

亞洲能源物流
ASIAENERGY
Logistics

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

(Incorporated in Hong Kong with limited liability)

Stock Code : 351

INTERIM REPORT **2020**



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FSC® C120915

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Management Discussion and Analysis

Business Review

During the period under review, the Company and its subsidiaries (together, the “Group”) together with its JV, were principally engaged in the shipping and logistics business.

Continuing Operations

Shipping and Logistics

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

Although there was fluctuation in the Baltic Dry Index (BDI) which measures the demand for shipping capacity versus the supply of dry bulk, the charter rates for the Group’s own fleet were maintained at a profitable level during the first half of 2020.

Own Vessels

The Group currently operates a fleet of three dry bulk carriers trading worldwide. The total carrying capacity of the Group’s dry bulk fleet is about 92,000 DWT (30 June 2019: about 92,000 DWT).

All of three vessels of the Group were under full employment throughout the period under review.

For the period under review, the Group recorded a revenue of approximately HK\$32,143,000 (six months ended 30 June 2019: approximately HK\$30,059,000), representing an increase of approximately 7% as compared to the corresponding period of 2019. The gross profit was approximately HK\$5,000,000 (six months ended 30 June 2019: approximately HK\$5,214,000), representing a decrease of approximately

Management Discussion and Analysis

4% as compared to the same period of 2019. The increase in the revenue and the decrease in gross profit were due to the increase in hire rates and the increase in the staff costs of the crew members respectively.

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

The JV Group

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

For the period under review, both JV vessels were under full employment throughout except for a short period of dry-docking and the JV Group recorded revenue of approximately HK\$22,600,000 (six months ended 30 June 2019: approximately HK\$31,955,000), representing a decrease of approximately 29% as compared to the corresponding period of 2019. The Group's share of loss from the JV Group was approximately HK\$7,336,000 (six months ended 30 June 2019: approximately HK\$3,743,000). The increase in the share of loss from the JV Group was due to the decrease in quantity of shipment resulted from the outbreak of COVID-19 in China.

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 has not made further acquisition of the remaining two vessels as planned. The Group discussed with its joint venture partner and reached a mutual understanding to withhold enforcement of or otherwise discharge the Group's financial obligations under the JV Agreement to acquire the two remaining vessels until the Group's financial position has improved and the shipping market recovers to a more sustainable level which justifies the further acquisition. As disclosed in the announcement made by the Company dated 4 December 2019, the JV and the JV



Management Discussion and Analysis

Shareholders entered into the 9th memorandum of mutual understanding to further extend the time for further acquisition of the two remaining vessels by the JV Group to 31 December 2020. In view of the outbreak of COVID-19, which has severely affected the shipping market conditions during the first half of 2020, the Group would keep on assessing the situation and make further announcement in this regard as and when appropriate.

Discontinued Operations

Railway Construction and Operations

As announced by the Company on 26 August 2019, Top Fast Holdings Limited, a wholly owned subsidiary of Gofar Holdings Limited, as vendor, among other parties, and Falcon Power Holdings Limited, as purchaser, (a wholly owned subsidiary of Golden Concord Holdings Limited, which is beneficially wholly owned by Mr. Zhu Gongshan, a connected person of the Company) entered into a conditional sale and purchase agreement in relation to the disposal of the entire issued share capital of China Railway at a consideration of RMB1.00. Upon fulfillment of all conditions precedent, completion of the disposal thereunder took place on 27 November 2019. After completion, the respective assets and liabilities and profits and losses of China Railway and its subsidiaries were no longer consolidated into the financial statements of the Company.

Prospects

Shipping and Logistics

International Dry Bulk Shipping Market: The ongoing Sino-US trade war and the sudden outbreak of COVID-19 in the first half of 2020 have plunged the BDI into a downturn. Even the BDI has recently rebounded, it is still full of uncertainties in the second half of 2020.

Management Discussion and Analysis

China Dry Bulk Shipping Market: the sudden outbreak of COVID-19 creates negative impact on the domestic economy in China and a tremendous amount of uncertainty. It is expected that the impact of the epidemic in 2020 may be longer, and market uncertainty is further increasing.

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 coming years as two of the own vessels are on charter contracts which will run until 2022.

The Group will continuously seek for investment 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 existing business of the Group.

Financial Review

For the period under review, the unaudited revenue of the Group was approximately HK\$32,143,000 (six months ended 30 June 2019: approximately HK\$30,059,000), representing an increase of approximately 7% as compared to the corresponding period of 2019.

The Group recorded a loss from continuing operations for the period under review of approximately HK\$42,982,000 (six months ended 30 June 2019: approximately HK\$19,309,000) representing an increase of approximately 123% as compared to the same period of 2019. The increase in loss from continuing operations was mainly attributable to the adverse change in fair value of derivative components of GIC Convertible Bonds and increase in share of loss of the JV Group. The loss for the period under review of the Group amounted to approximately HK\$42,982,000 (six months ended 30 June 2019: approximately HK\$48,829,000), representing a decrease of approximately 12% as compared to the same period last year.



Management Discussion and Analysis

The loss per Share from continuing operations was HK8.67 cents (30 June 2019: HK3.89 cents).

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2020, the Group had bank and cash balances of approximately HK\$5,696,000 (31 December 2019: approximately HK\$8,414,000).

As at 30 June 2020, the Group had no bank loans and other borrowings (31 December 2019: Nil).

As at 30 June 2020, the gearing ratio of the Group was approximately 148% (31 December 2019: approximately 127%). For this purpose, the gearing ratio is calculated as net debt divided by adjusted capital.

Share Capital

As at 30 June 2020, the total number of Shares in issue was 495,975,244.

Convertible Bonds

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 had conditionally agreed to subscribe for, the 5.5% convertible bonds in the aggregate principal amount of HK\$100,000,000 with a term of 3 years (the "GIC CB").

Management Discussion and Analysis

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

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

On 15 August 2019, an ordinary resolution approving the Share Consolidation 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 Shares to be issued and allotted to GIC upon full conversion of the GIC CB had been adjusted from 587,889,476 Shares to 117,577,895 Shares.

On 17 September 2019, the Company and GIC had entered into a deed of amendment (the "Deed of Amendment") to adjust the conversion price per conversion Share from HK\$0.8505 to HK\$0.375 and to allow the GIC 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 to the completion had been fulfilled and on 20 November 2019, the Deed of Amendment became effective. As such, the total number of Shares to be issued and allotted to GIC upon full conversion of the GIC CB at the conversion price of HK\$0.375 per conversion Share had further been adjusted from 117,577,895 Shares to 266,666,666 Shares.

Management Discussion and Analysis

Dilution Effect of the Conversion of the GIC CB

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, representing approximately 53.77% of the total number of Shares in issue as at 30 June 2020, at the conversion price of HK\$0.375 per conversion Share will be allotted and issued to GIC.

To the best knowledge, information and belief of the Directors, the following table sets out the total number of Shares to be issued upon full conversion of the GIC CB at the conversion price of HK\$0.375 per conversion Share:

Shareholders	As at the date of issue of the GIC CB		Immediately after the full conversion of the GIC CB at the conversion price of HK\$0.375 per conversion Share	
	Number of Shares	Approximate % of issued Shares	Number of Shares (Adjusted)	Approximate % of issued Shares
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.36	91,059,046	11.94
GIC	—	—	266,666,666	34.97
Public Shareholders	2,024,579,191	81.64	404,916,198	53.09
Total	2,479,876,223	100	762,641,910	100

Dilution Impact on Loss per Share

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

Loss for the period ended 30 June 2020 attributable to owners of the Company	HK\$42,982,000
Weighted average number of Company's Shares in issue as at 30 June 2020	495,975,244
Basic and diluted loss per Share	HK8.67 cents

Management Discussion and Analysis

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.

