that there are no false and misleading messages in our advertisements and promotion activities.

Hong Kong Region

In Hong Kong, our Group complies with relevant laws and regulations, for instances, the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Group also carries out continuous and regular assessment of the product quality and review of opportunities for improvements and changes.

During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.

Feed back Management

The Group has set up various complaints and feedback channels, such as guest comment cards, telephone hotline, social media channels, emails and websites, to collect suggestions and advice from customers.

Privacy Protection

The Group is committed to compliance with the privacy laws and regulations. The Group undertakes to strictly comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), to ensure that all data are securely kept in our internal system with access control.

The Group also set out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is free of unauthorized or accidental access, processing, erasure or other use.

During the Reporting Period, there were no cases of product recall nor complaints received against our services due to health and safety issues during.

7. Anti-corruption Mechanism

General Disclosure

Ethics and integrity are the cornerstones of the Group's success. The Group adopts a zero-tolerance approach to bribery, extortion, fraud and money-laundering. All Directors, management personnel and staff members must comply with all relevant national and local laws and regulations on preventing bribery, extortion, fraud and money-laundering in regions and areas where they operate businesses. All employees, not only have responsibility to understand and comply with above policies on preventing bribery, extortion, fraud and money-laundering, but also have an obligation to report violation, to the senior management of the Group. Any person, who contravenes the regulations will be reported to the authorities.

In order to strengthen the anti-corruption measures, the Board has delegated a team to carry out anticorruption measures, commence special issues auditing and supervision processes in due course, investigate loopholes and rectify faults, and review the legality, reasonableness of practices and stringency of implementing anti-corruption measures in respective businesses. The management of each subsidiary of the Group also dedicates itself to promoting an anti-corruption culture and carrying out the anti-corruption measures. The Group establishes and improves various internal systems to specify the anti-corruption management disciplines and conduct requirements of the Company, so that corruption can be eliminated with the help of an established system and better management approach.

Meanwhile, the Group participated in anti-corruption training, campaigns to educate the public on how to comply with law and case analysis so as to promote the importance of anti-corruption practices. The Group sets up various channels such as telephone hotlines, an email address and mailbox for whistleblowing. Dedicated staff members collect and sort reported information on a regular basis, as well as oversee and investigate reported matters referred to the audit department. The Group also adopts various measures to encourage staff members to proactively report acts of violation of rules and regulations, and strengthens the privacy protection of the whistleblower.

During the Reporting Period, the Group was not aware of any corruption litigation cases against the Group or its staff members.

8. Community Investment

General Disclosure

The Group promotes the social contribution of all members. We attach great importance to inspire a sense of social responsibility in employees and encourage them to make greater contribution to our community both at work and in their spare time. Looking ahead, the Group will continue to focus on community services, motivate employees to actively participate in volunteer services in the future. We strive to increase our social investment to create a better environment for our community as well as our business.

In addition, the Company maintains an open channel of communication with its stakeholders and communities to understand their motivations, goals and needs through continuous conversation in order to achieve the Group's contributions in corporate social responsibility activities.

VI. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
A	Environment	p. 49
Aspect A1	Emissions	p. 50
KPI A1.1	Types of emissions and respective emissions data	p. 51
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	p. 52
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	p. 53
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity	p. 53
KPI A1.5	Description of measures to mitigate emissions and results achieved	p. 53
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	p. 53–54
Aspect A2	Use of Resources	p. 54
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	p. 54
KPI A2.2	Water consumption in total and intensity	Not applicable to the Group's core operation.
KPI A2.3	Description of energy use efficiency initiatives and results achieved	p. 55
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	p. 55
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Not applicable to the Group's core operation.
Aspect A3	The Environment and Natural Resources	p. 56–57
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	No significant impacts of activities on the environment and natural resources during the Reporting Period.

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
B	Society	p. 58
Aspect B1	Employment	p. 58
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	p. 59
KPI B1.2	Employee turnover rate by gender, age group and geographical region	p. 59, 62
Aspect B2	Health and Safety	p. 60
KPI B2.1	Number and rate of work-related fatalities	p. 61
KPI B2.2	Lost days due to work injury	p. 61
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	p. 60–61
Aspect B3	Development and Training	p. 61
KPI B3.1	The percentage of employees trained by gender and employee category	p. 62
KPI B3.2	The average training hours completed per employee by gender and employee category	p. 62
Aspect B4	Labor Standards	p. 63
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	p. 63
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	Not encounter any material injuries or casualties during the Reporting Period.
Aspect B5	Supply Chain Management	p. 63
KPI B5.1	Number of suppliers by geographical region	p. 63

Aspects, General Disclosures and KPIs	Description	Relevant pages in the ESG Report & Remark
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	p. 63
Aspect B6	Product Responsibility	p. 64
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to the Group's core operation.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	No products and service-related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Not applicable to the Group's core operation.
KPI B6.4	Description of quality assurance process and recall procedures	Not applicable to the Group's core operation.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	p. 65
Aspect B7	Anti-corruption	p. 65
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle — blowing procedures, how they are implemented and monitored	The Group is working on this aspect.
Aspect B8	Community Investment	p. 65
KPI B8.1	Focus areas of contribution	p. 65
KPI B8.2	Resources contributed to the focus areas	p. 65

Independent Auditor's Report

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TO THE MEMBERS OF ASIA ENERGY LOGISTICS GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 74 to 145, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the "Going concern basis" section in note 4 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss from continuing operations of HK$60,869,000 for the year ended 31 December 2019 and, as at that date, the Group had net current liabilities and net liabilities of approximately HK$226,860,000 and HK$60,966,000 respectively. These conditions, along with other matters as set forth in note 4 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of vessels *Refer to note 14 to the consolidated financial statements*	
As at 31 December 2019, the carrying amounts of vessels amounted to HK$201,965,000, which accounted for 85% of the Group's total assets. Management has performed an impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The Group engaged an independent professional valuer to assess the recoverable amounts of the vessels, which involved value in use calculations and fair value calculations using direct comparison approach. These calculations involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows and by making reference to comparable transactions in the relevant markets. We have identified the impairment assessment of vessels as a key audit matter because of its significance to the consolidated financial statements and the recoverable amount calculations involved significant management judgements and estimations.	Our key procedures in relation to the impairment assessment on vessels included: — Assessing the competence, objectivity and capabilities of the independent professional valuer; — Assessing the appropriateness the methodologies used; — Challenging the reasonableness of the key assumptions and critical judgement areas underpinning the value in use calculations and fair value calculations; — Discussing with management about the cash flow projections used in the value in use calculations; and — Checking arithmetical accuracy and relevance of the input data (including the comparable transactions) used.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of derivative components of the GIC Convertible Bonds *Refer to note 27 to the consolidated financial statements* A significant change in fair value of derivative components of the GIC Convertible Bonds (as defined in note 26) of HK$17,508,000 was recognised during the year ended 31 December 2019. The Group engaged an independent professional valuer to determine the fair value of the derivative components of the GIC Convertible Bonds. We have identified the valuation of the derivative components of the GIC Convertible Bonds as a key audit matter because of its significance to the consolidated financial statements and the fair value calculation, in particular the use of significant unobservable inputs, involved subjective judgements and assumptions.	Our key procedures in relation to the valuation of the derivative components of the GIC Convertible Bonds included: — Obtaining and examining the agreements and deed of amendment in terms in relation to the GIC Convertible Bonds; — Assessing the competence, objectivity and capabilities of the independent professional valuer; — Assessing the reasonableness of key assumptions based on our knowledge and understanding of the business and market; and — Challenging the reasonableness of key parameters used based on our knowledge and understanding of the financial instruments.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 February 2020

The engagement director on the audit resulting in this independent auditor's report is:

Yip Ngai Shing
Practising Certificate Number: P05163

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (re-presented)
Continuing operations			
Revenue	6	**61,072**	50,669
Cost of sales		**(52,990)**	(39,173)
Gross profit		**8,082**	11,496
Other income	7	**594**	477
Depreciation	8(c)	**(3,106)**	(1,286)
Staff costs	8(b)	**(20,860)**	(37,194)
Reversal of impairment loss (Impairment loss) on consideration receivable	22(b)	**600**	(9,750)
(Impairment loss) Reversal of impairment loss on property, plant and equipment	14	**(13,731)**	9,000
Change in fair value of contingent consideration payable	25	**3,700**	4,228
Change in fair value of financial assets at FVPL		**(178)**	—
Change in fair value of derivative components of GIC Convertible Bonds	27	**17,508**	(12,939)
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	19	**(17,712)**	(24,754)
Other operating expenses		**(13,976)**	(21,800)
Finance costs	8(a)	**(21,790)**	(14,115)
Loss before tax from continuing operations	8	**(60,869)**	(96,657)
Income tax expense	11	**—**	—
Loss for the year from continuing operations		**(60,869)**	(96,657)
Discontinued operations			
Profit (Loss) for the year from discontinued operations	20	**36,011**	(72,118)
Loss for the year		**(24,858)**	(168,775)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		**17,380**	10,924
Total comprehensive loss for the year		**(7,478)**	(157,851)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (re-presented)
Loss attributable to owners of the Company:			
— from continuing operations		**(60,869)**	(96,657)
— from discontinued operations		**57,810**	(41,902)
		(3,059)	(138,559)
Loss attributable to non-controlling interests:			
— from continuing operations		**—**	—
— from discontinued operations		**(21,799)**	(30,216)
		(21,799)	(30,216)
Total comprehensive loss attributable to:			
— Owners of the Company		**11,146**	(132,129)
— Non-controlling interests		**(18,624)**	(25,722)
		(7,478)	(157,851)
(Loss) Earnings per share attributable to owners of the Company			
Basic and diluted			
— from continuing operations (HK cents)	13	**(12.27)**	(20.61)
— from discontinued operations (HK cents)	13	**11.66**	(8.93)
		(0.61)	(29.54)

