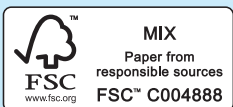


亞洲能源物流  
**ASIAENERGY**  
Logistics

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

Annual Report **2020**

**CARRYING**  
THE WORLD'S  
**FUTURE**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Pang Yuet (*Chairman*) (appointed on 14 July 2020)  
Ms. Jian Qing (appointed on 14 July 2020)  
Mr. Sun Peng (appointed on 30 October 2020)  
Mr. Fu Yongyuan (resigned on 30 October 2020)  
Mr. Wu Jian (resigned on 30 October 2020)  
Mr. Liang Jun (resigned on 10 February 2020)

### Non-Executive Director

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

### Independent Non-Executive Directors

Mr. Ng Kwun Wan (*Chairman*) (appointed on 14 July 2020)  
Mr. Wong Cheuk Bun  
Mr. Hon Ming Sang (appointed on 6 November 2020)  
Mr. Chan Chi Yuen (resigned on 14 July 2020)  
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)

## AUTHORISED REPRESENTATIVES

Ms. Jian Qing (appointed on 28 August 2020)  
Mr. Suen To Wai (appointed on 28 August 2020)  
Mr. Fu Yongyuan (appointed on 10 February 2020 and resigned on 28 August 2020)  
Ms. Wong Suk Ha, Cat (resigned on 28 August 2020)  
Mr. Liang Jun (resigned on 10 February 2020)

## COMPANY SECRETARY

Mr. Suen To Wai (appointed on 14 July 2020)  
Ms. Wong Suk Ha, Cat (resigned on 14 July 2020)

## AUDIT COMMITTEE

Mr. Ng Kwun Wan (*Chairman*) (appointed on 14 July 2020)  
Mr. Wong Cheuk Bun  
Mr. Hon Ming Sang (appointed on 6 November 2020)  
Mr. Chan Chi Yuen (*Chairman*) (resigned on 14 July 2020)  
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)

## REMUNERATION COMMITTEE

Mr. Ng Kwun Wan (*Chairman*) (appointed on 14 July 2020)  
Mr. Wong Cheuk Bun  
Mr. Hon Ming Sang (appointed on 6 November 2020)  
Mr. Sun Peng (appointed on 30 October 2020 and resigned on 6 November 2020)  
Mr. Fu Yongyuan (appointed on 10 February 2020 and resigned on 30 October 2020)  
Mr. Liang Jun (resigned on 10 February 2020)  
Mr. Chan Chi Yuen (*Chairman*) (resigned on 14 July 2020)

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

## EXECUTIVE COMMITTEE

Mr. Pang Yuet (*Chairman*) (appointed on 30 October 2020)  
Ms. Jian Qing (appointed on 14 July 2020)  
Mr. Sun Peng (appointed on 30 October 2020)  
Mr. Fu Yongyuan (*Chairman*) (resigned on 30 October 2020)  
Mr. Wu Jian (resigned on 30 October 2020)  
Mr. Liang Jun (resigned on 10 February 2020)

## PRINCIPAL BANKER

OCBC Wing Hang Bank Ltd.  
Hang Seng Bank Limited

## AUDITOR

Mazars CPA Limited

## SHARE REGISTRAR

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



# Corporate Information

## **REGISTERED OFFICE**

Room 2906, 29/F  
China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

## **HONG KONG STOCK EXCHANGE STOCK CODE**

351

## **WEBSITE**

<https://www.aelg.com.hk>

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year under review, the Group was principally engaged in the (i) shipping and logistics businesses; and (ii) telecommunication related business. The Group disposed of its shipping and logistics business through a joint venture in the People's Republic of China (the "PRC") during the second half of the year under review, the Group's shipping and logistics business in the PRC had therefore been classified as discontinued operations in the consolidated financial statements.

### Discontinued Operations

The Group started its shipping business in May 2010 through a joint venture company (the "JV Company" and together with the JV Company's subsidiaries, the "JV Group"). The JV Group owns two handysize vessels with carrying capacity of approximately 35,000 dwt each operating in the PRC domestic shipping market. Both the vessels under the JV Group were principally under full employment throughout the year under review.

For the year ended 31 December 2020, the Group recognised 50% share of loss of the JV Group in the amount of HK\$13,218,000 (2019: HK\$17,712,000).

As at 31 December 2019, the Group's share of accumulated losses of the JV Group amounting to HK\$151,443,000 exceeded the Group's investment in the JV Group as the Group had legal obligations under the joint venture agreement relating to the formation of the JV Company to make good of such losses and to acquire two additional vessels to be operated by the JV Group. The excess amount was accounted for as liabilities due to the JV Group in the audited consolidated financial statements of the Company, which was unsecured, non-interest-bearing and had no fixed repayment terms.

With regard to the continuous recognition of 50% share of loss of the JV Group since its formation and in the foreseeable future, whilst the Group on its own has been operating its own fleet of vessels and continuing to engage in the shipping and logistics businesses, the investment in the JV Group might no longer serve as a viable business opportunity with a profitable prospect for the Group. The board of directors ("Board") was of the view that putting the JV Group into liquidation via liquidation of i) Ocean Path Limited ("Ocean Path"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and ii) Ocean Jade Investments Limited ("Ocean Jade"), a company incorporated in the BVI with limited liability and its equity interest was then 100% held by Ocean Path, which in turn held 50% equity interest in the JV Group, was in the best interests of the Company and its Shareholders as a whole principally because this would enable the Company to reduce its losses in connection with the JV Group whereas the resources and management efforts could be placed on the shipping and logistic businesses operated by the Group itself. Details of the liquidation of Ocean Jade were set out in the announcement of the Company dated 21 August 2020 (the "JV Liquidation").