On 15 July 2020, the Company had utilized HK\$107,500,000 out of the net proceeds raised from the Subscription to redeem the GIC CB in full together with all interests accrued thereon by way of early redemption pursuant to the terms and conditions of the GIC CB (as amended by the Deed of Amendment dated 17 September 2019).

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 in the aggregate principal amount of HK\$46,000,000 for a term of three years (the “2018 CB”), on a best effort basis, on the terms and subject to the conditions as set out in the 2018 CB Placing Agreement (the “2018 CB Placing”). Based on the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 per conversion Share after Share Consolidation) per conversion Share, a total of 493,562,231 conversion Shares (equivalent to 98,712,446 conversion Shares after Share Consolidation) 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, on 3 October 2018, both parties had 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.



Management Discussion and Analysis

In light of the unfavourable market conditions subsequent to the entry 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, had entered into a second supplemental agreement to further extend the long stop date from 18 October 2018 to 1 November 2018 so as to allow VCB more time to 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 amended by the supplemental agreement dated 3 October 2018 and the second supplemental agreement dated 18 October 2018) had been fulfilled and the completion took place on 8 November 2018. A portion of the 2018 CB in the aggregate principal amount of HK\$18,000,000 with the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 after Share Consolidation) per conversion Share had been successfully placed to six placees, who are independent third parties to the Company.

As at the date of this Interim Report, the Company had utilized all of the net proceeds raised from the issue of the 2018 CB, details of which had been disclosed in the 2019 Annual Report.

Dilution Effect of the Conversion of the 2018 CB

In case of full conversion by the placees in accordance with the terms of the 2018 CB Placing Agreement, 193,133,047 conversion Shares (equivalent to 38,626,609 conversion Share after Share Consolidation), representing approximately 7.79% of the total number of Shares in issue as at 30 June 2020, at the initial conversion price of HK\$0.0932 (equivalent to HK\$0.466 after Share Consolidation) per conversion Share will be issued and allotted to the placees.

Management Discussion and Analysis

To the best knowledge, information and belief of the Directors, the following table sets out the total number of Shares to be issued upon full conversion of the 2018 CB at the conversion price of HK\$0.466 per conversion Share:

Shareholders	As at the date of issue of the 2018 CB		Immediately after the full conversion of the 2018 CB at the conversion price of HK\$0.466 per conversion Share	
	Number of Shares	Approximate % of issued Shares	Number of Shares (Adjusted)	Approximate % of issued Shares
Substantial Shareholders				
Mr. Wong Kin Ting	455,297,032	18.36	91,059,406	17.03
Placees	—	—	38,626,609	7.23
Public Shareholders	2,024,579,191	81.64	404,915,838	75.74
Total	2,479,876,223	100	534,601,853	100

Dilution Impact on Loss per Share

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

Loss for the period ended 30 June 2020 attributable to owners of the Company	HK\$42,982,000
Weighted average number of Company's Shares in issue as at 30 June 2020	495,975,244
Basic and diluted loss per Share	HK8.67 cents



Management Discussion and Analysis

Redemption Obligations

According to the terms and conditions of the 2018 CB Placing Agreement (as amended 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.

On 17 July 2020, the Company had utilized HK\$18,100,000 out of the net proceeds raised from the Subscription to repay the 2018 CB in full together with all interests accrued thereon as agreed with the bondholders.

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 in the aggregate principal amount of HK\$60,000,000 for a term of three years (the “2019 CB”), on a best effort basis, on the terms and subject to the conditions as set out in the 2019 CB Placing Agreement (the “2019 CB Placing”). Based on the initial conversion price of HK\$0.06 (equivalent to HK\$0.30 after Share Consolidation) per conversion Share, a total of 1,000,000,000 conversion Shares (equivalent to 200,000,000 conversion Shares after Share Consolidation) will be allotted and issued upon exercise of the conversion rights in full of the 2019 CB under the specific mandate granted by the Shareholders of the Company in the General Meeting which was held on 15 August 2019, details of the 2019 CB had been disclosed in the announcement dated 25 June 2019 and the circular dated 26 July 2019 of the Company.

In the General Meeting duly held on 15 August 2019, the ordinary resolution approving the 2019 CB Placing under the specific mandate was passed by the Shareholders. Upon the Share Consolidation becoming effective on 19 August 2019, the initial conversion

Management Discussion and Analysis

price per conversion Share was adjusted from HK\$0.06 to HK\$0.30 and the number of conversion Shares to be issued and allotted upon full exercise of the 2019 CB was adjusted from 1,000,000,000 Shares to 200,000,000 Shares, respectively.

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 Placing Agreement remained unchanged.

Having taking into account the progress of the 2019 CB Placing Agreement, 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 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 to completion as set out in the 2019 CB Placing Agreement (as amended by the supplemental agreement dated 13 September 2019 and the second supplemental agreement dated 4 October 2019) had been fulfilled and the completion took place on 14 November 2019. A portion of the 2019 CB in an aggregate principal amount of HK\$42,500,000 with the conversion price of HK\$0.30 per conversion Share had been successfully placed to six places, who are independent third parties to the Company.

As at 30 June 2020, the Company had utilized all of the net proceeds amounting to approximately HK\$40,725,000 raised from the issue of the 2019 CB and details are set out below:

Management Discussion and Analysis

Intended Uses	Allocation (HK\$)	Utilization	Utilization for	Remaining
		as at 31 December 2019 (HK\$)	six months ended 30 June 2020 (HK\$)	Balance as at 30 June 2020 (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 2019 CB

In case of full conversion by the placees in accordance with the terms of the 2019 CB Placing Agreement (as amended 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 28.56% of the number of total Shares in issue as at 30 June 2020 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.

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.

Management Discussion and Analysis

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	Approximate % of Issued Shares	Number of Shares	Approximate % of Issued Shares
Substantial Shareholders				
Wong Kin Ting	91,059,406	18.36	91,059,406	14.28
Placees	—	—	141,666,666	22.22
Public Shareholders	404,915,838	81.64	404,915,838	63.50
Total	495,975,244	100	637,641,910	100

Dilution Impact on Loss Per Share

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

Loss for the period ended 30 June 2020 attributable to owners of the Company	HK\$42,982,000
Weighted average number of Company's Shares in issue as at 30 June 2020	495,975,244
Basic and diluted loss per Share	HK8.67 cents

Redemption Obligations

According to the terms and conditions of the 2019 CB Placing Agreement (as amended 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.



Management Discussion and Analysis

Analysis on the Share Price

The analysis of the Company's Share price at which it would be equally financially advantageous for 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%

On 17 July 2020, the Company had utilized HK\$42,200,000 out of the net proceeds raised from the Subscription to repay the 2019 CB (save as the principal amount of HK\$500,000 of the 2019 CB) together with interests accrued thereon as agreed with the bondholders. As at the date of this Interim Report, the outstanding principal amount of the 2019 CB was HK\$500,000.

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

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

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

Management Discussion and Analysis

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, two vessels of the Group with carrying amount of HK\$165,034,000 (31 December 2019: HK\$170,964,000) were pledged to the holders of the GIC Convertible Bonds and the 2018 Convertible Bonds.

As at 30 June 2020, the Group did not have any contingent liabilities (31 December 2019: Nil).

Capital Commitments

As at 30 June 2020, the Group had no capital commitment (31 December 2019: Nil).

Exposure to Fluctuation in Exchange Rates

The Group's assets, liabilities and transactions are mainly denominated in the functional currency of the operations to which the transactions relate and did not have significant exposure to risk resulting from changes in foreign currency exchange rates, the Directors consider that the Group's currency exchange risk is minimal. Therefore, no hedging devices or other alternatives have been implemented.