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**203,295**	211,457
Intangible asset	15	**1,000**	1,000
Construction in progress	16	**—**	1,598,782
Railway construction prepayment	17	**—**	4,775
Interest in a joint venture	19	**—**	—
Right-of-use assets	18	**2,325**	—
Deposits paid for acquisition of property, plant and equipment		**—**	2,610
		206,620	1,818,624
Current assets			
Trade and other receivables	22	**14,381**	32,076
Financial assets at FVPL	21	**7,037**	—
Bank balances and cash	39(b)	**8,414**	18,456
		29,832	50,532
Current liabilities			
Trade and other payables	23	**19,474**	154,669
Bank and other borrowings		**—**	1,647,783
GIC Convertible Bonds	26	**83,301**	—
Amount due to a joint venture	24	**151,443**	143,411
Amounts due to minority equity owners of subsidiaries		**—**	8,348
Lease liabilities	18	**2,474**	—
		256,692	1,954,211
Net current liabilities		**(226,860)**	(1,903,679)
Total assets less current liabilities		**(20,240)**	(85,055)
Non-current liabilities			
Contingent consideration payable	25	**—**	3,700
GIC Convertible Bonds	26	**—**	71,330
Derivative components of GIC Convertible Bonds	27	**—**	15,157
2018 Convertible Bonds	28	**13,814**	12,152
2019 Convertible Bonds	29	**26,912**	—
		40,726	102,339
NET LIABILITIES		**(60,966)**	(187,394)

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	30	**1,709,316**	1,709,316
Reserves		**(1,770,282)**	(1,769,240)
Equity attributable to owners of the Company		**(60,966)**	(59,924)
Non-controlling interests		—	(127,470)
TOTAL DEFICITS		**(60,966)**	(187,394)

These consolidated financial statements on pages 74 to 145 were approved and authorised for issue by the Board of Directors on 28 February 2020 and signed on its behalf by

Wu Jian
Director

Fu Yongyuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the Company								
	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$'000	Non-controlling interests HK$'000	Total deficits HK$'000
As at 1 January 2018	1,608,309	4,190	—	18,474	19,726	(1,740,973)	(90,274)	(101,748)	(192,022)
Loss for the year	—	—	—	—	—	(138,559)	(138,559)	(30,216)	(168,775)
Other comprehensive income for the year									
Exchange difference arising from translation of foreign operations	—	—	—	—	6,430	—	6,430	4,494	10,924
Total comprehensive loss for the year	—	—	—	—	6,430	(138,559)	(132,129)	(25,722)	(157,851)
Transactions with owners of the Company									
Contributions and distributions:									
Shares issued on conversion of convertible notes	3,543	—	—	—	—	—	3,543	—	3,543
Shares issued on placing, net of expenses	97,464	—	—	—	—	—	97,464	—	97,464
Shares options granted	—	—	—	20,858	—	—	20,858	—	20,858
Issuance of GIC Convertible Bonds	—	—	35,043	—	—	—	35,043	—	35,043
Issuance of 2018 Convertible Bonds	—	—	5,571	—	—	—	5,571	—	5,571
Lapse/Forfeiture of share options	—	—	—	(129)	—	129	—	—	—
	101,007	—	40,614	20,729	—	129	162,479	—	162,479
As at 31 December 2018 and 1 January 2019	1,709,316	4,190	40,614	39,203	26,156	(1,879,403)	(59,924)	(127,470)	(187,394)
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(3,059)**	**(3,059)**	**(21,799)**	**(24,858)**
Other comprehensive income for the year									
Exchange difference arising from translation of foreign operations	**—**	**—**	**—**	**—**	**14,205**	**—**	**14,205**	**3,175**	**17,380**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**14,205**	**(3,059)**	**11,146**	**(18,624)**	**(7,478)**
Transactions with owners of the Company									
Contributions and distributions:									
Shares options granted (note 31)	**—**	**—**	**—**	**3,730**	**—**	**—**	**3,730**	**—**	**3,730**
Issuance of 2019 Convertible Bonds (note 29)	**—**	**—**	**14,769**	**—**	**—**	**—**	**14,769**	**—**	**14,769**
Lapse/Forfeiture of share options	**—**	**—**	**—**	**(4,279)**	**—**	**4,279**	**—**	**—**	**—**
Disposal of subsidiaries	**—**	**—**	**—**	**—**	**(30,687)**	**—**	**(30,687)**	**146,094**	**115,407**
	—	**—**	**14,769**	**(549)**	**(30,687)**	**4,279**	**(12,188)**	**146,094**	**133,906**
As at 31 December 2019	**1,709,316**	**4,190**	**55,383**	**38,654**	**9,674**	**(1,878,183)**	**(60,966)**	**—**	**(60,966)**

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (re-presented)
OPERATING ACTIVITIES			
(Loss) Profit before tax			
from continuing operation		**(60,869)**	(96,657)
from discontinued operation		**36,011**	(72,118)
Depreciation of property, plant and equipment		**13,836**	8,848
Finance costs		**62,143**	72,603
Bank interest income		**(1)**	(28)
Loan interest income		**(44)**	—
Depreciation of right-of-use assets		**2,326**	—
Change in fair value of contingent consideration payable		**(3,700)**	(4,228)
Write-off of property, plant and equipment		**29**	549
Change in fair value of derivative components of convertible notes		**—**	4
Change in fair value of options/commitment to issue convertible notes		**—**	16
Equity-settled share-based payment expenses		**3,730**	20,858
Change in fair value of derivative components of GIC Convertible Bonds		**(17,508)**	12,939
Bad debts written off		**345**	—
Impairment loss (Reversal of impairment loss) on property, plant and equipment		**13,731**	(9,000)
(Reversal of impairment loss) Impairment loss on consideration receivable		**(600)**	9,750
Gain on disposal of property, plant and equipment		**(2)**	(220)
Share of results of joint venture		**17,712**	24,754
Gain on disposal of subsidiaries	32	**(86,977)**	—
Change in fair value of financial assets at FVPL		**178**	—
Effect of foreign exchange rate changes		**2,917**	8,802
Changes in working capital:			
Trade and other receivables		**1,652**	(2,838)
Trade and other payables		**(7,775)**	(11,603)
Amount due to a joint venture		**(6)**	(23)
Cash used in operations		**(22,872)**	(37,592)
Bank interest received		**1**	28
Interest paid		**(41,349)**	(58,244)
Net cash used in operating activities		**(64,220)**	(95,808)
INVESTING ACTIVITIES			
Deposits paid for acquisition of property, plant and equipment		**—**	(2,610)
Payment for construction in progress		**(1,852)**	(2,538)
Refundable earnest money paid	22(d)	**(7,566)**	—
Purchase of property, plant and equipment		**(18,505)**	(169,964)
Net cash outflow on disposal of subsidiaries	32	**(146)**	—
Purchase of financial assets at FVPL		**(4,864)**	—
Net cash used in investing activities		**(32,933)**	(175,112)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (re-presented)
FINANCING ACTIVITIES			
New bank and other borrowings raised		**93,106**	210,903
Repayment of bank and other borrowings		**(44,224)**	(141,621)
Proceeds from issue of convertible notes		**—**	2,500
Proceeds from issue of 2018 Convertible Bonds		**—**	17,440
Proceeds from issue of 2019 Convertible Bonds	29	**41,027**	—
Proceeds from issue of GIC Convertible Bonds		**—**	98,778
Proceeds from issue of shares on placing		**—**	97,464
Redemption of convertible notes		**—**	(2,056)
Repayment of lease liabilities		**(2,798)**	—
Net cash from financing activities		**87,111**	283,408
Net (decrease) increase in cash and cash equivalents		**(10,042)**	12,488
Cash and cash equivalents as at 1 January		**18,456**	5,968
Cash and cash equivalents as at 31 December represented by bank balances and cash		**8,414**	18,456
Major non-cash transactions:			
Set off other receivable from Golden Concord Group Management Limited ("GCGM") with other borrowings payable to lenders beneficially owned by Mr. Zhu Gongshan ("Mr. Zhu")*		**23,672**	—

* Mr. Zhu is a beneficiary of a trust which is a substantial shareholder of the Company.

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 its 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").

On 11 November 2019, the Company passed a resolution in a general meeting to dispose of all the equity interest in China Railway Logistic Holdings Limited and its subsidiaries (collectively the "China Railway Group"), which principal activities are railway construction and operations. The disposal of the China Railway Group (note 32) constituted a very substantial disposal (the "VSD") under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The VSD was completed on 27 November 2019.

As a result of the VSD, the railway construction and operations segment no longer exists. The Group, together with its joint venture, are engaged in shipping and logistics businesses.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Listing Rules.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand unless otherwise indicated.

3. ADOPTION OF NEW/REVISED HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Annual Improvements to HKFRSs	2015–2017 Cycle
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
HKFRS 16	Leases

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

3. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated losses or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating lease or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

3. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

HKFRS 16: Leases (Continued)

As lessee — leases previously classified as operating leases (Continued)

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 18%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	As at 1 January 2019 HK$'000
Operating lease commitments as at 31 December 2018	5,580
Discounted using the lessee's incremental borrowing rate at the DIA	4,759
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(108)
Total lease liabilities as at 1 January 2019	4,651

As lessee

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

4. PRINCIPAL ACCOUNTING POLICIES

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at FVPL, which are measured at fair value as explained in the accounting policies set out below.