Upon JV Liquidation, the Group had lost control over Ocean Path and Ocean Jade and as a result, the JV Group had been derecognised in the consolidated financial statements during the year ended 31 December 2020. A total gain of approximately HK\$174,347,000 was recognised for the derecognition for the year ended 31 December 2020.

# Management Discussion and Analysis

## Continuing Operations

### *Shipping and Logistics*

The Group acquired its first owned vessel, namely, MV Asia Energy, a handysize bulk carrier having a carrying capacity of approximately 28,000 dwt for chartering business in November 2013. Later in early 2018, two additional handysize bulk carriers, both of which having a carrying capacity of about 32,000 dwt each, namely MV Clipper Selo and MV Clipper Panorama, were also acquired by the Group. The Group had since then operated a fleet of three dry bulk carriers/vessels trading worldwide.

In January 2021, the Group disposed of MV Asia Energy to an independent third party at a consideration of US\$3,300,000 (equivalent to approximately HK\$25,740,000). Accordingly, MV Asia Energy was accounted for as discontinued operation in the consolidated financial statements for the financial year ended 31 December 2020.

Upon the disposal of MV Asia Energy, the Group operates a fleet of two dry bulk carriers trading worldwide. The total carrying capacity of the Group's dry bulk fleet is approximately 64,000 deadweight tonnage ("DWT") (2019: approximately 92,000 DWT).

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

For the year of 2020, the Group recorded a revenue of approximately HK\$45,651,000 (2019: approximately HK\$44,367,000), representing an increase of approximately 2.89% and the gross profit was approximately HK\$2,471,000 (2019: approximately HK\$6,810,000), representing a decrease of approximately 63.72% as compared to the corresponding year. There was no significant fluctuation in revenue from the two vessels from the continuing operation. Whilst the decrease of gross profit for the year under review was resulted from increase of depreciation as a result of dry-docking in 2019 upon which additional costs were capitalized in 2019 and hence increase of depreciation in 2020 and increase of crew costs due to coronavirus outbreak with which the schedule of crew shift was affected and hence increase of costs.

### *Telecommunication related business*

During the year ended 31 December 2020, the Group commenced its operation in telecommunication related business in the PRC. This line of service currently was principally about telecommunication software development via a subsidiary company engaging a team of professional staff in the PRC.

The revenue generated amounted to approximately HK\$2,253,000 and resulted in an operating loss of approximately HK\$25,000 during the year under review.

# Management Discussion and Analysis

## PROSPECTS

*International Dry Bulk Shipping Market:* the international dry bulk shipping sector has been fluctuating in the past years. The shipping market had still been affected by a continuous trade conflict between the United States of America (the "US") and the PRC, which was worsened by the continuous coronavirus outbreak internationally. However, along with the gradual resumption of manufacturing in PRC, the Baltic Exchange Dry Index rebounded to 2019 level after its record low in 2020. The shipping market could possibly see a recovery upon the truce of trade conflict between the US and the PRC and the application of vaccine for coronavirus.

Despite the uncertainties on the shipping market, the management of the Company expects that the Group's shipping and logistics business will continue generating positive contribution in the upcoming year as the two vessels are on charter contracts which will run until the end of 2021. In addition, to diversify business risk and as a managerial measure to enhance the Group's business portfolio, the Company commenced investment in a new business sector, namely telecommunication related business, in 2020.

Also, in an attempt to enhance the Company's financial position, a new shareholder was invited via Subscription (see below).

On 8 March 2020, the Company entered into a subscription agreement with a subscriber, pursuant to which the subscriber had 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 ("Subscription Shares") at a subscription price of HK\$0.16 per Subscription Share; and (ii) convertible bonds in the principal amount of HK\$48,000,000 ("2020 Convertible Bonds") which may be converted into 300,000,000 conversion shares at an initial conversion price of HK\$0.16 (subject to adjustments) (the "Subscription").

Under Rule 26.1 of the Takeovers Code, should the Subscription take place, the subscriber would be obliged to make a mandatory general offer to the shareholders for all the issued shares and other securities of the Company not already owned or agreed to be acquired by the subscriber and parties acting in concert with it, unless, among others, a whitewash waiver ("Whitewash Waiver") is granted. In addition, a specific mandate was to be considered, approved and granted from independent Shareholders (who are not involved in or interested in the Subscription and the transactions contemplated thereunder including the grant of the specific mandate, the Whitewash Waiver and special deal (see below)) at a general meeting to authorize the Board to allot and issue and/or deal in the Subscription Shares and the 2020 Convertible Bonds.

In this connection, as part of the net proceeds of the Subscription would be used for the repayment of the GIC Convertible Bonds (see note 26 to the Consolidated Financial Statements), the 2018 Convertible Bonds (see note 27 to the Consolidated Financial Statements) and the 2019 Convertible Bonds (see note 28 to the Consolidated Financial Statements) of the Company, the repayment of which constitutes special deals under Note 5 to Rule 25 of the Takeovers Code and therefore requires consent by, inter alia, independent Shareholders to approve the Subscription and the transactions contemplated thereunder including the grant of the specific mandate, the Whitewash Waiver and the special deals, details of the above are set out in the Company's announcement dated 27 March 2020.

# Management Discussion and Analysis

On 13 July 2020, all precedent conditions for the Subscription and the relevant transactions contemplated thereunder were completed. Accordingly,

- (a) a total of 1,100,000,000 Subscription Shares were issued to the subscriber, namely Oriental Solar Group Limited, a company incorporated in the BVI with limited liability, which became the parent and ultimate holding company since 13 July 2020 subsequent to the issue; and
- (b) portion of the subscription proceeds were used in settling the GIC Convertible Bonds, 2018 Convertible Bonds and 2019 Convertible Bonds, details of which are set out in notes 26, 27 and 28 to the Consolidated Financial Statements, respectively.