Employees

As at 30 June 2020, the Group had 18 (31 December 2019: 17) full-time employees in Hong Kong. Upon completion of disposal of the entire issued share capital of China Railway on 27 November 2019, the Group ceased to have any employees in the PRC. Staff costs of the Group for the period under review, including Directors' remuneration and equity-settled share-based payments, were approximately HK\$6,540,000 (30 June 2019: approximately HK\$12,756,000). The Group decides the remunerations payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved mandatory provident fund scheme for its Hong Kong employees.



Management Discussion and Analysis

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

The 2008 Option Scheme was adopted on 20 August 2008 with its scheme mandate limit refreshed on 3 June 2010, the 2008 Share Option Scheme was terminated by the Shareholders in the General Meeting held on 20 August 2018 and the options granted thereunder continue to be valid and exercisable in accordance with their terms of issue. As at 30 June 2020, there were no outstanding options granted under the 2008 Share Option Scheme entitling the holders thereof to subscribe for Shares, details of which are set out in pages 29 to 33 of this Interim Report.

Following the termination of the 2008 Share Option Scheme on 20 August 2018, the Company had adopted the 2018 Option Scheme on the same date, which scheme mandate limit was refreshed on 27 May 2019. As at 30 June 2020, there were no outstanding options granted under the 2018 Share Option Scheme entitling the holders thereof to subscribe for Shares, details are set out in pages 33 to 36 of this Interim Report.

Change in Directorship

During the period under review, there were changes in Directors of the Company as follows:

- (i) On 10 February 2020, Mr. Liang Jun resigned as an ED and a member of each of the Remuneration Committee and the Executive Committee of the Company; and
- (ii) On 21 February 2020, Mr. Chan Sing Fai was appointed as an INED and a member of the Audit Committee of the Company.

Subsequent Events

Events subsequent to the period under review are as follows:

On 8 March 2020, the Company entered into the Subscription Agreement with the Subscriber, Oriental Solar Group Limited, a company 100% beneficially owned by Mr. Pang Yuet, pursuant to which, the Subscriber had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue (i) a total of 1,100,000,000 Subscription Shares at the subscription price of HK\$0.16 per Subscription Share; and (ii) the Convertible Bonds in the principal amount of HK\$48,000,000, which may be converted into 300,000,000 conversion Shares at the initial conversion price of HK\$0.16 per conversion Share (subject to adjustments). The gross proceeds from the Subscription was in aggregate HK\$224,000,000, of which (i) HK\$176,000,000 was from the subscription of 1,100,000,000 new Shares; and (ii) HK\$48,000,000 was from the subscription of the Convertible Bonds. Details of the Subscription Agreement including the grant of the specific mandate, the special deals and the whitewash waiver were disclosed in the Company's circular dated 17 June 2020.

At the Company's General Meeting held on 9 July 2020, resolutions approving the Subscription Agreement including the grant of specific mandate; the special deals and whitewash waiver had been duly passed by the independent Shareholders thereat and upon fulfillment of conditions precedent as set out in the Subscription Agreement, completion of which took place on 13 July 2020. As such, 1,100,000,000 new Shares were issued and allotted to the Subscriber and the Convertible Bonds in the principal amount of HK\$48,000,000 were issued, in accordance with the terms and conditions of the instrument constituting thereto, to the Subscriber on the same date.

After completion of the Subscription, the Company served an early redemption notice to GIC in accordance with the terms of the GIC CB (as amended by the Deed of Amendment dated 17 September 2019) and utilized approximately HK\$107,500,000 out of the net proceeds raised from the Subscription to redeem the GIC CB in full together with all interests accrued thereon on 15 July 2020.

On 17 July 2020, the Company had further utilized approximately HK\$18,100,000 and HK\$42,200,000 out of the net proceeds from the Subscription to repay the 2018 CB in full and the 2019 CB (save as HK\$500,000 principal amount of the 2019 CB) with interests accrued thereon respectively.



Management Discussion and Analysis

As at the date of this Interim Report, the outstanding convertible bonds of the Company are (i) the 2019 CB in the principal amount of HK\$500,000; and (ii) the Convertible Bonds in the principal amount of HK\$48,000,000.

As at the date of this Interim Report, the Company had utilized the net proceeds amounting to approximately HK\$222,000,000 raised from the Subscription and details are set out below:

Intended Uses	Allocation (HK\$)	Utilization as at 7 August 2020, being the date of this Interim Report (HK\$)	Remaining Balance (HK\$)
Repayment of the GIC CB, the 2018 CB and the 2019 CB	169,000,000	168,597,000	403,000
General working capital of the Group	20,000,000	—	20,000,000
Further acquisition of vessel or potential business development	33,000,000	—	33,000,000
Total	222,000,000	168,597,000	53,403,000

Corporate Governance and Other Information

Corporate Governance

Compliance with Corporate Governance Code

AELG is committed in maintaining high standard of corporate governance and considers that effective corporate governance enhances corporate success and its Shareholder value. The Company has adopted and applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2020, the Company has complied with the CG Code save as specified and explained below:

Code Provision A.2.1

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

Code Provision A.6.7

Code provision A.6.7 stipulates, among other things, that the INEDs and other NEDs should attend General Meetings. Mr. Yu Baodong, the Chairman and a NED, and Mr. Wong Cheuk Bun, an INED, were absent from the 2020 AGM held on 15 April 2020 due to other business engagements.

Board of Directors

(1) Board Composition

Save for (i) the resignation of Mr. Liang Jun as an ED on 10 February 2020; (ii) the appointment of Mr. Chan Sing Fai as an INED on 21 February 2020; (iii) the appointment of Mr. Pang Yuet as the Chairman and an ED and Ms. Jian



Corporate Governance and Other Information

Qing as an ED and Mr. Ng Kwun Wan as an INED on 14 July 2020; and (iv) the resignation of Mr. Yu Baodong as the Chairman as well as a NED and Mr. Chan Chi Yuen as an INED on 14 July 2020, there was no change in the composition of the Board since the last published 2019 Annual Report.

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

Executive Directors

Mr. Pang Yuet (*Chairman*) (*appointed on 14 July 2020*)

Ms. Jian Qing (*appointed on 14 July 2020*)

Mr. Fu Yongyuan

Mr. Wu Jian

Independent Non-Executive Directors

Mr. Ng Kwun Wan (*appointed on 14 July 2020*)

Mr. Wong Cheuk Bun

Mr. Chan Sing Fai (*appointed on 21 February 2020*)

(2) Disclosure of Information on Directors

Save for the change in the directorships and composition of Board committees of the Company disclosed in the sections headed "Management Discussion and Analysis" and "Corporate Governance and Other Information – Board of Directors and Board Committees" in this Interim Report, since the last published 2019 Annual Report, there was no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance and Other Information

(3) Board Committees

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

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

Audit Committee

- To consider and review the audited consolidated financial statements for the year ended 31 December 2019 and recommend the same to the Board for approval.

Nomination Committee

- To consider and propose the appointment of Mr. Chan Sing Fai as an INED of the Company and a member of the Audit Committee with effect from 21 February 2020;
- To consider the re-appointment of Directors at the 2020 AGM and assess the independence of INEDs; and
- To consider and propose the renewal of term of appointment of Mr. Wong Cheuk Bun, an INED of the Company, for a further term of three years commencing from 3 July 2020.



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Remuneration Committee

- To consider the remuneration package of Mr. Chan Sing Fai as an INED of the Company and propose the same to the Board for approval; and
- To consider the remuneration package of Mr. Wong Cheuk Bun as an INED for his renewed term of appointment commencing from 3 July 2020 and propose the same to the Board for approval.

Executive Committee

- To approve the daily operational matters of the Group and the tasks as assigned by the Board; and
- To approve the follow up issues and compliance matters in relation to the Subscription Agreement and the transactions as contemplated thereunder.