Going concern basis

As at 31 December 2019, the Group had net current liabilities of approximately HK$226,860,000 and net liabilities of approximately HK$60,966,000 respectively. In addition, it incurred a loss of approximately HK$60,869,000 from continuing operations for the year ended 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The major factors that have been taken into account by the directors in assessing the Group's ability to continue as a going concern are described below:

Fund raising activities

During the year ended 31 December 2018, the Company had successfully raised a total amount of HK$218,000,000 by ways of issuance of convertibles bonds and placing of new shares. During the year, the Company had successfully issued 2019 Convertible Bonds (as defined in note 29) for gross cash proceeds of HK$42,500,000. The proceeds were mainly applied for general working capital of the Group. The directors believe that the Group would be able to raise sufficient funds to meet its obligation as and when necessary.

Obligations arising from the joint venture

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.

In addition, the amount due to a joint venture as recorded in the consolidated statement of financial position arose from share of operating losses of the joint venture in the current and previous years pursuant to the shareholders agreement entered into between a subsidiary of the Company (the "Subsidiary") and the joint venture partner. The Group has not received any requests from the joint venture to settle the amount due to the joint venture up to the date of these consolidated financial statements and the directors do not expect that the joint venture will demand settlement in the next twelve months from 31 December 2019. Even if the joint venture demands immediate settlement, since the Group has not provided any guarantees to indemnify the liabilities of the Subsidiary, the directors do not consider that it will have any significant impact on the Group's ability to continue as a going concern.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern basis (Continued)

GIC Convertible Bonds

The conversion price of the GIC Convertible Bonds (as defined in note 26) was adjusted from HK$0.8505 per conversion share to HK$0.375 per conversion share. The directors believe that it could provide more incentive to GIC Investment Limited ("GIC"), the bondholder of the GIC Convertible Bonds, to hold the GIC Convertible Bonds until its maturity and to reduce the possibility for GIC to exercise its right to request for early redemption of the GIC Convertible Bonds. Even if GIC exercises its right of early redemption, the directors are confident that, after considering possible additional financial resources through vessel mortgages which are under discussion, the Company will have sufficient financial resources to meet its obligations.

The management has prepared a cash flow forecast covering a period up to 31 December 2020 which is satisfied by the directors, after taking into account the factors as mentioned above, that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in ownership interest

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Joint ventures (Continued)

The Group's investment in joint venture is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on an acquisition of a joint venture is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired joint venture. Such goodwill is included in interests in joint venture. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Discontinued operations

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at rates set out below. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Building, plant and equipment	12.5%–16.6%
Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%–25%
Locomotives	10%
Vessels	Over the estimated useful life (ranging from 7 years to 18 years)

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Acquired intangible assets are measured on initial recognition at cost. Club membership is an intangible asset with indefinite useful lives which is carried at cost less any accumulated impairment losses.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire; or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset; or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income ("FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which HKFRS 3 applies. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

A financial liability is classified as held for trading if it is:

(i) incurred principally for the purpose of repurchasing it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement (Continued)

Financial liabilities are designated at initial recognition as at FVPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. For a lease receivable, the cash flows used for determining the ECL should be consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 or HKAS 17.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Measurement of ECL (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on one or more of the following shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of debt investments at FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

(i) the debtor's failure to make payments of principal or interest on the due dates;

(ii) an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

(iii) an actual or expected significant deterioration in the operating results of the debtor; and

(iv) actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets and other items (Continued)

Simplified approach of ECL

For trade receivables and operating lease receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Convertible bonds

The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bonds reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bonds reserve is transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

Revenue recognition

Charter-hire income under operating leases is recognised when the vessels are let out and on the straight-line basis over the lease term. Before 1 January 2019, contingent rents are recognised as income in the period in which they are earned. From 1 January 2019, variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or debt investments at FVOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- On all other partial disposals, which includes partial disposal of joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets and right-of-use assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Share capital

Ordinary shares are classified as equity.

Leases

Applicable from 1 January 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	2 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

As lessor — operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Applicable before 1 January 2019

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

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is determined using the Binomial Option Pricing Model taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits/losses.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in joint ventures, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to the Group.

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

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

   (ii) has significant influence over the Group; or

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

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

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

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

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

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

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they have similar economic characteristics and share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the directors in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follows:

(i) Going concern basis

As disclosed in note 4, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about future of the Group, including cash flow forecasts of the Group. Such forecasts inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

(ii) Discount rates for calculating lease liabilities — as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

(iii) Useful lives and impairment of vessels

The management reviews the useful lives and depreciation method of vessels at the end of each reporting period, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the vessels.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

(iii) Useful lives and impairment of vessels (continued)

Vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable such as declines in assets' market value and significant increase in interest rates that may affect the discount rate used in calculating the vessels' recoverable amount. The recoverable amounts have been determined based on fair value less costs of disposal calculation or value in use calculation. These calculations require the use of judgments and estimates.

Management judgement is required in vessel impairment particularly in assessing:

(a) whether an event has occurred that may indicate that the vessels' values may not be recoverable;

(b) whether the carrying value of the vessels can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continuing use of the asset in the business;

(c) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount;

(d) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and

(e) the appropriateness of key assumptions applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Company's consolidated financial position and financial performance.

(iv) Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 37(b).

(v) Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management have determined the appropriate valuation techniques and inputs for fair value measurements.

4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

(v) Fair value estimation (Continued)

In estimating the fair value of the Group's financial assets at FVPL, contingent consideration payable and, derivative components of the GIC Convertible Bonds, the Group uses market-observable data to the extent it is available. The management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the directors of the Company. The information about the valuation techniques, inputs and key assumptions used in the determination of those assets and liabilities are detailed in notes 21, 25 and 27 respectively.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	*Definition of Material* [1]
Amendments to HKAS 39, HKFRSs 7 and 9	*Interest Rate Benchmark Reform* [1]
Amendments to HKFRS 3	*Definition of a Business* [2]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

5. 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.

Year ended 31 December 2019	Railway construction and operations (Discontinued operations) HK$'000	Shipping and logistics (Continuing operations) HK$'000	Total HK$'000
Segment revenue from external customers	—	61,072	61,072
Segment profit (loss)	36,011	(23,792)	12,219
Unallocated income			26
Change in fair value of contingent consideration payable			3,700
Change in fair value of financial assets at FVPL (other than derivative components of GIC Convertible Bonds)			(178)
Reversal of impairment loss on consideration receivable			600
Other unallocated corporate expenses			(41,225)
Loss for the year			(24,858)
Other segment information:			
Change in fair value of derivative components of GIC Convertible Bonds	—	17,508	17,508
Depreciation of property, plant and equipment (note)	(552)	(12,504)	(13,056)
Finance costs (note)	(40,353)	(17,427)	(57,780)
Impairment loss on property, plant and equipment	—	(13,731)	(13,731)
Share of results of joint venture	—	(17,712)	(17,712)
Additions of property, plant and equipment	603	20,445	21,048
Gain on disposal of subsidiaries	86,977	—	86,977

5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018	Railway construction and operations (Discontinued operation) HK$'000	Shipping and logistics (Continuing operations) HK$'000	Total HK$'000
Segment revenue from external customers	—	50,669	50,669
Segment loss	(72,118)	(31,110)	(103,228)
Unallocated income			57
Change in fair value of contingent consideration payable			4,228
Change in fair value of derivative components of convertible notes			(4)
Change in fair value of options/commitment to issue convertible notes			(16)
Impairment loss on consideration receivable			(9,750)
Other unallocated corporate expenses			(60,062)
Loss for the year			(168,775)
Other segment information:			
Change in fair value of derivative components of GIC Convertible Bonds	—	(12,939)	(12,939)
Depreciation of property, plant and equipment (note)	(607)	(6,955)	(7,562)
Finance costs (note)	(58,488)	(12,601)	(71,089)
Reversal of impairment loss on property, plant and equipment	—	9,000	9,000
Share of results of joint venture	—	(24,754)	(24,754)

Note: Depreciation of property, plant and equipment excluded from the measure of segment results during the years ended 31 December 2019 and 2018 amounted to approximately HK$780,000 and HK$1,286,000 respectively.

Depreciation of right-of-use assets of HK$2,326,000 was excluded from the measure of segment results during the year ended 31 December 2019.

Finance costs excluded from the measure of segment results during the years ended 31 December 2019 and 2018 amounted to approximately HK$4,363,000 and HK$1,514,000 respectively.

5. SEGMENT INFORMATION (CONTINUED)

	2019 HK$'000	2018 HK$'000
Assets		
Continuing operations		
Shipping and logistics	**211,893**	223,999
Discontinued operations		
Railway construction and operations	**—**	1,630,317
Segment assets	**211,893**	1,854,316
Unallocated corporate assets	**24,559**	14,840
Consolidated total assets	**236,452**	1,869,156
Liabilities		
Continuing operations		
Shipping and logistics	**238,466**	234,796
Discontinued operations		
Railway construction and operations	**—**	1,789,895
Segment liabilities	**238,466**	2,024,691
Contingent consideration payable	**—**	3,700
2018 Convertible Bonds	**13,814**	12,152
2019 Convertible Bonds	**26,912**	—
Other unallocated corporate liabilities	**18,226**	16,007
Consolidated total liabilities	**297,418**	2,056,550

Geographical information

Apart from the vessels, the Group's non-current assets are principally located in Hong Kong.