The Group's financial position was therefore further improved subsequent to (i) the issue of 1,100,000,000 new Subscription Shares at a subscription price of HK\$0.16 per Subscription Share, which was partially utilized to fully settle the 2018 Convertible Bonds and GIC Convertible Bonds and substantially settle the 2019 Convertible Bonds; (ii) the issue of convertible bonds under a specific mandate 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), both of which were completed in July 2020; and (iii) the issue of 99,000,000 new placing shares to not less than six placees at a price of HK\$0.25 per placing share under general mandate in September 2020.

The directors of the Company ("Directors", the "Board", the "Board of Directors") will continuously look for opportunities to expand its fleet size by acquiring vessels of similar or other carrying capacity and other suitable investments, which will bring in synergy with and positive contributions to the Group's existing businesses.

## FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded a revenue from continuing operations of approximately HK\$45,651,000, representing an increase of approximately 2.89% compared with the revenue of approximately HK\$44,367,000 for the year ended 31 December 2019. There was no significant fluctuation in revenue from the two vessels from the continuing operation.

The profit for the year ended 31 December 2020 was approximately HK\$111,222,000, as against to a loss for the year of HK\$24,858,000 for the year ended 31 December 2019.

The significant increase in profit for the year under review as compared to loss for the year ended 31 December 2019 was a combined effect of (i) a gain of HK\$159,674,000 on discontinued operations as a result of liquidation and dissolution of certain subsidiaries principally operating in shipping and logistics business in the PRC (2019: a gain of HK\$5,426,000 on discontinued operations as a result of disposal of certain subsidiaries principally operating in railway construction and operation business in the PRC and shipping and logistics business); (ii) loss on change in fair value of derivative components of the GIC Convertible Bonds amounting to approximately HK\$11,705,000 (2019: gain on change of fair value of approximately HK\$17,508,000); and (iii) gain on derecognition of a subsidiary of approximately HK\$11,722,000 (2019: Nil).

For the year under review, the basic and diluted loss per share of the Company from continuing operations was HK4.65 cents (2019: HK6.11 cents) whilst the basic and diluted earnings per share of the Company from discontinued operations was approximately HK15.33 cents (2019: approximately HK5.50 cents).



# Management Discussion and Analysis

## Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2020, the Group had:

1. Cash and bank balances of approximately HK\$76,754,000 (2019: HK\$8,414,000);
2. Non-bank borrowings representing convertible bonds having an aggregate carrying amounts of approximately HK\$22,154,000 (2019: HK\$124,027,000);
3. Total equity attributable to owners of the Company amounted to approximately HK\$246,104,000 (2019: a deficit of approximately HK\$60,966,000).

The gearing ratio of the Group as at 31 December 2020, which is calculated as net debt (i.e. total liabilities less bank and cash balances) divided by adjusted capital (net debt less total equity (deficits)), was approximately -21% (2019: approximately 127%).

4. Net current assets of approximately HK\$103,346,000 (2019: net current liabilities of approximately HK\$226,860,000).

The current ratio (being current assets over current liabilities) for the year under review was approximately 1,057% (2019: approximately 12%).

## Share Capital

During the year, upon the Subscription, the Company i) issued a total of 1,100,000,000 Subscription Shares at a subscription price of HK\$0.16 per Subscription Share to the subscriber; ii) issue of convertible bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 conversion shares at an initial conversion price of HK\$0.16 (subject to adjustments); and iii) all share options outstanding were cancelled off/lapsed.

In addition, in September 2020, upon the completion of a placing exercise, the Company received net proceed of approximately HK\$24,133,000 by way of issue of 99,000,000 ordinary shares at a placing price of HK\$0.25 per Share.

As at 31 December 2020, there were 1,694,975,244 shares in issue (2019: 495,975,244 shares).

## Capital Commitments

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

## Exposure to Fluctuation in Exchange Rates

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

# Management Discussion and Analysis

## FUNDRAISING ACTIVITIES

### The Subscription

Upon the completion of the Subscription and the relevant transactions contemplated thereunder on 13 July 2020, i) a total of 1,100,000,000 Subscription Shares at a subscription price of HK\$0.16 per Share were issued to Oriental Solar Group Limited with which the Company received a net proceeds of approximately HK\$172,930,000; ii) 2020 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) were also issued to Oriental Solar Group Limited.

### Placing

In September 2020, upon the completion of a placing exercise, the Company received net proceed of approximately HK\$24,133,000 by way of issue of 99,000,000 ordinary shares at a placing price of HK\$0.25 per Share.

### 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, as bondholder, had conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amount of HK\$100,000,000 with a term of 3 years (the "GIC Convertible Bonds").

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

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

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

- (i) To adjust the conversion price per conversion share from HK\$0.8505 to HK\$0.375 (subject to adjustment); and
- (ii) To allow the GIC Convertible Bonds 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.

# Management Discussion and Analysis

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

Upon the completion of the Subscription and the relevant transactions contemplated thereunder on 13 July 2020, the GIC Convertible Bonds was fully settled during the financial year ended 31 December 2020.

## *2018 Convertible Bonds*

On 4 September 2018, the Company entered into a placing agreement (the "2018 CB Placing Agreement") with VC Brokerage Limited ("VCB"), pursuant to which the Company had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds up to an aggregate principal amount of HK\$46,000,000 for a term of 3 years (the "2018 Convertible Bonds"), on a best effort basis, on the terms and subject to the conditions set out in the 2018 CB Placing Agreement. Based on the initial conversion price of HK\$0.0932 per Share, a total of 493,562,231 conversion shares will be allotted and issued upon exercise of the conversion rights in full of the 2018 Convertible Bonds, under the general mandate of the Company granted by the Shareholders at the 2018 AGM held on 17 May 2018.