(4) Composition of the Board Committees

During the period under review and up to the date of this Interim Report, there were changes to the composition of the Board Committees as follows:

Audit Committee

Mr. Ng Kwun Wan (*Chairman*) (*appointed on 14 July 2020*)

Mr. Wong Cheuk Bun

Mr. Chan Sing Fai (*appointed on 21 February 2020*)

Mr. Chan Chi Yuen (*resigned on 14 July 2020*)

Remuneration Committee

Mr. Ng Kwun Wan (*Chairman*) (*appointed on 14 July 2020*)

Mr. Wong Cheuk Bun

Mr. Fu Yongyuan (*appointed on 10 February 2020*)

Mr. Liang Jun (*resigned on 10 February 2020*)

Mr. Chan Chi Yuen (*resigned on 14 July 2020*)

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Nomination Committee

Mr. Pang Yuet (*Chairman*) (*appointed on 14 July 2020*)

Mr. Ng Kwun Wan (*appointed on 14 July 2020*)

Mr. Wong Cheuk Bun

Mr. Yu Baodong (*resigned on 14 July 2020*)

Mr. Chan Chi Yuen (*resigned on 14 July 2020*)

Executive Committee

Mr. Fu Yongyuan (*Chairman*)

Mr. Wu Jian

Ms. Jian Qing (*appointed on 14 July 2020*)

Mr. Liang Jun (*resigned on 10 February 2020*)

The updated list of Directors and their role and function is available at the Company's website.

(5) Continuous Professional Development

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

Compliance with Model Code

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float during the six months ended 30 June 2020 and up to the date of this Interim Report.



Corporate Governance and Other Information

Risk Management and Internal Control

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

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

Disclosure of Interests

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

As at 30 June 2020, as far as the Board was aware, none of the Directors had or were deemed to have any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

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

As at 30 June 2020, so far as is known to the Board, the following persons (other than a Director or Chief Executive of the Company) had interests in the Shares or underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Long Position in the Shares and underlying Shares

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage of Shareholding
			<i>(Note 7)</i>
Mr. Wong Kin Ting ("Mr. Wong")	Interest of controlled corporations	91,059,406 <i>(Note 1)</i>	18.36
Mr. Zhu Gongshan ("Mr. Zhu")	Beneficiary of a discretionary trust & interest of controlled corporations	42,749,000 <i>(Note 2)</i>	8.62
Credit Suisse Trust Limited ("CST")	Trustee	40,000,000 <i>(Note 3)</i>	8.06
Ms. Mak Siu Hang Viola ("Ms. Mak")	Interest of controlled corporations	83,333,333 <i>(Note 4)</i>	16.0
Value Convergence Holdings Limited ("VCH")	Beneficiary owner and interest of controlled corporations	57,621,333 <i>(Note 5)</i>	11.61
Mr. Pang Yuet ("Mr. Pang")	Interest of controlled corporations	1,400,000,000 <i>(Note 6)</i>	282.27

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 through his interests in the following corporations which are 100% owned by him:
- (i) 5,900,000 Shares held by Delight Assets Management Limited; and
 - (ii) 85,159,406 Shares held by King Castle Enterprises Limited.



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- (2) According to the individual substantial shareholder notice filed by Mr. Zhu, Mr. Zhu was deemed to be interested in 42,749,000 Shares that comprised:
 - (i) 40,000,000 Shares indirectly held by Asia Pacific Energy Fund, a trust fund to which Mr. Zhu is both a founder and a beneficiary, details of which are described in Note 3 below; and
 - (ii) 2,749,000 Shares directly held by Profit Act Limited, which is indirectly controlled by Mr. Zhu.
- (3) According to the corporate substantial shareholder notice filed by CST was deemed to be interested in 40,000,000 Shares in its capacity as the trustee of these Shares. These 40,000,000 Shares were beneficially owned by Fast Sky Holdings Limited which in turn is 100% directly controlled by Golden Concord Group Limited ("Golden Concord"). Golden Concord is 100% controlled by Asia Pacific Energy Holdings Limited which in turn is 100% controlled by Asia Pacific Energy Fund Limited ("APEFL"). APEFL is 50% controlled by Serangoon Limited and 50% controlled by Seletar Limited and both Serangoon Limited and Seletar Limited are 100% controlled by CST. Out of these 40,000,000 Shares, 20,000,000 Shares are consideration Shares which may be issued (in whole or in part as appropriate) to Golden Concord or its nominee pursuant to an agreement dated 18 December 2009 (as amended by supplemental agreements on 24 December 2009 and 28 April 2010, respectively) in relation to the acquisition of the entire equity interests in Ocean Jade Investments Limited (collectively, the "Agreements"). Details of the Agreements are set out in the Company's circular dated 30 April 2010, whereby it was disclosed that the allotment and issue of these 100,000,000 Shares 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 and the updated register of bondholders of the 2019 CB, Ms. Mak is deemed to be interested in 83,333,333 Shares through her interests in VMS Investment Group Limited ("VMS"), which is 100% owned by Ms. Mak. These 83,333,333 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\$25,000,000, 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 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 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

Corporate Governance and Other Information

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) According to the individual substantial shareholder notice filed by Mr. Pang, Mr. Pang is deemed to be interested in 1,400,000,000 Shares through his interests in Oriental Solar Group Limited, the Subscriber, which is 100% owned by Mr. Pang. These Shares represent the Subscription Shares and the Conversion Shares issued to the Subscriber upon completion of the Subscription and upon issuance of the Conversion Shares.
- (7) The approximate percentage of shareholding was calculated based on the number of Shares in issue of 495,975,244 Shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares and Debentures" above) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Schemes

2008 Share Option Scheme

The 2008 Share Option Scheme was adopted by the Company on 20 August 2008 on terms in compliance with Chapter 17 of the Listing Rules for a term of ten years commencing from the date of adoption with the purposes to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The participants are as follows:

- (i) any full-time employee and Director (including NED and INED) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively, "Employee");



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

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

Since there was a substantial increase in the issued share capital of the Company after the adoption of the 2008 Share Option Scheme, a shareholders' resolution was passed at the annual general meeting held on 3 June 2010 to refresh the scheme mandate limit of the 2008 Option Scheme such that the total number of Shares which may be issued upon exercise of all the options to be granted under the 2008 Share Option Scheme (as refreshed) amount to 128,570,271 Shares, representing 10% of the issued share capital of the Company as at the date of passing of the resolution. The exercise price will be determined by the Directors, which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of options; or (iii) the nominal value of a Share.

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Options may generally be exercised in whole or part at any time during the period commencing on the first business day from the date of grant of the Options and expiring on the close of business on the last day of such period as determined by the Directors and notified to the grantee (in any event such period must not be more than ten years from the date of grant of the Options) subject to any restrictions as may be imposed on the exercise of an option during the period in which an option may be exercised.

On 21 April 2011, 31,320,000 options were granted at an exercise price of HK\$1.680 per Share under the 2008 Share Option Scheme, of which 31,220,000 options were accepted and 100,000 options were lapsed due to non-acceptance by the grantee within the prescribed time limit.

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

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

Upon the Share Consolidation becoming effective on 19 August 2019, the number of the outstanding options granted under the 2008 Share Option Scheme and their respective exercise prices had been adjusted accordingly.

Save for those options lapsed during the period under review, on 23 April 2020, all the outstanding options had been cancelled in accordance with the terms of the 2008 Share Option Scheme.