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.

5. SEGMENT INFORMATION (CONTINUED)

Information about 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:

	2019 HK$'000	2018 HK$'000
Customer A	**44,367**	32,921
Customer B	**16,705**	9,429
	61,072	42,350

6. REVENUE

Revenue represents the amount received and receivable for time charters:

	2019 HK$'000	2018 HK$'000 (re-presented)
Continuing operations		
Operating lease income		
Charter-hire income	**61,072**	50,669

The Group did not enter into any contracts with customers within HKFRS 15 during the years end 31 December 2019 and 2018.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000 (re-presented)
Continuing operations		
Bank interest income	**—**	27
Loan interest income	**44**	—
Gain on disposal of property, plant and equipment	**2**	220
Sundry income	**548**	230
	594	477

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2019 HK$'000	2018 HK$'000 (re-presented)
Continuing operations		
(a) Finance costs:		
Interest on other borrowings	**976**	1,230
Interest on GIC Convertible Bonds (note 26)	**17,427**	12,601
Interest on 2018 Convertible Bonds (note 28)	**2,112**	283
Interest on 2019 Convertible Bonds (note 29)	**654**	—
Interest on convertible notes	**—**	1
Interest on lease liabilities	**621**	—
	21,790	14,115
(b) Staff costs (including directors' remuneration):		
Employee benefits expense	**16,779**	17,029
Contributions to defined contribution plans	**351**	437
Equity-settled share-based payment expenses	**3,730**	19,728
	20,860	37,194
(c) Other items:		
Auditor's remuneration		
Annual audit	**1,100**	1,200
Non-annual audit	**810**	164
Cost of sales (note)	**52,990**	39,173
Depreciation of property, plant and equipment (charged to "cost of sales" and "administrative expenses", as appropriate)	**13,284**	8,241
Depreciation of right-of-use assets (charged to "administrative expenses")	**2,326**	—
Exchange gain, net	**(476)**	(484)
Bad debts written off	**345**	—
Operating lease charges for premises	**—**	2,267

Note: Cost of sales includes depreciation of property, plant and equipment of approximately HK$12,504,000 (2018: HK$6,955,000) which amount is also included in the respective total amount disclosed separately in "depreciation of property, plant and equipment".

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company by the Group during the year were as follows:

Name of director	Directors' Fees HK$'000	Salaries, allowances and other benefits HK$'000	Equity-settled share-based payment expenses HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Year ended 31 December 2019					
Executive directors					
Liang Jun (resigned on 10 February 2020)	**—**	**1,600**	**246**	**18**	**1,864**
Fu Yongyuan	**—**	**1,560**	**831**	**18**	**2,409**
Wu Jian (appointed on 1 March 2019)	**—**	**1,320**	**831**	**15**	**2,166**
Non-executive director					
Yu Baodong	**540**	**—**	**246**	**18**	**804**
Independent non-executive directors					
Chan Chi Yuen	**170**	**—**	**64**	**—**	**234**
Wong Cheuk Bun	**170**	**—**	**64**	**—**	**234**
Wong Yin Shun (resigned on 31 December 2019)	**170**	**—**	**64**	**—**	**234**
	1,050	**4,480**	**2,346**	**69**	**7,945**
Year ended 31 December 2018					
Executive directors					
Liang Jun	—	1,820	1,499	18	3,337
Fu Yongyuan	—	1,560	4,585	18	6,163
Siu Miu Man (note a) (resigned on 13 November 2018)	—	1,401	4,532	11	5,944
Lin Wenqiang (resigned on 4 October 2018)	—	728	501	14	1,243
Non-executive director					
Yu Baodong	540	—	2,772	18	3,330
Independent non-executive directors					
Chan Chi Yuen	120	—	298	—	418
Wong Cheuk Bun	120	—	298	—	418
Wong Yin Shun (appointed on 24 March 2018)	93	—	213	—	306
Siu Miu Man (note a)	30	—	—	—	30
	903	5,509	14,698	79	21,189

Note a: Mr. Siu Miu Man was re-designated as an executive director of the Company with effect from 24 March 2018.

No emoluments were paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2019 and 2018.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals of the Group included three (2018: four) directors whose emoluments are disclosed in note 9. The emoluments of the remaining two (2018: one) highest paid individuals, who are employees of the Group, are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefits	**2,446**	1,040
Contributions to defined contribution retirement scheme	**35**	18
Equity-settled share-based payment expenses	**259**	3,772
	2,740	4,830

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

	Number of individuals	
	2019	2018
HK$1,000,001–HK$1,500,000	**2**	—
HK$4,500,001–HK$5,000,000	**—**	1
	2	1

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of these individuals waived any emoluments during the years ended 31 December 2019 and 2018.

11. TAXATION

Hong Kong Profits Tax, if any, is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

No provision for income tax has been made as the Group entities either had no estimated assessable profits or incurred tax losses for the years ended 31 December 2019 and 2018.

Reconciliation of tax expense

	2019	2018
	HK$'000	HK$'000 (re-presented)
Continuing operations		
Loss before tax	**(60,869)**	(96,657)
Tax calculated at domestic tax rates in respective tax jurisdictions	**(9,336)**	(13,112)
Results of joint venture	**2,923**	4,084
Non-deductible expenses	**21,098**	21,264
Tax exempt revenue	**(14,685)**	(12,236)
Tax expense for the year	**—**	—

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

13. EARNINGS (LOSS) PER SHARE

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

	2019 HK$'000	2018 HK$'000 (re-presented)
Loss attributable to owners of the Company		
— Continuing operations	(60,869)	(96,657)
— Discontinued operations	57,810	(41,902)

	2019	2018 (re-stated)
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share	495,975,244	468,965,843
Earnings (Loss) per share		
Basic and diluted		
— Continuing operations (HK cents)	(12.27)	(20.61)
— Discontinued operations (HK cents)	11.66	(8.93)
	(0.61)	(29.54)

The weighted average number of ordinary shares for the years ended 31 December 2019 and 2018 is calculated after adjustment for the share consolidation on 19 August 2019 as disclosed in note 30.

Diluted earnings (loss) per share for the years ended 31 December 2019 and 2018 is same as the basic earnings (loss) per share. The calculation of diluted earnings (loss) per share for the years ended 31 December 2019 and 2018 does not assume (i) the conversion of the Company's outstanding convertible instruments; (ii) the exercise of the Company's outstanding share options; and (iii) the issuance of the contingent consideration shares since the conversion or exercise would result an anti-dilutive effect on the basic earnings (loss) per share or the condition for issuance is not satisfied.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Locomotives HK$'000	Vessels HK$'000	Total HK$'000
Reconciliation of carrying amount — year ended 31 December 2018							
As at 1 January 2018	18	775	514	493	2,008	37,945	41,753
Additions	—	29	107	1,719	—	168,329	170,184
Reversal of impairment loss	—	—	—	—	—	9,000	9,000
Write-off/Disposal	—	—	—	—	—	(549)	(549)
Depreciation	(6)	(741)	(120)	(428)	(598)	(6,955)	(8,848)
Exchange realignments	(1)	—	(9)	(5)	(68)	—	(83)
As at 31 December 2018	11	63	492	1,779	1,342	207,770	211,457
Reconciliation of carrying amount — year ended 31 December 2019							
As at 1 January 2019	**11**	**63**	**492**	**1,779**	**1,342**	**207,770**	**211,457**
Additions	**—**	**44**	**148**	**480**	**—**	**20,445**	**21,117**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**(13,731)**	**(13,731)**
Write-off/Disposal	**—**	**—**	**(14)**	**—**	**—**	**(15)**	**(29)**
Depreciation	**(5)**	**(68)**	**(140)**	**(641)**	**(478)**	**(12,504)**	**(13,836)**
Exchange realignments	**1**	**—**	**(11)**	**(21)**	**(23)**	**—**	**(54)**
Disposal of subsidiaries	**(7)**	**—**	**(251)**	**(530)**	**(841)**	**—**	**(1,629)**
As at 31 December 2019	**—**	**39**	**224**	**1,067**	**—**	**201,965**	**203,295**
As at 31 December 2018							
Cost	314	1,909	3,655	3,832	6,379	232,574	248,663
Accumulated depreciation and impairment losses	(303)	(1,846)	(3,163)	(2,053)	(5,037)	(24,804)	(37,206)
	11	63	492	1,779	1,342	207,770	211,457
As at 31 December 2019							
Cost	**—**	**1,953**	**1,250**	**2,553**	**—**	**253,004**	**258,760**
Accumulated depreciation and impairment losses	**—**	**(1,914)**	**(1,026)**	**(1,486)**	**—**	**(51,039)**	**(55,465)**
	—	**39**	**224**	**1,067**	**—**	**201,965**	**203,295**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2019, the directors reviewed the indicators of dry bulk shipping market and considered the freight rate has shown a decreasing trend and there is potential deterioration of the shipping market. As a result, the directors considered that additional impairment losses on vessels may be required.

The directors have engaged an independent professional valuer to assess the recoverable amount of a vessel that was impaired in prior period (the "Vessel"), which was determined as the fair value less costs of disposal because the fair value less costs of disposal was higher than the value in use as at 31 December 2019. The fair value of the Vessel was performed using the market approach with reference to the handy size market price of vessels with similar age and was categorised as Level 2 fair value measurement.

Since the recoverable amount of the Vessel as at 31 December 2019 of approximately HK$31,000,000 was less than its carrying amount, an additional impairment loss of HK$13,731,000 was recognised in profit or loss for the year ended 31 December 2019 (2018 reversal of impairment: HK$9,000,000).