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

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

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

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

Upon the completion of the Subscription and the relevant transactions contemplated thereunder on 13 July 2020, the 2018 Convertible Bonds was fully settled during the financial year ended 31 December 2020.

# Management Discussion and Analysis

## ***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 had proposed to offer for subscription, and VCB had agreed to procure not less than six placees to subscribe for the convertible bonds up to an aggregate principal amount up to HK\$60,000,000 for a term of 3 years (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. Based on the initial conversion price of HK\$0.06 per conversion share, a total of 1,000,000,000 Shares will be allotted and issued upon exercise of the conversion rights in full of the 2019 Convertible Bonds, under the specific mandate of the Company to be granted by the Shareholders at a general meeting of the Company.

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

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

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

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

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

Upon the completion of the Subscription and the relevant transactions contemplated thereunder on 13 July 2020, except for a principal amount of HK\$500,000, the remaining balance of the 2019 Convertible Bonds was fully settled during the financial year ended 31 December 2020.

# Management Discussion and Analysis

## 2020 Convertible Bonds

On 13 July 2020, the Company completed issue of HK\$48,000,000 of the 2020 Convertible Bonds to Oriental Solar Group Limited. The Company can at any time redeem all or part of the principal amount of the 2020 Convertible Bonds which the conversion right is not yet exercised by issuing a notice with not less than 2 business days before the third anniversary of the date immediately after the initial issue date of the 2020 Convertible Bonds. The bondholder can choose to convert upon receipt of the redemption notice from the Company. During the year under review, no conversion was exercised.

## Pledge of Assets and Contingent Liabilities

As at 31 December 2020, no assets of the Group were pledged for any borrowings (2019: HK\$170,965,000 were pledged to the holders of the GIC Convertible Bonds and the 2018 Convertible Bonds).

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

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

During the year under review, the Company liquidated Apex Top Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary company, in December 2020. The Company accounted for the liquidation as derecognition of subsidiary and recognized a gain of derecognition of HK\$11,722,000.

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

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

## USE OF NEW PROCEEDS

1. During the year, upon the Subscription, the Company (i) issued a total of 1,100,000,000 Subscription Shares at a subscription price of HK\$0.16 per Subscription Share to the subscriber; (ii) issue of convertible bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 conversion shares at an initial conversion price of HK\$0.16 (subject to adjustments), the net proceeds of which amount to approximately HK\$222 million in aggregate.

# Management Discussion and Analysis

The table below set out the use of the net proceeds:

Event	Net proceeds (approximately)	Intended use of proceed	Actual use as at 31 December 2020	Actual use as at 25 March 2021
Subscription of 1,100,000,000 new Shares and convertible bonds in the principal amount of HK\$48,000,000 which may be converted into 300,000,000 conversion Shares at an initial conversion price	HK\$222 million	(i) approximately HK\$170 million for the repayment of the previously issued convertible bonds with 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.	Approximately HK\$169 million for the early repayment of the GIC Convertible Bonds, the 2018 Convertible Bonds and the 2019 Convertible Bonds	Approximately HK\$10 million was used as general working capital in addition to approximately HK\$169 million for the early repayment of the GIC Convertible Bonds, the 2018 Convertible Bonds and the 2019 Convertible Bonds

It is expected that the remaining balance would be utilized by 2021.

- In September 2020, upon the completion of a placing exercise, the Company received net proceed of approximately HK\$24,133,000 by way of issue of 99,000,000 ordinary shares at a placing price of HK\$0.25 per Share. The net proceeds from the Placing are intended to be used for further acquisition of vessel to enhance the Group's existing fleet size, by way of replacement of one of the Group's existing vessels or addition of new vessel. As at 31 December 2020 and 25 March 2021, the Group had not utilized the new proceeds. It is expected that the new proceeds would be utilized by 2021.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 20 (2019: 17) full-time employees.

Staff costs (including Directors' remuneration) of the Group for the year ended 31 December 2020 were approximately HK\$15.7 million (2019: HK\$20.9 million). The Group decides the remunerations and compensation payable to its staff based on their duties, working experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees. The Group also participated in an approved Mandatory Provident Fund Scheme for its Hong Kong employees during the year under review.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to environmental protection and sustainable development through the adoption and promotion of green policies in its business operations to increase staff's awareness on environmental protection and energy conservation. Information on the environmental policies and performance of the Group is set out in the section headed "Environmental, Social and Governance Report" on pages 41 to 62 of this Annual Report.

# Directors' Profile

## EXECUTIVE DIRECTORS

### Mr. Pang Yuet (“Mr. Pang”)

Mr. Pang, aged 54, was appointed as an executive director (“ED”) and the chairman of the Company and the chairman of the Nomination Committee with effect from 14 July 2020. Mr. Pang was later appointed as chairman of the Executive Committee on 30 October 2020. Mr. Pang is a director of Boxin Financial Investment Holdings Limited and Boxin Asset Management Co., Ltd. He graduated from People's Public Security University of China with a bachelor degree and Cheung Kong Graduate School of Business with a MBA degree. Mr. Pang has nearly 20 years of experience in the field of financial investment. Mr. Pang served as the vice general manager and board chairman of Yinhua Fund Management Company Limited from 2001 to 2003 and 2003 to 2012 respectively. From 2012 to 2015, he served as a partner of Boxin (Tianjin) Equity Investment Management Partnership (Limited Partnership). From 2015 to 2019, he served as board chairman of Boxin Fund Management Co., Ltd. (formerly known as Tianjin Boxin Xinyuan Asset Management Co., Ltd.). Mr. Pang has sound experience and strong relationship in financial industry. Mr. Pang is a cousin of Mr. Sun Peng, an Executive Director of the Company.