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

Directors or category of participants	Exercise period of the share options	Exercise price of the share options HK\$	As at	Lapsed	Cancelled	As at
			1.1.2020	during the period	during the period	30.6.2020
Directors						
Fu Yongyuan	16.4.2018 to 15.4.2028	0.716	4,902,014	—	4,902,014	—
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	—
Chan Chi Yuen	16.4.2018 to 15.4.2028	0.716	400,000	—	400,000	—
Wong Cheuk Bun	16.4.2018 to 15.4.2028	0.716	400,000	—	400,000	—
Ex-Directors						
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	—
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	534,000	310,000	224,000	—
	16.4.2018 to 15.4.2028	0.716	11,464,020	20,000	11,444,020	—
Total			21,704,054	330,000	21,374,054	—

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During the period under review, 330,000 options were lapsed, 21,374,054 options were cancelled whilst no options were exercised. There were no outstanding options on 30 June 2020 granted under the 2008 Share Option Scheme (31 December 2019: 21,704,054 options).

2018 Share Option Scheme

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

Under the 2018 Share Option Scheme, the Board has the authority to set the terms and conditions in respect of grant of options (e.g. the minimum period of the options to be held, the performance targets to be achieved before the options can be exercised and the subscription price). This provides the Board with more flexibility in imposing appropriate conditions in light of the circumstances of each grant and help to achieve the purposes of the 2018 Share Option Scheme. The aggregate number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the 2018 Share Option Scheme of the Company shall not exceed 10% of the total number of Shares in issue on its adoption date, i.e. 20 August 2018. Further, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercised of the Options granted and to be granted to eligible participant in any 12-month period shall not exceed 1% of the total number of Shares in issue of the Company.



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

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

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

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

On 4 July 2019, the Board resolved to grant 247,987,622 options carrying the rights to subscribe for a total of 347,987,622 Shares (equivalent to 49,957,524 Shares after Share Consolidation) to eligible participants, including Directors and employees, at an exercise price of HK\$0.091 per Share (equivalent to HK\$0.455 per Share after Share Consolidation) which are exercisable during a period of 10 years from the date of grant. Among the options granted, 191,200,000 Options (equivalent to 38,240,000 options after Share Consolidation) were granted to seven Directors at that relevant time, of which, in aggregate, 184,000,000 options (equivalent to 36,800,000 options after Share Consolidation) were granted to 3 EDs and 1 NED, as conditional grantees, which were subject to approval from the Shareholders pursuant to Rule 17.03(4) of the Listing Rules and the terms of the 2018 Share Option Scheme.

The ordinary resolutions approving the said grant of options to the conditional grantees were passed by the Shareholders at the Company's General Meeting held on 15 August 2019.

Upon the Share Consolidation becoming effective on 19 August 2019, the number of the outstanding options granted under the 2018 Share Option Scheme and their respective exercise prices had been adjusted accordingly.

On 5 May 2020, all the outstanding options had been cancelled in accordance with the terms of the 2018 Share Option Scheme.

Corporate Governance and Other Information

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

Directors or category of participants	Exercise period of the share options	Exercise price of the share options HK\$	As at	Lapsed	Cancelled	As at
			1.1.2020	during the period	during the period	30.6.2020
Directors						
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	—
Wu Jian	4.7.2019 to 3.7.2029	0.455	14,200,000	—	14,200,000	—
	29.8.2018 to 28.8.2028	0.488	9,000,000	—	9,000,000	—
Yu Baodong	4.7.2019 to 3.7.2029	0.455	4,200,000	—	4,200,000	—
	29.8.2018 to 28.8.2028	0.488	480,000	—	480,000	—
Chan Chi Yuen	4.7.2019 to 3.7.2029	0.455	480,000	—	480,000	—
	29.8.2018 to 28.8.2028	0.488	480,000	—	480,000	—
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	—
Eligible Participants (in aggregate)	29.8.2018 to 28.8.2028	0.488	29,067,524	—	29,067,524	—
	4.7.2019 to 3.7.2029	0.455	15,337,524	—	15,337,524	—
Total			97,325,048	—	97,325,048	—

During the period under review, 97,325,048 options were cancelled and no options were granted, exercised and lapsed under the 2018 Share Option Scheme. There were no outstanding options on 30 June 2020 granted under the 2018 Share Option Scheme (31 December 2019: 97,325,048 options).

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Related Party Transactions

Details of the related party transactions are set out in Note 21 to the Condensed Consolidated Interim Financial Statements. All related party transactions constituted connected transactions under the Listing Rules and that they have complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Note	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	4	32,143	30,059
Cost of sales		(27,143)	(24,845)
Gross profit		5,000	5,214
Other income	5	1,615	891
Depreciation		(1,572)	(1,595)
Staff costs		(6,540)	(8,635)
Change in fair value of financial assets at FVPL		(1,301)	—
Change in fair value of contingent consideration payable		—	1,136
Change in fair value of derivative components of GIC Convertible Bonds		(11,705)	2,056
Share of results of joint venture		(7,336)	(3,743)
Other operating expenses		(7,375)	(4,386)
Finance costs	7	(13,768)	(10,247)
Loss before tax from continuing operations	8	(42,982)	(19,309)
Income tax expense	9	—	—
Loss for the period from continuing operations		(42,982)	(19,309)

Condensed Consolidated Statement of Comprehensive Income

	Note	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Discontinued operations			
Loss for the period from discontinued operations	12	—	(29,520)
Loss for the period		(42,982)	(48,829)
Other comprehensive income			
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		2,995	1,192
Total comprehensive loss for the period		(39,987)	(47,637)
Loss for the period attributable to owners of the Company:			
— from continuing operations		(42,982)	(19,309)
— from discontinued operations		—	(16,736)
		(42,982)	(36,045)
Loss for the period attributable to non-controlling interests:			
— from continuing operations		—	—
— from discontinued operations		—	(12,784)
		—	(12,784)

Condensed Consolidated Statement of Comprehensive Income

	Note	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Total comprehensive loss for the period attributable to:			
— Owners of the Company		(39,987)	(35,354)
— Non-controlling interests		—	(12,283)
		(39,987)	(47,637)
Loss per share attributable to owners of the Company			
Basic and diluted			
— from continuing operations (HK cents)	10	(8.67)	(3.89)
— from discontinued operations (HK cents)	10	—	(3.38)
		(8.67)	(7.27)

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		195,209	203,295
Intangible asset		1,000	1,000
Interest in a joint venture		—	—
Right-of-use assets		1,088	2,325
		197,297	206,620
Current assets			
Trade and other receivables	13	9,525	14,381
Financial assets at FVPL	14	3,217	7,037
Bank balances and cash		5,696	8,414
		18,438	29,832
Current liabilities			
Trade and other payables	15	16,207	19,474
GIC Convertible Bonds	16	90,310	83,301
Derivative components of GIC Convertible Bonds	17	9,354	—
Amount due to a joint venture	21(c)	155,781	151,443
Lease liabilities		1,231	2,474
		272,883	256,692