The directors, after taking into account the financial performance of the other two vessels acquired in 2018 with an aggregate carrying amount of HK$170,965,000 as at 31 December 2019 and market price of these two vessels with similar age, considered that no impairment loss on these two vessels is required.

15. INTANGIBLE ASSET

	Club membership HK$'000
Cost and carrying amount	
As at 31 December 2018 and 31 December 2019	1,000

16. CONSTRUCTION IN PROGRESS

	Construction in progress HK$'000
Cost	
As at 1 January 2018	2,007,470
Additions	4,199
Exchange realignment	(92,584)
As at 31 December 2018	1,919,085
Additions	1,852
Exchange realignment	(50,878)
Disposal of subsidiaries	(1,870,059)
As at 31 December 2019	**—**
Accumulated impairment losses	
As at 1 January 2018	335,742
Exchange realignment	(15,439)
As at 31 December 2018	320,303
Exchange realignment	(8,473)
Disposal of subsidiaries	(311,830)
As at 31 December 2019	**—**
Carrying amount	
As at 31 December 2019	**—**
As at 31 December 2018	1,598,782

Construction in progress and railway construction prepayment (note 17) represent railway construction costs and related prepaid construction costs of a railway connecting Tangshan City (唐山市) and Chengde City (承德市), Hebei Province (河北省) in the PRC. These items were disposed of upon completion of the VSD.

17. RAILWAY CONSTRUCTION PREPAYMENT

	2019 HK$'000	2018 HK$'000
Cost		
As at 1 January	**9,076**	6,448
Disposal of subsidiaries	**(9,076)**	—
As at 31 December	**—**	6,448
Accumulated impairment losses		
As at 1 January	**(1,673)**	(1,754)
Exchange realignment	**44**	81
Disposal of subsidiaries	**1,629**	—
As at 31 December	**—**	(1,673)
	—	4,775

18. LEASES

The Group as lessor

Operating lease

The Group leases its vessels to third parties under operating leases, which had an initial non-cancellable lease term of 13 to 23 months. The leases do not include purchase or termination options. However, some leases provide the lessees with options to extend at the end of the term for 11 to 13 months.

The future undiscounted lease payments to be received from leases of the vessels of HK$24,543,000 are receivable within one year (2018: HK$47,423,000 are receivable within one year, HK$10,394,000 are receivable in the second to fifth years inclusive).

The operating lease income of the Group during the year ended 31 December 2019 is set out in note 6 to the consolidated financial statements.

The Group is insured against loss that may arise from accidents or physical damages of the vessels up to the amount of US$29,000,000 (equivalent to HK$225,620,000).

18. LEASES (CONTINUED)

The Group as lessee

Right-of-use assets

	Office premises HK$'000
Year ended 31 December 2019	
Depreciation	**2,326**
As at 31 December 2019	
Net carrying amount	**2,325**

The Group leases office premises for its daily operations. The lease term is two years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect current market rentals.

As at 31 December 2018

The Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	HK$'000
Within one year	2,917
In the second to fifth years inclusive	2,663
	5,580

19. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Equity method		
— As at 1 January and 31 December	—	—

The joint venture explores shipping and logistics business in the PRC. The Group recognised 50% share of loss of a joint venture of HK$17,712,000 (2018:HK$24,754,000) for the year ended 31 December 2019. As at 31 December 2019 and 2018, the Group's share of accumulated losses of the joint venture exceeded the Group's investment in the joint venture as the Group has legal obligations under the shareholders' agreement relating to the formation of the joint venture to make good such losses and to acquire two vessels to be operated by the joint venture (note 24). The excess amount is accounted for as liabilities due to a joint venture as set out in note 24. No dividend is received or receivable from the joint venture.

In accordance with the shareholders' agreement, each of the joint venture partners is responsible for acquiring two vessels for contribution to the joint venture as capital. Two vessels had been purchased by the joint venture partner while the Group has not yet purchased the remaining two vessels. In view of the current market conditions in the shipping business, the Group and the joint venture partner had preliminary discussions and concluded the mutual intention on withholding the enforcement of the Group's obligations under the 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.

Details of the joint venture are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Principal activity	Percentage of ownership interests
Ocean Pro Holdings Limited	Limited liability company	The BVI/the PRC	Shipping and logistics	50%

19. INTEREST IN A JOINT VENTURE (CONTINUED)

The summarised financial information of the joint venture is as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets	131,059	163,950
Current assets	15,976	6,765
Current liabilities	(53,995)	(39,282)
Non-current liabilities	(397,579)	(407,174)
Net liabilities	(304,539)	(275,741)
Included in the above amounts are:		
Cash and cash equivalents	6,990	161
Current financial liabilities (excluding trade and other payables)	—	—
Non-current financial liabilities (excluding other payables and provisions)	(397,579)	(407,174)
Revenue	68,560	80,416
Costs and other expenses	(103,984)	(129,924)
Loss before tax	(35,424)	(49,508)
Income tax expense	—	—
Loss for the year	(35,424)	(49,508)
Exchange difference arising from translation of interest in a joint venture	19,348	—
Included in the above amounts are:		
Depreciation	(8,683)	(11,086)
Interest income	22	63
Interest expense	(20,033)	(20,589)

20. DISCONTINUED OPERATIONS

The management considers that the railway construction and operations business that was disposed of upon completion of the VSD constituted discontinued operations. Accordingly, certain comparative figures in the consolidated financial statements have been re-presented to separately reflect the results of the discontinued operations. The results and net cash flows of the discontinued operations for the years ended 31 December 2019 and 2018 are summarised as follows:

	2019 HK$'000	2018 HK$'000
Revenue	—	—
Operating costs	(10,613)	(13,630)
Finance costs	(40,353)	(58,488)
Loss before tax	(50,966)	(72,118)
Taxation	—	—
Loss after tax from discontinued operations	(50,966)	(72,118)
Gain on disposal of subsidiaries	86,977	—
Profit (Loss) attributable to discontinued operations	36,011	(72,118)

	2019 HK$'000	2018 HK$'000
Net cash inflows (outflows)		
Operating activities	(12,827)	(16,128)
Investing activities	(2,454)	(4,197)
Financing activities	14,260	21,372
Total cash flows	(1,021)	1,047

21. FINANCIAL ASSETS AT FVPL

	2019 HK$'000	2018 HK$'000
Mandatorily measured at FVPL		
Securities listed in Hong Kong	**4,686**	—
Derivative components of GIC Convertible Bonds (note 27)	**2,351**	—
	7,037	—

As at 31 December 2019, margin facilities of HK$971,000 from a regulated securities broker was granted to the Group under which the securities listed in Hong Kong of HK$4,686,000 were pledged as collateral for the facilities granted. The Group did not utilise the margin facilities as at 31 December 2019.

The fair value of the securities listed in Hong Kong is based on the quoted market price which is a level 1 input in accordance with HKFRS 13.

22. TRADE AND OTHER RECEIVABLES

	Note	2019 HK$'000	2018 HK$'000
Trade receivables	22(a)	—	345
Other receivables			
Consideration receivable	22(b)	**9,150**	9,850
Amount due from GCGM	22(c)	**2,500**	23,682
Refundable earnest money	22(d)	**7,566**	—
Other debtors		**2,775**	4,021
Deposits		**1,060**	1,080
Prepayments		**480**	2,848
		23,531	41,481
Less: Loss allowance on consideration receivable	22(b), 37(b)	**(9,150)**	(9,750)
		14,381	31,731
		14,381	32,076

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in note 37(b).

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

22(a) Trade receivables

Trade receivables brought forward from last year of HK$345,000 was written off during the year ended 31 December 2019 (2018: All trade receivables aged within 6 months, based on the invoice date).

22(b) Consideration receivable

The balance represents the remaining consideration receivable from disposal of a former subsidiary in 2014, net of impairment loss of HK$9,150,000 (2018: HK$9,750,000).

22(c) Amount due from GCGM

The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable within one year (2018: The balance was unsecured, interest-free and repayable on demand). GCGM is a company incorporated in Hong Kong with limited liability which is beneficially wholly owned by Mr. Zhu.

22(d) Refundable earnest money

The refundable earnest money represents earnest money of RMB6,800,000 (equivalent to HK$7,566,000) paid for a potential logistics investment in the PRC.

As at the date of the consolidated financial statements, no binding or definitive agreements in relation to the investment have been entered into.

23. TRADE AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	23(a)	**1,468**	2,392
Other payables			
Accruals and other payable		**8,223**	24,887
Amount due to GCGM	23(b)	**8,373**	—
Construction cost payables		**—**	126,303
Receipts in advance		**1,410**	1,087
		18,006	152,277
		19,474	154,669

23(a) Trade payables

The credit period of trade payables is normally within 90 days (2018: 90 days). As at 31 December 2019 and 2018, all trade payables was aged within 30 days, based on the invoice date.

23(b) Amount due to GCGM

The balance was unsecured, interest-free and repayable on demand.

24. AMOUNT DUE TO A JOINT VENTURE

The amount mainly represented the excess of the Group's share of losses over its investment in the joint venture as mentioned in note 19, which is unsecured, non-interest-bearing and has no fixed repayment terms.