### Ms. Jian Qing (“Ms. Jian”)

Ms. Jian, aged 49, was appointed as an ED and a member of the Executive Committee with effect from 14 July 2020. Ms. Jian, aged 48, has been an ED of China Nuclear Energy Technology Corporation Limited since 19 October 2009, a company listed on the Stock Exchange (Stock Code: 611). She currently is also a director of each of Boxin Fund Management Co., Ltd and Boxin Asset Management Co., Ltd. She graduated from Jilin University in the PRC with a bachelor degree in Economics. She also holds a Master degree in Business Administration from the Lawrence Technological University in the United States. She has more than 20 years of experience in different areas of securities and financial management, which was gained from working at certain securities companies in the PRC and Hong Kong.

### Mr. Sun Peng (“Mr. Sun”)

Mr. Sun, aged 49, was appointed as an ED and member of Executive Committee and member of Remuneration Committee of the Company. Mr. Sun later ceased as a member to the Remuneration Committee on 6 November 2020. Mr. Sun received his bachelor degree in arts from Shenyang University in 1994. He starts his career as an instructor in Shenyang Foreign Language School from August 1994 to October 1998. After that, Mr. Sun joined 誠成企業（深圳）有限公司 (Shingsing Enterprise (Shenzhen) Limited\*) as an assistant to the general manager in October 1998. Later on, in May 2002, he was appointed as the deputy general manager of 北京棕櫚泉置業有限公司 (Beijing Palm Springs Properties Company Limited\*), where he worked till June 2008 before he joined 北京佳宏科技發展有限公司 (Beijing Jiahongke Technology Development Limited\*) as general manager in July 2008, and in between, during 23 July 2008 and 6 February 2009, Mr. Sun was also an Executive Director of Richly Field China Development Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 313). Mr. Sun is a cousin of Mr. Pang, Chairman and Executive Director of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Ng Kwun Wan (“Mr. Ng”)

Mr. Ng, aged 57, was appointed as an independent non-executive director (“INED”), the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company with effect from 14 July 2020.

Mr. Ng obtained his Bachelor's degree in Accounting and Finance from the University of Manchester (formerly known as the Manchester Polytechnic) and the Master's degree majoring in Accounting from the University of New South Wales in July 1988 and May 1990 respectively. He has been a member of the Hong Kong Institute of Certified Public Accountants

## Directors' Profile

since July 1993. Mr. Ng has over 20 years of experience in management. From November 1994 to August 2004, he worked for New World Development (China) Limited and New World China Enterprises Projects Limited, both wholly owned subsidiaries of New World Development Company Limited, a company listed on the Stock Exchange (Stock Code: 17) and engages in the business of property development and property investment, with his last position as a deputy general manager. He then joined Smart Faith Management Limited, a subsidiary of South China Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 413) as a general manager of industrial operations in the real estate department, responsible for overseeing the company's operations in the Tianjin Region, from September 2006 to March 2009. He has also been an independent non-executive director of China Boton Group Company Limited (formerly known as China Flavors and Fragrances Company Limited) since December 2009, the shares of which are listed on the Stock Exchange (Stock Code: 3318) and an independent non-executive director of Zhongzhi Pharmaceutical Holdings Limited since July 2015, the shares of which are listed on the Stock Exchange (Stock Code: 3737).

Mr. Ng currently has also been an INED of Sunray Engineering Group Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8616) since 18 March 2020.

### **Mr. Wong Cheuk Bun (“Mr. Wong”)**

Mr. Wong, aged 46, has been an INED and a member of the Audit Committee since 3 July 2017 and member of each of the Remuneration Committee and the Nomination Committee since 24 March 2018. He is a practising certified public accountant and currently an adjunct lecturer specialising in accounting and finance areas in various tertiary institutions in Hong Kong and Mainland China. Mr. Wong received a Master degree of Professional Accounting from the Hong Kong Polytechnic University. He is presently an associate member of the Hong Kong Institute of Certified Public Accountants, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has about 20 years of diversified experience in accounting and finance.

### **Mr. Hon Ming Sang (“Mr. Hon”)**

Mr. Hon, aged 42, was appointed as an INED, a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 6 November 2020.

Mr. Hon obtained an honor degree of Professional Accountancy in the School of Accountancy from The Chinese University of Hong Kong. He is a CFA charterholder. He is also a member of The Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr. Hon has previously worked in an international audit firm and has over 12 years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services.

Mr. Hon is currently an executive director and company secretary of SFund International Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 1367.HK). On 24 June 2020, Mr. Hon has been appointed as an independent non-executive director of Finsoft Financial Investment Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8018.HK) and has been an independent non-executive director of CEFC Hong Kong Financial Investment Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 1520) since November 2016.



# Directors' Report

The Board is pleased to present this Annual Report together with the Consolidated Financial Statements of the Group for the year ended 31 December 2020.

## CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public company incorporated in Hong Kong with limited liability. The Company acts as an investment holding company. The principal activities and other particulars of its principal subsidiaries are set out in Note 40 to the Consolidated Financial Statements. The analysis of segment information of the Group during the year is set out in Note 5 to the Consolidated Financial Statements.

## BUSINESS REVIEW

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

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

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

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the section headed "Consolidated Statement of Comprehensive Income" on pages 69 to 70 of this Annual Report. No interim dividend was paid to the Shareholders during the year (2019: Nil). The Directors did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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



# Directors' Report

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 73 of this Annual Report and Note 39 to the Consolidated Financial Statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any reserves available for distribution to Shareholders as calculated in accordance with the provisions of section 297 of the Companies Ordinance.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the Consolidated Financial Statements.

## SHARE CAPITAL

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, the Group had no bank loans and other borrowings other than convertible bonds, details of which are set out in notes 28 and 29 to the Consolidated Financial Statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer accounted for 95.3% of the Group's revenue of the year under review and 100% of the total revenue of the Group of the year under review was attributable to the Group's top five customers.