Condensed Consolidated Statement of Financial Position

	<i>Note</i>	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Net current liabilities		(254,445)	(226,860)
Total assets less current liabilities		(57,148)	(20,240)
Non-current liabilities			
Contingent consideration payable		—	—
2018 Convertible Bonds	18	14,746	13,814
2019 Convertible Bonds	19	29,059	26,912
		43,805	40,726
NET LIABILITIES		(100,953)	(60,966)
Capital and reserves			
Share capital	20	1,709,316	1,709,316
Reserves		(1,810,269)	(1,770,282)
TOTAL DEFICITS		(100,953)	(60,966)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company							Non-controlling interests	Total deficits
	Share capital	Capital reserve	Convertible bonds reserve	Share options reserve	Translation reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019 (Audited)	1,709,316	4,190	40,614	39,203	26,156	(1,879,403)	(59,924)	(127,470)	(187,394)
Loss for the period	—	—	—	—	—	(36,045)	(36,045)	(12,784)	(48,829)
Other comprehensive income for the period									
Exchange difference arising from translation of foreign operations	—	—	—	—	691	—	691	501	1,192
Total comprehensive loss for the period	—	—	—	—	691	(36,045)	(35,354)	(12,283)	(47,637)
As at 30 June 2019 (Unaudited)	1,709,316	4,190	40,614	39,203	26,847	(1,915,448)	(95,278)	(139,753)	(235,031)
As at 1 January 2020 (Audited)	1,709,316	4,190	55,383	38,654	9,674	(1,878,183)	(60,966)	—	(60,966)
Loss for the period	—	—	—	—	—	(42,982)	(42,982)	—	(42,982)
Other comprehensive income for the period									
Exchange difference arising from translation of foreign operations	—	—	—	—	2,995	—	2,995	—	2,995
Total comprehensive loss for the period	—	—	—	—	2,995	(42,982)	(39,987)	—	(39,987)
Transactions with owners of the Company									
<i>Contributions and distribution:</i>									
Cancellation of share options	—	—	—	(38,654)	—	38,654	—	—	—
	—	—	—	(38,654)	—	38,654	—	—	—
As at 30 June 2020 (Unaudited)	1,709,316	4,190	55,383	—	12,669	(1,882,511)	(100,953)	—	(100,953)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash used in operating activities	(8,971)	(11,187)
INVESTING ACTIVITIES		
Refund of refundable earnest money	7,343	—
Proceeds from disposal of property, plant and equipment	40	—
Proceeds from disposal of a subsidiary	80	—
Proceeds from disposal of financial assets at FVPL	189	—
Payment for construction in progress	—	(3,561)
Purchase of property, plant and equipment	—	(12,745)
Net cash from (used in) investing activities	7,652	(16,306)
FINANCING ACTIVITIES		
New bank and other borrowings raised	3,000	77,603
Repayment of bank and other borrowings	(3,000)	(58,702)
Payment of lease liabilities	(1,399)	(1,399)
Net cash (used in) from financing activities	(1,399)	17,502
Net decrease in cash and cash equivalents	(2,718)	(9,991)
Cash and cash equivalents at beginning of the period	8,414	18,456
Cash and cash equivalents at end of the period represented by bank balances and cash	5,696	8,465

Notes to the Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

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

On 27 November 2019, the Company disposed 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 in the People’s Republic of China.

The management considers that the railway construction and operations business that was disposed of constituted discontinued operations. Accordingly, certain comparative figures in the condensed consolidated interim financial statements have been re-presented to separately reflect the results of the discontinued operations.

The Company and its subsidiaries (the “Group”), together with its joint venture, are engaged in shipping and logistics business. There were no significant changes in the nature of the Group’s principal activities during the six months ended 30 June 2020.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

2.1 Basis of Preparation

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2019.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing these condensed consolidated interim financial statements and their effect are the same as those applied to the consolidated financial statements of the Company for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company’s specified financial statements for that year as defined in section 436 of the Hong Kong Companies Ordinance but is derived therefrom.

Notes to the Condensed Consolidated Interim Financial Statements

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

2.1 Basis of Preparation *(continued)*

The Company's specified financial statements for the year ended 31 December 2019 had been delivered to the Registrar of Companies in Hong Kong. An auditor's report has been prepared on the specified financial statements for that year. The auditor's report:

- was not qualified or otherwise modified;
- referred to a matter to which the auditor drew attention by way of emphasis without qualifying the report; and
- did not contain a statement under section 406(2) or 407(2) or (3) of the Hong Kong Companies Ordinance.

2.2 Going concern assumption

As at 30 June 2020, the Group had net current liabilities of approximately HK\$254,445,000 and net liabilities of approximately HK\$100,953,000. In addition, it incurred a loss of approximately HK\$42,982,000 from continuing operations for the six months ended 30 June 2020. 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.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(continued)

2.2 Going concern assumption *(continued)*

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:

(a) Fund raising activities

On 8 March 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with a subscriber, Oriental Solar Group Limited ("OSG"), pursuant to which OSG has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, (i) a total of 1,100,000,000 subscription shares at the subscription price of HK\$0.16 per subscription share; and (ii) convertible bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 conversion shares at the initial conversion price of HK\$0.16 (subject to adjustments) (the "Subscription"). The gross proceeds from the Subscription will be in aggregate HK\$224 million of which (i) HK\$176 million will be from the subscription of new shares; and (ii) HK\$48 million will be from the subscription of convertible bonds. The net proceeds of the Subscription are estimated to be approximately HK\$222 million. The Subscription was completed on 13 July 2020 as disclosed in note 23.

The Company intended to apply the net proceeds to be raised from the Subscription of (i) approximately HK\$170 million for the repayment of the GIC Convertible Bonds (as defined in note 16), the 2018 Convertible Bonds (as defined in note 18) and the 2019 Convertible Bonds (as defined in note 19) with accrued interests; (ii) approximately HK\$20 million for general working capital of the Group; and (iii) the remaining balance of approximately HK\$32 million for further acquisition of vessel and/or potential business development as the Company has been actively looking for other new business opportunities from time to time.

Notes to the Condensed Consolidated Interim Financial Statements

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

2.2 Going concern assumption *(continued)*

(b) 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 condensed 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 condensed consolidated interim financial statements and the directors do not expect that the joint venture will demand settlement in the next twelve months from 30 June 2020. 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.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

(continued)

2.2 Going concern assumption *(continued)*

The management has prepared a cash flow forecast covering a period up to 30 June 2021 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 30 June 2020. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

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

The accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2019 have been applied consistently to these condensed consolidated interim financial statements, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective from 1 January 2020.

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

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

The adoption of these amendments to HKFRSs does not have any significant impacts on the condensed consolidated interim financial statements of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE

Revenue represents the amount received and receivable for time charters:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
<i>Operating lease income</i>		
Charter-hire income	32,143	30,059

The Group did not enter into any contracts with customers within HKFRS 15 during the periods ended 30 June 2020 and 30 June 2019.

5. OTHER INCOME

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Subsidy income under Employment Support Scheme	405	—
Reversal of impairment loss of consideration receivable	—	600
Loan interest income	225	—
Gain on disposal of property, plant and equipment	40	—
Gain on disposal of a subsidiary	80	—
Sundry income	865	291
	1,615	891

6. SEGMENT INFORMATION

The directors, being 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. Upon the disposal of the railway construction and operations business, the directors regard the shipping and logistics business as the only operating segment of the Group and no further operating segment analysis thereof is presented.

The directors assess the performance of this single segment based on a measure of revenue and operating results before income tax. A measure of total assets and total liabilities for this single segment is the total assets and total liabilities on the condensed consolidated statement of financial position.

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.

Notes to the Condensed Consolidated Interim Financial Statements

6. SEGMENT INFORMATION *(continued)*

Major customers

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	23,668	22,269
Customer B	8,475	7,790
	32,143	30,059

7. FINANCE COSTS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
Interest on other borrowings	12	564
Interest on 2018 Convertible Bonds	1,156	1,015
Interest on 2019 Convertible Bonds	2,678	—
Interest on GIC Convertible Bonds	9,766	8,309
Interest on lease liabilities	156	359
	13,768	10,247

Notes to the Condensed Consolidated Interim Financial Statements

8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations		
Depreciation of property, plant and equipment:		
Recognised in cost of sales	7,750	5,028
Recognised in administrative expenses	335	432
	8,085	5,460
Depreciation of right-of-use assets, recognised in administrative expenses	1,237	1,163
Staff costs (including director's remuneration):		
Employee benefits expenses	6,403	8,443
Contributions to defined contribution retirement scheme	137	192
	6,540	8,635

Notes to the Condensed Consolidated Interim Financial Statements

9. INCOME TAX

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial statements as the Group's operations in Hong Kong had no estimated assessable profits for the six months ended 30 June 2020 and 2019.