25. CONTINGENT CONSIDERATION PAYABLE

	2019 HK$'000	2018 HK$'000
As at 1 January	3,700	7,928
Fair value change	(3,700)	(4,228)
As at 31 December	—	3,700

On 19 May 2010, the Group completed the acquisition of 100% equity interest in Ocean Jade Investments Limited ("Ocean Jade") which holds 50% equity interest in a joint venture (note 19) from Golden Concord Group Limited ("Golden Concord"). The acquisition is to be satisfied by the issuance of 2,000,000 shares of the Company (after adjustment for the Company's share consolidation on 19 August 2019) to Golden Concord, when the net profit after tax of Ocean Jade shall not be less than HK$20 million for the first 12 months after the start of commercial operation of all of the four vessels as mentioned in note 19. In the event that this profit target is not met, the number of consideration shares to be issued shall be reduced on a pro-rata basis for the shortfall.

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 31 December 2019, which is categorised as Level 3 fair value measurement. During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The expected number of consideration shares to be issued is based on the profit forecasts of the four vessels operated/to be operated (note 19) by the joint venture. The key assumptions used in the profit forecasts are the charter rate of RMB36.86 (2018: RMB42.35) per ton and the rental daily rate of US$4,774 (2018: US$11,444) per vessel.

The share price of the Company of HK$0.4 per share (considered the effect of share consolidation as mentioned in note 30(a)) (2018: HK$0.3 per share (adjusted)) adopted in the calculation is the Company's quoted share price as at 31 December 2019.

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

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

26. 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 instruments 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 current liabilities. The effective interest rate of the liability component on initial recognition is 22.59% per annum.

On 17 September 2019, the Company and GIC entered into a deed of amendment in relation to the terms of GIC Convertible Bonds pursuant to which (i) the initial conversion price was reduced from HK$0.8505 per conversion share (after share consolidation) to HK$0.375 per conversion share (after share consolidation); and (ii) the GIC Convertible Bonds shall be freely transferrable in whole or in part to any third party which is not a connected person (the “Amendments”). The Amendments is not accounted for as an extinguishment of the original financial liability of the GIC Convertible Bonds as the discounted present value of the cash flows of the GIC Convertible Bonds with the Amendments is less than 10% difference from the discounted present value of the cash flows of the GIC Convertible Bonds prior to the Amendments. The Amendments became effective on 20 November 2019.

As at 31 December 2019, one of the vessels of the Group with carrying amount of HK$84,805,000 (2018: HK$81,779,000) was pledged to GIC for the GIC Convertible Bonds.

26. GIC CONVERTIBLE BONDS (CONTINUED)

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

	HK$'000
Nominal value of the GIC Convertible Bonds issued	100,000
Issue costs apportioned to liability component	(1,222)
Derivative components as at the issue date at fair value (note 27)	(2,218)
Equity component as at the issue date	(35,043)
Liability component as at the issue date at fair value	61,517
Imputed interest expenses	12,601
Payment of interest expenses	(2,788)
As at 31 December 2018 and 1 January 2019	71,330
Imputed interest expenses	17,427
Payment of interest expenses	(5,456)
As at 31 December 2019	83,301

27. DERIVATIVE COMPONENTS OF GIC CONVERTIBLE BONDS

	2019 **HK$'000**	2018 HK$'000
As at 1 January	**(15,157)**	—
Issue of GIC Convertible Bonds	**—**	(2,218)
Fair value change	**17,508**	(12,939)
As at 31 December	**2,351**	(15,157)

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, which is categorised as Level 3 fair value measurement. During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The significant unobservable input used in the fair value measurement is the expected volatility of 40.97% (2018: 44.51%).

As at 31 December 2019, if the expected volatility had been 10% higher/lower while all other variables were held constant, the Group's loss for the year would decrease/increase by approximately HK$1,750,000 (2018: HK$552,000).

28. 2018 CONVERTIBLE BONDS

On 4 September 2018, the Company entered into a placing agreement (the "2018 CB Placing Agreement") with VC Brokerage Limited ("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 "2018 Convertible Bonds") on a best effort basis on the terms and subject to the conditions set out in the 2018 CB Placing Agreement.

The 2018 Convertible Bonds 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).

The conditions specified in the 2018 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 2018 Convertible Bonds in the principal amount of HK$18,000,000 with the initial conversion price of HK$0.0932 was successfully placed to six placees. The effective interest rate of the liability component on initial recognition is 15.85% per annum.

After the share consolidation completed on 19 August 2019 (note 30), the conversion price of the 2018 Convertible Bonds has been changed to HK$0.466 per share.

As at 31 December 2019, one of the vessels of the Group with carrying amount of HK$86,159,000 (2018: HK$81,908,000) was pledged to the holders of the 2018 Convertible Bonds.

The movements of liability component of the 2018 Convertible Bonds are as follows:

	HK$'000
Nominal value of 2018 Convertible Bonds issued	18,000
Issue costs apportioned to liability component	(560)
Equity component as at the issue date	(5,571)
Liability component as at the issue date at fair value	11,869
Imputed interest expenses	283
As at 31 December 2018 and 1 January 2019	12,152
Imputed interest expenses	2,112
Payment of interest expenses	(450)
As at 31 December 2019	13,814

29. 2019 CONVERTIBLE BONDS

On 25 June 2019, the Company entered into a placing agreement (the "2019 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$60,000,000 (the "2019 Convertible Bonds") on a best effort basis on the terms and subject to the conditions set out in the 2019 CB Placing Agreement.

The 2019 Convertible Bonds 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$0.0577 per conversion share (before share consolidation) 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).

The conditions specified in the 2019 CB Placing Agreement (as revised and supplemented by the first supplemental agreement dated 13 September 2019 and second supplemental agreement dated 4 October 2019) have been fulfilled and the completion of the placing took place on 14 November 2019. A portion of the 2019 Convertible Bonds in the principal amount of HK$42,500,000 with the initial conversion price of HK$0.0577 was successfully placed to six placees. The effective interest rate of the liability component on initial recognition is 21.20% per annum.

After the share consolidation completed on 19 August 2019 as detailed in note 30, the conversion price of the 2019 Convertible Bonds has been changed to HK$0.2885 per share.

The movements of liability component of the 2019 Convertible Bonds are as follows:

	HK$'000
Nominal value of 2019 Convertible Bonds issued	42,500
Issue costs apportioned to liability component	(1,473)
Equity component as at the issue date	(14,769)
Liability component as at the issue date at fair value	26,258
Imputed interest expenses	654
As at 31 December 2019	26,912

30. SHARE CAPITAL

	2019		2018	
	Number of shares	HK$'000	Number of shares	HK$'000
Issued and fully paid:				
As at 1 January	**2,479,876,223**	**1,709,316**	1,525,780,526	1,608,309
Share consolidation (note a)	**(1,983,900,979)**	**—**	—	—
Shares issued on placing, net of issue costs	**—**	**—**	923,361,034	97,464
Shares issued on conversion of convertible notes	**—**	**—**	30,734,663	3,543
As at 31 December	**495,975,244**	**1,709,316**	2,479,876,223	1,709,316

Note a: Pursuant to the share consolidation approved by the shareholders, every five issued ordinary shares of Company had been consolidated into one ordinary share. The share consolidation became effective as from 19 August 2019.

31. SHARE OPTIONS

2008 Share Option Scheme

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

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

(ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the board of directors (the "Board"), has contributed to the Group (the assessment criteria of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; (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.

31. SHARE OPTIONS (CONTINUED)

2008 Share Option Scheme (Continued)

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

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

On 21 April 2011, 313,200,000 share options (before share consolidation) carrying the rights to subscribe for a total of 313,200,000 ordinary shares (before share consolidation) of the Company were granted to 51 individuals under the 2008 Share Option Scheme and as refreshed on 3 June 2010. 312,200,000 share options (before share consolidation) granted were accepted by the grantees and 1,000,000 share options (before share consolidation) were lapsed due to non-acceptance by the grantee within the prescribed time limit. The contractual life of the options is 10 years.

On 16 April 2018, 97,250,271 share options (before share consolidation) were granted at an exercise price of HK$0.1432 per share (before share consolidation) under the 2008 Share Option Scheme, all of which have been accepted. The share options are exercisable during a period of 10 years commencing from the date of grant.

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.

During the year ended 31 December 2019, 786,000 share options (2018: 210,000 share options after share consolidation) lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to the terms of issue.

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. The Company may grant share options to selected eligible participants as incentives or rewards for their contribution 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 calibre 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 the grant of share options (e.g. the minimum period of the share options to be held, the performance targets to be achieved before the share options can be exercised and the subscription price). This provides the Board with more flexibility in imposing appropriate conditions in light of the circumstances of each grant and help to achieve the purpose of the 2018 Share Option Scheme. The aggregate number of shares in respect of which share options (including both exercised and outstanding share options) may be granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of shares in issue on its adoption date, i.e. 20 August 2018.

31. SHARE OPTIONS (CONTINUED)

2018 Share Option Scheme (Continued)

Further, the maximum number of shares which may be issued upon exercise of all outstanding share 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 exercise of the share options granted and to be granted to each eligible participant in any 12-month period shall not exceed 1.0% 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:

(i) any employee (whether full time or part time, including any executive directors but excluding any non-executive directors) of the Company, or of any of its subsidiaries or invested entity in which the Group holds any equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;

(iii) 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;

(iv) any other entity (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; or

(v) any other persons (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contributed to the Group.

The 2018 Share Option Scheme is valid and effective for a period of 10 years commencing on the date of adoption.

On 29 August 2018, 247,987,622 share options (before share consolidation) were granted at an exercise price of HK$0.0976 per share (before share consolidation) under the 2018 Share Option Scheme, all of which have been accepted. The share options are exercisable during a period of 10 years commencing from the date of grant.