The percentage of cost of sales of the Group attributable to the five largest suppliers combined is less than 30%.

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

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

# Directors' Report

## DIRECTORS OF SUBSIDIARIES

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

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The composition of the Board during the year ended 31 December 2020 and up to the date of this Annual Report are set out in the section headed "Corporate Governance Report" of this Annual Report.

The Company has received annual confirmation from each of the three INEDs (namely, Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Hon Ming Sang) with regard to their independence and considers that the INEDs to be independent during the year under review.

Mr. Wong Cheuk Bun, an INED, will retire from office by rotation pursuant to Articles 101A and 101B of the Articles of Association.

Each of Mr. Pang Yuet, Ms. Jian Qing and Mr. Ng Kwun Wan has been appointed as an ED and INED, respectively, on 14 July 2020. Mr. Sun Peng has been appointed as an ED on 30 October 2020 and Mr. Hon Ming Sang has been appointed as an INED on 6 November 2020. They shall hold office until the upcoming AGM of the Company pursuant to Article 92 of the Articles of Association.

All of the above retiring Directors are eligible and will offer themselves for re-election at the 2021 AGM.

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

## DIRECTORS' BIOGRAPHIES

Biographical details of the current Directors are set out in the section headed "Directors' Profile" on pages 14 to 15 of this Annual Report.

## DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

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



# Directors' Report

Given that Mr. Chan was an INED and did not participate in the daily operations of the Group and he resigned as an INED on 14 July 2020, the Directors consider that any significant competition caused to the businesses of Group would be unlikely. In situations where any conflict of interests arises, Mr. Chan would refrain from taking part in the decision making process and from voting on the relevant resolution at the Board meeting.

Save as disclosed under the section headed "Directors and Directors' Service Contracts" of this Directors' Report and in Note 33 to the Consolidated Financial Statements, no contract of significance in relation to the Group's businesses to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **PERMITTED INDEMNITY PROVISION**

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

## **INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS**

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

## **REMUNERATION POLICY**

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

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 10 and 11 to the Consolidated Financial Statements.

## **RETIREMENT BENEFITS SCHEMES**

The Group strictly complies with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in making mandatory provident fund contributions for its Hong Kong employees.

# Directors' Report

## SHARE OPTIONS

### 2018 Share Option Scheme

The 2018 Share Option Scheme was adopted by the Company on 20 August 2008. The Company may grant share options to selected eligible participants (as defined in the 2018 Share Option Scheme) as incentives or rewards for their contribution to the Group (or any member of the Group) and/or to enable the Group (or any member of the Group) to recruit and retain high caliber employees and attract human resources that are valuable to the Group (or any member of the Group) and/or to any invested entity.

Under the 2018 Share Option Scheme, the Board has the authority to set the terms and conditions in respect of the grant of share options (e.g. the minimum period of the share options to be held, the performance targets to be achieved before the share options can be exercised and the subscription price). This provides the Board with more flexibility in imposing appropriate conditions in light of the circumstances of each grant and help to achieve the purpose of the 2018 Share Option Scheme. The aggregate number of Shares in respect of which share options (including both exercised and outstanding share options) may be granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company shall not, in aggregate exceed 10% of the total number of shares in issue on its adoption date, i.e. 20 August 2018. Further, the maximum number of Shares which may be issued upon exercise of all outstanding share options granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant in any 12-month period shall not exceed 1.0% of the total number of Shares in issue of the Company.

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

- (i) any employee (whether full time or part time, including any EDs but excluding any non-executive director ("NED")) of the Company, or of any of its subsidiaries or invested entity in which the Group holds any equity interest;
- (ii) any NED (including INED) of the Company, any of its subsidiaries or any invested entity;
- (iii) any Shareholders of any members of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity;
- (iv) any other entity (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; or
- (v) any other persons (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

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

## Directors' Report

On 29 August 2018, 247,987,622 share options (equivalent to 49,597,524 share options after the Share Consolidation) were granted at an exercise price of HK\$0.0976 per Share (equivalent to HK\$0.488 per Share after a share consolidation taken place in 2019) under the 2018 Share Option Scheme, all of which have been accepted. The share options are exercisable during a period of 10 years commencing from the date of grant.

Since the scheme mandate limit of the 2018 Share Option Scheme was used up, the Directors had sought approval from the Shareholders at the Company's 2019 AGM, which was held on 27 May 2019 to refresh the scheme mandate limit so as to increase flexibility of the Company to grant share options under the 2018 Share Option Scheme. As such, the total number of shares which may be issued upon exercise of all the share options granted under the 2018 Share Option Scheme had been refreshed to 247,987,622 shares (equivalent to 49,597,524 shares after the Share Consolidation), representing 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution. The subscription price would be determined by the Directors, which should not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of options; or (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five days immediately preceding the date of grant of the share options.

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

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

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

For the year ended 31 December 2019, 1,870,000 share options (as adjusted as a result of Share Consolidation) were lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to their terms of issue.