10. LOSS PER SHARE

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Loss attributable to owners of the Company		
— Continuing operations	(42,982)	(19,309)
— Discontinued operations	—	(16,736)
Weighted average number of ordinary shares for basic and diluted loss per share (Note)	495,975,244	495,975,244
Loss per share		
Basic and diluted		
— Continuing operations (HK cents)	(8.67)	(3.89)
— Discontinued operations (HK cents)	—	(3.38)
	(8.67)	(7.27)

Notes to the Condensed Consolidated Interim Financial Statements

10. LOSS PER SHARE *(continued)*

Note: Diluted loss per share for the periods ended 30 June 2020 and 2019 is same as the basic loss per share. The calculation of diluted loss per share for the periods ended 30 June 2020 and 2019 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 and exercise would result in an anti-dilutive effect on the basic loss per share and the condition for issuance is not satisfied.

11. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2020 and 2019.

The directors do not recommend the payment of any dividend in respect of the six months ended 30 June 2020 and 2019.

12. DISCONTINUED OPERATIONS

The results of the discontinued operations are summarised as follows:

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	—	—
Operating costs	—	(6,038)
Finance costs	—	(23,482)
Loss before tax	—	(29,520)
Taxation	—	—
Loss for the period from discontinued operations	—	(29,520)

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade receivables	13(a)	1,104	—
Other receivables			
Consideration receivable		—	9,150
Amount due from GCGM	13(b)	2,500	2,500
Refundable earnest money		—	7,566
Other debtors		3,234	2,775
Deposits		1,502	1,060
Prepayments		1,185	480
		8,421	23,531
Less: Loss allowance on consideration receivable		—	(9,150)
		8,421	14,381
		9,525	14,381

13(a) Trade receivables

As at 30 June 2020, all trade receivables aged from 1 month to 3 months (31 December 2019: Nil), based on the invoice date.

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE AND OTHER RECEIVABLES *(continued)*

13(b) Amount due from Golden Concord Group Management Limited ("GCGM")

The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable within one year (31 December 2019: The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable within one year). GCGM is a company incorporated in Hong Kong with limited liability which is beneficially wholly owned by Mr. Zhu Gongshan ("Mr. Zhu"). Mr. Zhu is a beneficiary of a discretionary trust which is a substantial shareholder of the Company.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL")

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Mandatorily measured at FVPL		
Securities listed in Hong Kong	3,217	4,686
Derivative components of GIC		
Convertible Bonds (note 17)	—	2,351
	3,217	7,037

As at 30 June 2020, margin facilities of HK\$668,000 (31 December 2019: HK\$971,000) from a regulated securities broker was granted to the Group under which the securities listed in Hong Kong of HK\$3,217,000 (31 December 2019: HK\$4,686,000) were pledged as collateral for the facilities granted. The Group did not utilize the margin facilities as at 30 June 2020 (31 December 2019: Nil).

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.

Notes to the Condensed Consolidated Interim Financial Statements

15. TRADE AND OTHER PAYABLES

	Note	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade payables	15(a)	958	1,468
Other payables			
Accruals and other payables		5,997	8,223
Amount due to GCGM	15(b)	8,211	8,373
Receipts in advance		1,041	1,410
		15,249	18,006
		16,207	19,474

15(a) Trade payables

As at 30 June 2020 and 31 December 2019, all trade payables aged within 30 days, based on the invoice date.

15(b) Amount due to GCGM

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

16. GIC CONVERTIBLE BONDS

On 30 November 2017, the Company entered into a subscription agreement with GIC Investment Limited (“GIC”), an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited of which Mr. Zhu is a director and a substantial shareholder, pursuant to which the Company has conditionally agreed to issue, and GIC has conditionally agreed to subscribe for, convertible bonds in an aggregate principal amount of HK\$100,000,000 (the “GIC Convertible Bonds”).

The GIC Convertible Bonds bear 5.5% interest per annum and carry a right to convert the aggregate principal amount into conversion shares at the initial conversion price of HK\$0.1701 per conversion share (subject to adjustments) during the period from eighteen months after 2 March 2018, the date on which the GIC Convertible Bonds were issued, and ending on 1 March 2021. The conversion price is subject to adjustment on the occurrence of dilutive or concentration event.

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

At initial recognition, the GIC Convertible Bonds are separated into a liability component, comprising straight debt component of the bonds, embedded derivatives (i.e. early redemption options by the Company and GIC) and an equity component representing the conversion options of the GIC Convertible Bonds. The early redemption options are separately recognised as derivative financial 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.

Notes to the Condensed Consolidated Interim Financial Statements

16. GIC CONVERTIBLE BONDS *(continued)*

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 30 June 2020, one of the vessels of the Group with carrying amount of HK\$81,780,000 (31 December 2019: HK\$84,805,000) was pledged to GIC for the GIC Convertible Bonds. The Company has subsequently redeemed the GIC Convertible Bonds as disclosed in note 23.

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

	HK\$'000
As at 31 December 2019 (Audited)	83,301
Imputed interest expenses	9,766
Payment of interest expenses	(2,757)
As at 30 June 2020 (Unaudited)	90,310

17. DERIVATIVE COMPONENTS OF GIC CONVERTIBLE BONDS

	HK\$'000
As at 31 December 2019 (Audited)	2,351
Fair value loss	(11,705)
As at 30 June 2020 (Unaudited)	(9,354)

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.

The significant unobservable input used in the fair value measurement is the expected volatility of 47.03% (31 December 2019: 40.97%).

As at 30 June 2020, if the expected volatility had been 10% higher/lower while all other variables were held constant, the Group's loss for the period would decrease/increase by approximately HK\$2,696,000/HK\$1,738,000.

18. 2018 CONVERTIBLE BONDS

On 4 September 2018, the Company entered into a placing agreement (the "2018 CB Placing Agreement") with VC Brokerage ("VCB") pursuant to which the Company proposed to offer for subscription, and VCB agreed to procure not less than six places 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.

Notes to the Condensed Consolidated Interim Financial Statements

18. 2018 CONVERTIBLE BONDS *(continued)*

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 places. 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, the conversion price of the 2018 Convertible Bonds has been changed to HK\$0.466 per share.

As at 30 June 2020, one of the vessels of the Group with carrying amount of HK\$83,254,000 (31 December 2019: HK\$86,159,000) was pledged to the holders of the 2018 Convertible Bonds. The Company has subsequently repaid the 2018 Convertible Bonds as disclosed in note 23.

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

	HK\$'000
As at 31 December 2019 (Audited)	13,814
Imputed interest expenses	1,156
Payment of interest expenses	(224)
As at 30 June 2020 (Unaudited)	14,746

19. 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 places 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 places. 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, the conversion price of the 2019 Convertible Bonds has been changed to HK\$0.2885 per share. The Company has subsequently repaid the 2019 Convertible Bonds in the principal amount of HK\$42,000,000 as disclosed in note 23.

Notes to the Condensed Consolidated Interim Financial Statements

19. 2019 CONVERTIBLE BONDS *(continued)*

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

	HK\$'000
As at 31 December 2019 (Audited)	26,912
Imputed interest expenses	2,678
Payment of interest expenses	(531)
As at 30 June 2020 (Unaudited)	29,059

20. SHARE CAPITAL

	At 30 June 2020		At 31 December 2019	
	Number of shares (Unaudited)	HK\$'000 (Unaudited)	Number of shares (Audited)	HK\$'000 (Audited)
Issued and fully paid:				
As at 1 January 2020, 30 June 2020 and 31 December 2019	495,975,244	1,709,316	495,975,244	1,709,316

Notes to the Condensed Consolidated Interim Financial Statements

21. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following significant related party transactions during the six months ended 30 June 2020:

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and other benefits	2,131	2,469
Contributions to defined contribution retirement scheme	30	33
	2,161	2,502

- b) Interest expenses on other borrowings amounting to HK\$Nil for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$912,000) were charged by Golden Concord Holdings Limited, beneficially wholly owned by Mr. Zhu, and its subsidiaries.
- c) The amount mainly represented the excess of the Group's share of losses over its investment in the joint venture, which is unsecured, non-interest-bearing and has no fixed repayment term.
- d) Interest expenses in relation to GIC Convertible Bonds of approximately HK\$9,766,000 (six months ended 30 June 2019: HK\$8,309,000) were charged by GIC.