On 4 July 2019, 247,987,622 share options (before share consolidation) were granted at an exercise price of HK$0.091 per share (before share consolidation) under the 2018 Share Option Scheme, all of which have been accepted. The share options are exercisable during a period of 10 years commencing from the date of grant.

During the year ended 31 December 2019, 1,870,000 share options (2018: Nil) lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to the terms of issue.

31. SHARE OPTIONS (CONTINUED)

2018 Share Option Scheme (Continued)

The number and weighed average exercise price of share options are as follows:

	2019				2018	
	Number of options '000	Adjusted number of options after share consolidation '000	Weighted average exercise price HK$	Adjusted weighted average exercise price after share consolidation HK$	Number of options '000	Weighted average exercise price HK$
As at 1 January	360,438	72,087	0.1766	0.8830	16,250	1.6800
Granted on 16 April 2018	—	—	—	—	97,250	0.1432
Granted on 20 August 2018	—	—	—	—	247,988	0.0976
Granted on 4 July 2019	247,987	49,598	0.0910	0.4550	—	—
Lapsed/Forfeited during the year	(13,280)	(2,656)	0.4021	2.0105	(1,050)	1.6800
As at 31 December	595,145	119,029	0.1359	0.6795	360,438	0.1766
Exercisable as at 31 December	595,145	119,029	0.1359	0.6795	360,438	0.1766

Note: The number of share options and exercise prices were adjusted pursuant to the share consolidation as mentioned in note 30(a).

The options granted under the 2008 Share Option Scheme and the 2018 Share Option Scheme had fully vested and were wholly exercisable as at 31 December 2019 and 2018. As at 31 December 2019, these outstanding options have exercise prices ranging from HK$0.455 to HK$8.4000 (adjusted) (2018: HK$0.0976 to HK$1.6800 before the share consolidation adjustment being effective) and an average remaining contractual life of 9.03 years (2018: 9.3 years).

No options were exercised during the years ended 31 December 2019 and 2018.

The fair value of the share options granted on 4 July 2019 was approximately HK$3,730,000. The Binomial Option Pricing Model was used to estimate the fair value. Inputs to the model were as follows:

Grant date	4 July 2019
Weighted average share price on grant date	HK$0.455 (adjusted)
Exercise price	HK$0.455 (adjusted)
Risk-free rate	1.434%
Expected option period	10 years
Expected volatility	42.53%–43.48%
Dividend yield	0%

The expected volatility was determined based on the historical volatility of share price of companies with same business nature at the valuation date.

32. DISPOSAL OF SUBSIDIARIES

On 27 November 2019, the Group disposed of its entire equity interest in the China Railway Group to Falcon Power Holdings Limited, an investment holding company and a wholly-owned subsidiary of Golden Concord Holdings Limited ("GCHL") at a consideration of RMB1 and waive of all the amounts due from the China Railway Group to the Group. The details of the VSD are as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	1,629
Construction in progress	1,558,229
Construction prepayment	7,447
Deposit, prepayment and other receivables	236
Bank balances and cash	146
Trade and other payables	(142,239)
Amount due from the Group	710
Bank and other borrowings	(1,620,415)
Amounts due to minority equity owners of subsidiaries	(8,127)
	(202,384)

Analysis of net outflow of cash and cash equivalents in respect of disposal of subsidiaries:

	2019 **HK$'000**
Cash consideration	—
Cash and cash equivalents disposed of	**(146)**
Net outflow of cash and cash equivalents	**(146)**
Gain on disposal of subsidiaries:	
Consideration received or receivable	—
Net liabilities disposed of	**(202,384)**
Non-controlling interests	**146,094**
Translation reserve released upon disposal	**(30,687)**
	(86,977)

The gain on disposal is included in the profit for the year from discontinued operations (note 20) in the consolidated statement of comprehensive income.

33. DEFERRED TAX

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

As at 31 December 2019, the Group had unused tax losses of HK$3,660,000 (2018: HK$3,660,000) available for offset against future profits, which can be carried forward indefinitely.

34. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions in the ordinary course of the Group's business.

a) Members of key management during the year comprised the directors only whose remuneration is set out in note 9.

b) Interest expenses on other borrowings of approximately HK$717,000 (2018: HK$1,978,000) were charged by GCHL and its subsidiaries.

c) Interest expenses in relation to GIC Convertible Bonds of approximately HK$17,427,000 (2018: HK$12,601,000) were charged by GIC.

d) Consultancy fee of HK$600,000 (2018: HK$Nil) to Chatwin Financial PR Company Limited which is beneficially owned by Mr. Wu Jian, a director of the Company.

e) Loan interest income on amount due from GCGM of approximately HK$44,000 (2018: HK$Nil) was charged to GCGM.

The related party transactions disclosed in notes 34(b), 34(c), 34(d) and 34(e) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

35. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Authorised and contracted for		
— Railway construction and operations	—	257,402
— Shipping and logistics	—	2,136
	—	259,538

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group's financial assets and financial liabilities as at 31 December 2019 and 2018 are categorised as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Amortised cost		
Trade receivables	—	345
Financial assets included in other receivables	13,901	28,883
Bank balances and cash	8,414	18,456
	22,315	47,684
FVPL		
Securities listed in Hong Kong	4,686	—
Derivative components of GIC Convertible Bonds	2,351	—
	7,037	47,684
	29,352	47,684
Financial liabilities		
FVPL		
— Contingent consideration payable	—	3,700
— Derivative components of GIC Convertible Bonds	—	15,157
	—	18,857
Amortised cost		
— Trade payables	1,468	2,392
— Financial liabilities included in other payables	16,596	151,190
— Bank and other borrowings	—	1,647,783
— Amount due to a joint venture	151,443	143,411
— Amounts due to minority equity owners of subsidiaries	—	8,348
— GIC Convertible Bonds	83,301	71,330
— 2018 Convertible Bonds	13,814	12,152
— 2019 Convertible Bonds	26,912	—
— Lease liabilities	2,474	—
	296,008	2,036,606
	296,008	2,055,463

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Groups' financial instruments (note 36) are foreign currency risk, credit risk, liquidity risk and equity price risk. The management general adopts conservative strategies on its risk management and limits the Group's exposure to these risks to minimum level as follows:

a) Foreign currency risk

The Group's transactions are mainly denominated in HK$, RMB and United States dollars ("US$").

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates.

The following table details the Group's exposure as at 31 December 2019 and 2018 to currency risk arising from recognised financial assets and financial liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies			
	2019		2018	
	RMB	**Hong Kong Dollars**	RMB	Hong Kong Dollars
	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade and other receivables	**7,566**	**—**	23,682	—
Bank balances and cash	**—**	**—**	7	—
Trade and other payables	**(8,373)**	**—**	—	—
Bank and other borrowings	**—**	**—**	(8,560)	(43,860)
Net exposure	**(807)**	**—**	15,129	(43,860)

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of HK$ and RMB had changed against the functional currencies of the respective group entities by 5% and the other variables were held constant as at 31 December 2019 and 2018.

	2019	2018
	HK$'000	HK$'000
RMB	**40**	756
HK$	**—**	2,193

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next annual reporting period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Other receivables

The Group determines that the consideration receivable is credit-impaired after taken into account the age of the consideration receivable and the past settlement history of the debtor. An impairment loss of HK$9,150,000 was made in respect of the consideration receivable as a result of the ECL assessment conducted by the management of the Company.

The Group considers that the amount due from GCGM, deposits and other debtors have low credit risk based on the counterparties' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

In estimating the ECL and whether the amount due from GCGM, deposits and other debtors are credit-impaired, the Group has taken into account the historical actual credit loss experience over the past 3 years and the financial position of counterparties by reference to, among others, their management accounts, adjusted for forward-looking factors, in estimating the probability of default, as well as the loss upon default. The management of the Group considers the ECL of the amount due from GCGM, deposits and other debtors to be insignificant so no loss allowance was recognised in this respect.

There was no change in the estimation techniques or significant assumptions made during the year.

c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c) Liquidity risk (Continued)

The undiscounted contractual maturity profile of the Group's non-derivative financial liabilities as at 31 December 2019 and 2018, based on contractual undiscounted payments is summarised below:

2019	**Carrying amount HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
Trade and other payables	**18,064**	**18,064**	**18,064**	**—**	**—**
Amount due to a joint venture	**151,443**	**151,443**	**151,443**	**—**	**—**
Liability component of 2018 Convertible Bonds	**13,814**	**18,900**	**450**	**18,450**	**—**
Liability component of 2019 Convertible Bonds	**26,912**	**45,689**	**1,063**	**1,063**	**43,563**
Liability component of GIC Convertible Bonds (note)	**83,301**	**108,250**	**5,500**	**102,750**	**—**
Lease liabilities	**2,474**	**2,671**	**2,671**	**—**	**—**
	296,008	**345,017**	**179,191**	**122,263**	**43,563**

2018	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
Trade and other payables	153,582	153,582	153,582	—	—
Amount due to a joint venture	143,411	143,411	143,411	—	—
Amounts due to minority equity owners of subsidiaries	8,348	8,348	8,348	—	—
Bank and other borrowings	1,647,783	1,694,877	1,694,877	—	—
Liability component of 2018 Convertible Bonds	12,152	19,350	450	450	18,450
Liability component of GIC Convertible Bonds	71,330	113,750	5,500	5,500	102,750
	2,036,606	2,133,318	2,006,168	5,950	121,200

Note: The above maturity analysis is based on the repayment schedule ignoring the early redemption right.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Equity price risk

The Group is exposed to equity price risk arising from equity investments held under financial assets at FVPL amounted to HK$4,686,000 (2018: Nil). At the end of the reporting period, if the market price of the investments had been 10% higher/lower while all other variables were held constant, the Group's loss would decrease/increase by HK$469,000 due to change in fair value of financial assets at FVPL.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair value of the contingent consideration payable of the Group (note 25) at the end of the reporting period.