# Directors' Report

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

Directors or category of participant	Exercise period of share options	Exercise price of share options HK\$	As at 1.1.2020	Granted during the year	Exercised during the year	Lapsed/forfeited/ cancelled during the year	As at 31.12.2020
<b>Ex-Directors</b>							
Mr. Liang Jun	29.8.2018 to 28.8.2028	0.488	4,200,000	—	—	4,200,000	—
	4.7.2019 to 3.7.2029	0.455	4,200,000	—	—	4,200,000	—
Mr. Fu Yongyuan	29.8.2018 to 28.8.2028	0.488	9,400,000	—	—	9,400,000	—
	4.7.2019 to 3.7.2029	0.455	14,200,000	—	—	14,200,000	—
Mr. Wu Jian	4.7.2019 to 3.7.2029	0.455	14,200,000	—	—	14,200,000	—
Mr. Yu Baodong	29.8.2018 to 28.8.2028	0.488	9,000,000	—	—	9,000,000	—
	4.7.2019 to 3.7.2029	0.455	4,200,000	—	—	4,200,000	—
Mr. Chan Chi Yuen	29.8.2018 to 28.8.2028	0.488	480,000	—	—	480,000	—
	4.7.2019 to 3.7.2029	0.455	480,000	—	—	480,000	—
Mr. Wong Cheuk Bun	29.8.2018 to 28.8.2028	0.488	480,000	—	—	480,000	—
	4.7.2019 to 3.7.2029	0.455	480,000	—	—	480,000	—
<b>Eligible Participants</b> (in aggregate)	29.8.2018 to 28.8.2028	0.488	24,867,524	—	—	24,867,524	—
	4.7.2019 to 3.7.2029	0.455	11,137,524	—	—	11,137,524	—
Total			97,325,048	—	—	97,325,048	—

All the Company's share options were cancelled off upon the Subscription, details of which are set out in Note 31 to the Consolidated Financial Statements.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions and connected transactions for the year ended 31 December 2020 are set out in Note 33 to the Consolidated Financial Statements.

## SUFFICIENCY OF PUBLIC FLOAT

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



# Directors' Report

## **CORPORATE GOVERNANCE**

Throughout the year under review, the Company complied with the applicable code provisions and principles as set out in Appendix 14 to the Listing Rules, except for the deviations mentioned in the section headed "Corporate Governance Report — Corporate Governance Practices" on page 24 of this Annual Report.

## **ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY**

The Company complied with the applicable code provisions and principles as set out in Appendix 16 to the Listing Rules throughout the year under review and details of which are set out in the section headed "Environmental, Social and Corporate Report" on page 41 of this Annual Report.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

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

## **AUDITOR**

The Consolidated Financial Statements of the Group for the year ended 31 December 2020 were audited by Mazars CPA Limited. A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company will be proposed at the 2021 AGM of the Company.

On behalf of the Board

**Pang Yuet**

*Chairman and Executive Director*

Hong Kong, 25 March 2021



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2020, the Company complied with the applicable CG Code and principles, save for the deviations specified and explained below.

### Code Provision A.2.1

The post of chief executive officer (the "CEO") of the Company has remained vacant since March 2009. The duties of CEO had been performed by other EDs. As there is a clear division of responsibilities of each director, the vacancy of the post of CEO did not have any material impact on the operations of the Group. Nevertheless, the Board will review the current structure from time to time and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of CEO as appropriate.

### Code Provision A.6.7

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

## DIRECTORS' SHAREHOLDING INTERESTS

### Directors' Interests in Company's Securities

Directors' interests in the Company's securities as at 31 December 2020 are disclosed in the Directors' Report and in this Corporate Governance Report.

### Compliance with the Model Code

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all current Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

# Corporate Governance Report

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

As at 31 December 2020, the following person(s) is/are Directors of the Company who had or was deemed to have an interest in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or were deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

### Long Position in the Shares and underlying Shares

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of shareholding (Note)
Mr. Pang	Interest of controlled corporation	1,100,000,000	300,000,000 (Note)	1,400,000,000	70.18%

*Notes:* Mr. Pang is deemed to be interested in 1,400,000,000 Shares through his interests in Oriental Solar Group Limited, which is 100% owned by Mr. Pang. Of the 1,400,000,000 Shares, 1,100,000,000 are Share directly held by Oriental Solar Group Limited and 300,000,000 shares are convertible under 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). Immediately upon the issuance of the 300,000,000 conversion shares, for illustrative purpose only and subject to the conversion restriction, Oriental Solar Group Limited accounts for approximately 70.18% of the enlarged shareholding of the Company

Save as disclosed above, as at 31 December 2020, as far as the Board was aware, none of the Directors of the Company had or was deemed to have any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or were deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to any Directors, as at 31 December 2020, the following persons (not being a Director) had interests in the Shares or underlying Shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

# Corporate Governance Report

## *Long Position in the Shares and underlying Shares*

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares and underlying Shares held</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Mr. Pang	Interest of controlled corporation <i>(Note 2)</i>	1,100,000,000(L)	64.90%
Oriental Solar Group Limited	Beneficial owner	1,100,000,000(L)	64.90%
Mr. Wong Kin Ting	Interest of controlled corporation <i>(Note 3)</i>	91,059,406(L)	5.37%
King Castle Enterprises Limited	Beneficial owner	85,159,406(L)	5.02%
Ms. Mak Siu Hang Viola	Interest of controlled corporation <i>(Note 4)</i>	86,666,666(L)	5.11%
VMS Investment Group Limited	Beneficial owner	86,666,666(L)	5.11%

### *Notes:*

- (1) The letter "L" denotes a long position in the shares.
- (2) As at 31 December 2020, Mr. Pang Yuet held 100% equity interest in Oriental Solar Group Limited, the controlling shareholder of the Company. Accordingly, Mr. Pang Yuet was deemed to have an interest in all the shares beneficially owned by Oriental Solar Group Limited under the SFO.
- (3) As at 31 December 2020, Mr. Wong Kin Ting held 100% equity interests in both King Castle Enterprises Limited and Delight Assets Management Limited, which held 85,159,406 and 5,900,000 shares of the Company respectively. Accordingly, Mr. Wong Kin Ting was deemed to have an interest in all the shares beneficially owned by both King Castle Enterprises Limited and Delight Assets Management Limited under the SFO.
- (4) As at 31 December 2020, Ms. Mak Siu Hang Viola held 100% equity interests in VMS Investment Group Limited, which held 86,666,666 shares of the Company. Accordingly, Ms. Mak Siu Hang Viola was deemed to have an interest in all the shares beneficially owned by both VMS Investment Group Limited under the SFO.