Notes to the Condensed Consolidated Interim Financial Statements

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

- e) Consultancy fee of HK\$360,000 (six months ended 30 June 2019: HK\$240,000) paid to Chatwin Financial PR Company Limited which is beneficially owned by Mr. Wu Jian, a director of the Company.
- f) Loan interest income on amount due from GCGM of approximately HK\$225,000 (six months ended 30 June 2019: Nil) was charged to GCGM.

The related party transactions disclosed in notes 21(b), 21(c), 21(d), 21(e) and 21(f) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 — Inputs for the asset or liability that are not based on observable market data.

Notes to the Condensed Consolidated Interim Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(continued)

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

At 30 June 2020	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)
Assets (Liabilities)			
Financial assets at FVPL (Note 14)	3,217	—	—
Contingent consideration payable	—	—	—
Derivative component of GIC			
Convertible Bonds (Note 17)	—	—	(9,354)
<hr/>			
At 31 December 2019	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)
<hr/>			
Assets			
Financial assets at FVPL (Note 14)	4,686	—	—
Contingent consideration payable	—	—	—
Derivative component of GIC			
Convertible Bonds (Note 17)	—	—	2,351

The Group's financial assets at FVPL, contingent consideration payable and derivative components of GIC Convertible Bonds are measured at fair value. During the six months ended 30 June 2020, there was no transfer between Level 1 and Level 2 (six months ended 30 June 2019: nil), or transfer into or out of Level 3 (six months ended 30 June 2019: nil).

Notes to the Condensed Consolidated Interim Financial Statements

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

The fair value of the contingent consideration payable is estimated based on the expected number of consideration shares to be issued and the share price of the Company as at 30 June 2020. The expected number of consideration shares to be issued is based on the profit forecasts of the four vessels operated/to be operated by the joint venture. The key assumptions used in the profit forecasts are the charter rate of RMB36.86 (31 December 2019: RMB36.86) per ton and the daily rental rate of US\$4,774 (31 December 2019: US\$4,774) per vessel.

The share price of the Company of HK\$0.285 (31 December 2019: HK\$0.40) per share adopted in the calculation is the Company's quoted share price as at 30 June 2020.

As at 30 June 2020, it is estimated that a general increase/decrease of 10% (31 December 2019: 10%) in charter rate/daily rental rate, with all other variables held constant, the fair value of the contingent consideration payable would increase/decrease by Nil (31 December 2019: Nil). In addition, a 10% (31 December 2019: 10%) increase/decrease in share price of the Company would increase/decrease the fair value of the contingent consideration payable by 10% (31 December 2019: 10%).

Further details of the fair value of the financial assets at FVPL and the derivative component of GIC Convertible Bonds are set out in notes 14 and 17 respectively.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

As set out in the Company's announcement dated 13 July 2020, all the conditions precedent to the Subscription Agreement have been fulfilled and completion took place in accordance with the terms and conditions of the Subscription Agreement. Upon completion, (i) a total of 1,100,000,000 subscription shares have been duly allotted and issued by the Company to OSG pursuant to the Subscription Agreement; and (ii) the convertible bonds in the principal amount of HK\$48,000,000 have been issued by the Company to OSG pursuant to the Subscription Agreement.

As set out in the Company's announcement dated 17 July 2020, the Company applied the net proceeds raised from the Subscription Agreement for the repayment of (i) approximately HK\$107.5 million of GIC Convertible Bonds with interests accrued thereon; (ii) approximately HK\$18.1 million of the 2018 Convertible Bonds with interests accrued thereon; and (iii) approximately HK\$42.2 million of the 2019 Convertible Bonds (save as HK\$500,000 principal amounts of the 2019 Convertible Bonds) with interests accrued thereon respectively.

Glossary

2008 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2008, the scheme mandate limit of which was refreshed on 3 June 2010, the term of the 2008 Share Option Scheme was terminated by the Shareholders on 20 August 2018
2018 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2018, the scheme mandate limit of which was refreshed on 27 May 2019
2018 AGM	The Company's Annual General Meeting held on 17 May 2018
2018 Convertible Bonds or 2018 CB	The convertible bonds in the aggregate outstanding principal amount of HK\$18,000,000 issued by the Company on 8 November 2018
2019 AGM	The Company's Annual General Meeting held on 27 May 2019
2019 Convertible Bonds or 2019 CB	The convertible bonds in the aggregate outstanding principal amount of HK\$42,500,000 issued by the Company on 14 November 2019
2020 AGM	The Company's Annual General Meeting held on 15 April 2020
Annual General Meeting or AGM	The Company's annual general meeting



Glossary

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
CB Instrument	The instrument constituting the Convertible Bonds executed by the Company on 13 July 2020, as may be amended and/or supplemented from time to time as agreed between the Company and the Subscriber
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
China Railway	China Railway Logistic Holdings Limited, a former indirect wholly owned subsidiary of the Company, which is incorporated in Hong Kong with limited liability, and holds certain PRC subsidiaries principally engaged in the railway construction and operations in the PRC
Companies Ordinance or CO	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Company or AELG	Asia Energy Logistics Group Limited
Condensed Consolidated Interim Financial Statements	The unaudited condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2020
Convertible Bonds	A non-interest bearing convertible bonds in the principal amount of HK\$48,000,000 issued by the Company to the Subscriber on 13 July 2020 pursuant to the terms and conditions of the Subscription Agreement and subject to the instrument constituting the Convertible Bonds
Director(s)	Director(s) of the Company
ED(s)	Executive Director(s) of the Company
Executive Committee	The executive committee of the Company
General Meeting or GM	The Company's general meeting
GIC	GIC Investment Limited, an indirect wholly owned subsidiary of GCL-Poly Energy Holdings Limited, a public company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (Stock Code: 3800)
GIC Convertible Bonds or GIC CB	The convertible bonds in the aggregate outstanding principal amount of HK\$100,000,000 issued by the Company to GIC on 2 March 2018



Glossary

Group	AELG together with its subsidiaries
HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
INED(s)	Independent Non-executive Director(s) of the Company
JV	Ocean Pro Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being held as to 50% by Ocean Jade Investments Limited, an indirect wholly owned subsidiary of the Company and as to 50% by Waibert Navigation Company Limited, an indirect wholly owned subsidiary of GNG Ocean Shipping Company Limited
JV Group	The JV and its subsidiaries
JV Shareholders	shareholders of the JV Company, being Ocean Jade Investments Limited and Waibert Navigation Company Limited

Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Main Board	The main board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NED	Non-executive Director of the Company
Nomination Committee	The nomination committee of the Company
PRC	The People's Republic of China
Remuneration Committee	The remuneration committee of the Company
RMB	Renminbi, the lawful currency of the PRC
SFC	The Securities and Futures Commission of Hong Kong
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)



Glossary

Share Consolidation	The share consolidation on the basis that every five then issued Shares being consolidated into one consolidated Share, which was approved pursuant to an ordinary resolution passed at the General Meeting of the Company held on 15 August 2019 and became effective on 19 August 2019
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscriber	Oriental Solar Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Pang Yuet
Subscription	The subscription of the Subscription Shares and the Convertible Bonds by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
Subscription Agreement	The subscription agreement dated 8 March 2020 entered into between the Company and the Subscriber in connection with the Subscription
Subscription Shares	A total of 1,100,000,000 new Shares issued and allotted to the Subscriber on 13 July 2020 pursuant to the terms and conditions of the Subscription Agreement
US\$	Unites States dollars, the lawful currency of United States of America