38. CAPITAL RISK MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Group monitors capital on the basis of debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. The Group's policy is to keep not more than 100%. The debt-to-adjusted capital ratios at the end of the reporting period were as follows:

	2019	2018
	HK$'000	HK$'000
Current liabilities	**256,692**	1,954,211
Non-current liabilities	**40,726**	102,339
Total liabilities	**297,418**	2,056,550
Less: Bank balances and cash	**(8,414)**	(18,456)
Net debt	**289,004**	2,038,094
Total deficits	**(60,966)**	(187,394)
Adjusted capital	**228,038**	1,850,700
Debt-to-adjusted capital ratio	**127%**	110%

39. OTHER CASH FLOW INFORMATION

a) Reconciliation of liabilities arising from financing activities:

	Amount due (from) to GCGM* HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	2019 Convertible Bonds HK$'000	2018 Convertible Bonds HK$'000	GIC Convertible Bonds HK$'000
As at 1 January 2019 — Upon adoption of HKFRS 16	**(23,682)**	**1,647,783**	**4,651**	**—**	**12,152**	**71,330**
Changes from cash flows:						
Proceeds from bank and other borrowings	—	93,106	—	—	—	—
Repayment of bank and other borrowings	—	(44,224)	—	—	—	—
Repayment of lease liabilities	—	—	(2,798)	—	—	—
Proceeds from issue of 2019 Convertible Bonds	—	—	—	41,027	—	—
Total changes from financing cash flows	—	48,882	(2,798)	41,027	—	—
Exchange adjustments	10	(44,205)	—	—	—	—
Disposal of subsidiaries	—	(1,620,415)	—	—	—	—
Reclassification of amount due to GCGM to other payables (note 23)	8,373	(8,373)	—	—	—	—
Net-off with other receivables	23,672	(23,672)	—	—	—	—
Finance costs	—	—	621	654	1,662	11,971
Transfer to convertible bonds reserve	—	—	—	(14,769)	—	—
As at 31 December 2019	**8,373**	**—**	**2,474**	**26,912**	**13,814**	**83,301**

* Included in "trade and other receivables" and "trade and other payables" as detailed in notes 22 and 23 respectively.

39. OTHER CASH FLOW INFORMATION (CONTINUED)

a) Reconciliation of liabilities arising from financing activities: (continued)

	Bank and other borrowings HK$'000	Convertible notes HK$'000	2018 Convertible Bonds HK$'000	GIC Convertible Bonds HK$'000
As at 1 January 2018	1,657,275	3,036	—	—
Changes from cash flows:				
Proceeds from bank and other borrowings	210,903	—	—	—
Repayment of bank and other borrowings	(141,621)	—	—	—
Proceeds from issue of convertible notes	—	2,500	—	—
Proceeds from issue of GIC Convertible Bonds	—	—	—	98,778
Proceeds from issue of 2018 Convertible Bonds	—	—	17,440	—
Redemption of convertible notes	—	(2,056)	—	—
Total changes from financing cash flows	69,282	444	17,440	98,778
Exchange adjustments	(78,774)	—	—	—
Changes in fair value	—	20	—	—
Finance costs	—	1	283	9,813
Loss on redemption of convertible notes	—	42	—	—
Conversion of convertible notes	—	(3,543)	—	—
Transfer to convertible bonds reserve	—	—	(5,571)	(35,043)
Transfer to derivative	—	—	—	(2,218)
As at 31 December 2018	1,647,783	—	12,152	71,330

b) Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSET		
Interests in subsidiaries	—	—
CURRENT ASSETS		
Amounts due from subsidiaries	231,172	224,402
Other receivables	134	249
Financial assets at FVPL	2,351	—
Bank balances and cash	459	9,116
	234,116	233,767
CURRENT LIABILITIES		
Other payables	3,587	2,914
Amounts due to subsidiaries	8,791	6,030
GIC Convertible Bonds	83,301	—
	95,679	8,944
NET CURRENT ASSETS	138,437	224,823
NON-CURRENT LIABILITIES		
2018 Convertible Bonds	13,814	12,152
2019 Convertible Bonds	26,912	—
GIC Convertible Bonds	—	71,330
Derivative components of GIC Convertible Bonds	—	15,157
	40,726	98,639
NET ASSETS	97,711	126,184
CAPITAL AND RESERVES		
Share capital	1,709,316	1,709,316
Reserves	(1,611,605)	(1,583,132)
TOTAL EQUITY	97,711	126,184

This statement of financial position was approved and authorised for issue by the Board of Directors on 28 February 2020 and signed on its behalf by

Wu Jian
Director

Fu Yongyuan
Director

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

40(a) Reserves of the Company

	Capital reserve* HK$'000	Convertible bonds reserve* HK$'000	Share option reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000
As at 1 January 2018	4,190	—	18,474	(1,570,914)	(1,548,250)
Total comprehensive loss for the year	—	—	—	(96,354)	(96,354)
Issuance of GIC Convertible Bonds	—	35,043	—	—	35,043
Issuance of 2018 Convertible Bonds	—	5,571	—	—	5,571
Share options granted	—	—	20,858	—	20,858
Lapse/Forfeiture of share options	—	—	(129)	129	—
As at 31 December 2018	4,190	40,614	39,203	(1,667,139)	(1,583,132)
Total comprehensive loss for the year	—	—	—	**(46,972)**	**(46,972)**
Issuance of 2019 Convertible Bonds	—	**14,769**	—	—	**14,769**
Share options granted	—	—	**3,730**	—	**3,730**
Lapse/Forfeiture of share options	—	—	**(4,279)**	**4,279**	—
As at 31 December 2019	**4,190**	**55,383**	**38,654**	**(1,709,832)**	**(1,611,605)**

* As at 31 December 2019, these reserves constituted the other reserves balance of HK$1,611,605,000 (2018: HK$1,583,132,000) per the Company's statement of financial position.

The Company did not have any reserves available for distribution to shareholders as at 31 December 2019 and 2018.

41. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up share capital/ registered capital	Attributable equity interest		Principal activities
			Directly held	Indirectly held	
Palace View International Limited	The British Virgin Islands ("BVI")	1 ordinary share of United States Dollars ("US$")	100%	—	Investment holding
Teleroute Enterprises Limited	The BVI	1 ordinary share of US$1	100%	—	Investment holding
Bright Master Investments Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Investment holding
Colour Sunlight Limited	The BVI	1 ordinary share of US$1	—	100%	Investment holding
CSCP Management Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Investment holding
Gofar Holdings Limited	The BVI	100 ordinary shares of US$1	—	100%	Investment holding
Hillmax Enterprises limited	The BVI	1 ordinary share of US$1	—	100%	Investment holding
Ocean Jade Investments Limited	The BVI	1 ordinary share of US$1	—	100%	Investment holding
Talent Will Administration Limited	The BVI	1 ordinary share of US$1	—	100%	Investment holding
Asia Energy Inc.	Liberia	1 ordinary share of US$1	—	100%	Shipping and Logistics
Laurel Gold Shipping Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Shipping and Logistics
Lotus Gold Shipping Limited	Hong Kong	1 ordinary share with HK$1 paid up	—	100%	Shipping and Logistics
Sharprise Holdings Limited	The BVI	1 ordinary share with US$1 paid up	—	100%	Investment holding

The above subsidiaries did not have material NCI as at 31 December 2019 and 31 December 2018.

Five-Year Financial Summary

Year ended 31 December 2019

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**61,072**	50,669	15,797	10,392	21,922
Loss before income tax	**(24,858)**	(168,775)	(97,403)	(433,367)	(344,190)
Income tax credit	**—**	—	—	—	—
Loss for the year	**(24,858)**	(168,775)	(97,403)	(433,367)	(344,190)
Loss attributable to non-controlling interests	**(21,799)**	(30,216)	(35,399)	(165,982)	(46,326)
Loss attributable to owners of the Company	**(3,059)**	(138,559)	(62,004)	(267,385)	(297,864)
ASSETS AND LIABILITIES					
Total assets	**236,452**	1,869,156	1,768,174	1,670,770	2,137,066
Total liabilities	**(297,418)**	(2,056,550)	(1,960,196)	(1,772,308)	(1,808,175)
	(60,966)	(187,394)	(192,022)	(101,538)	328,891
Equity attributable to owners of the Company	**(60,966)**	(59,924)	(90,274)	(37,839)	223,159
Non-controlling interests	**—**	(127,470)	(101,748)	(63,699)	105,732
	(60,966)	(187,394)	(192,022)	(101,538)	328,891

Glossary

2008 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2008 (as refreshed on 3 June 2010), which 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 (as 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
2020 AGM	The Company's Annual General Meeting to be held on 15 April 2020
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
Chairman	Chairman of the Company
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or AELG	Asia Energy Logistics Group Limited
Consolidated Financial Statements	The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
Executive Committee	The executive committee of the Company
Group	AELG together with its subsidiaries

Glossary

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 or China	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of the PRC
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 consolidated into one consolidated Share, which came into effect from 19 August 2019
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tricor	Tricor Secretaries Limited, the share registrar of the Company
US$	Unites States dollars, the lawful currency of United States of America