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

# Corporate Governance Report

## BOARD OF DIRECTORS

### (1) Board Composition

The Board currently comprises three EDs and three INEDs. The biographical details of each Director are shown in the section headed “Directors’ Profile” on pages 14 to 15 of this Annual Report and are on the Company’s website. The Directors during the year under review and up to the date of this Annual Report are as follows:

#### *Executive Directors*

Mr. Pang Yuet (*Chairman*) (appointed on 14 July 2020)  
Ms. Jian Qing (appointed on 14 July 2020)  
Mr. Sun Peng (appointed on 30 October 2020)  
Mr. Fu Yongyuan (resigned on 30 October 2020)  
Mr. Wu Jian (resigned on 30 October 2020)  
Mr. Liang Jun (resigned on 10 February 2020)

#### *Non-Executive Director*

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

#### *Independent Non-Executive Directors*

Mr. Ng Kwun Wan (*Chairman*) (appointed on 14 July 2020)  
Mr. Wong Cheuk Bun  
Mr. Hon Ming Sang (appointed on 6 November 2020)  
Mr. Chan Chi Yuen (resigned on 14 July 2020)  
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)

The Company has received annual confirmation from each of the three INEDs (namely, Mr. Ng Kwun Wan, Mr. Wong Cheuk Bun and Mr. Hon Ming Sang) with regard to his independence to the Company and considers that each of the INEDs to be independent during the year under review.

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

### (2) Nomination and Appointment of Directors

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

# Corporate Governance Report

## (3) Changes in Directorship

- (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;
- (ii) On 21 February 2020, Mr. Chan Sing Fai was appointed as an INED and a member of the Audit Committee of the Company;
- (iii) On 14 July 2020, Mr. Yu Baodong resigned as a NED, the chairman of the Board and chairman of the Nomination Committee of the Company;
- (iv) On 14 July 2020, Mr. Chan Chi Yuen resigned as an INED, the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company;
- (v) On 14 July 2020, Mr. Pang Yuet was appointed as an ED and the chairman of the Company and the chairman of the Nomination Committee of the Company;
- (vi) On 14 July 2020, Ms. Jian Qing was appointed as an ED and a member of the Executive Committee of the Company;
- (vii) On 14 July 2020, Mr. Ng Kwun Wan was appointed as an INED, the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company;
- (viii) On 30 October 2020, Mr. Fu Yongyuan resigned as an ED of the Company and ceased to be the chairman of Executive Committee and member of Remuneration Committee of the Company;
- (ix) On 30 October 2020, Mr. Wu Jian resigned as an ED of the Company and ceased to be member of Executive Committee of the Company;
- (x) On 30 October 2020, Mr. Pang Yuet, an ED and the Chairman of Nomination Committee of the Company, was appointed as the chairman of the Executive Committee of the Company;
- (xi) On 30 October 2020, Mr. Sun Peng was appointed as an ED, a member of the Executive Committee and a member of the Remuneration Committee of the Company;
- (xii) On 6 November 2020, Mr. Chan Sing Fai resigned as an INED and a member of the Audit Committee of the Company;
- (xiii) On 6 November 2020, i) Mr. Hon Ming Sang was appointed as an INED and a member of the Audit Committee of the Company; ii) Mr. Hon was also appointed as a member of the Remuneration Committee upon the cease of being a member of the Remuneration Committee by Mr. Sun Peng.



# Corporate Governance Report

## (4) Responsibility of the Board of Directors

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

Other duties include but are not limited to:

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

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

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

# Corporate Governance Report

## (5) Board Meetings and General Meetings

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

	Attendance No. of Board meetings attended/ No. of Board meetings held during the year	Attendance No. of general meetings attended/ No. of general meetings held during the year
<b>Executive Directors</b>		
Mr. Pang Yuet ( <i>Chairman</i> ) (appointed on 14 July 2020)	3/7	N/A
Ms. Jian Qing (appointed on 14 July 2020)	5/7	N/A
Mr. Sun Peng (appointed on 30 October 2020)	1/7	N/A
Mr. Fu Yongyuan (resigned on 30 October 2020)	4/7	2/2
Mr. Wu Jian (resigned on 30 October 2020)	4/7	2/2
Mr. Liang Jun (resigned on 10 February 2020)	1/7	1/2
<b>Non-Executive Director</b>		
Mr. Yu Baodong ( <i>Chairman</i> ) (resigned on 14 July 2020)	1/7	0/2
<b>Independent Non-Executive Directors</b>		
Mr. Ng Kwun Wan ( <i>Chairman</i> ) (appointed on 14 July 2020)	5/7	N/A
Mr. Wong Cheuk Bun	7/7	1/2
Mr. Hon Ming Sang (appointed on 6 November 2020)	6/7	N/A
Mr. Chan Chi Yuen (resigned on 14 July 2020)	2/7	1/2
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)	6/7	2/2

## (6) Board Activities

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

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

# Corporate Governance Report

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

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

## **(7) Continuous Professional Development**

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

## **(8) Monthly Management Reports to Directors**

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



# Corporate Governance Report

The individual training record of each Director for the year ended 31 December 2020 are as follows:

	<b>Updates on laws, rules &amp; regulations/management and/ other professional skills and Self-reading</b>
<b>Executive Directors</b>	
Mr. Pang Yuet ( <i>Chairman</i> ) (appointed on 14 July 2020)	√
Ms. Jian Qing (appointed on 14 July 2020)	√
Mr. Sun Peng (appointed on 30 October 2020)	√
Mr. Fu Yongyuan (resigned on 30 October 2020)	√
Mr. Wu Jian (resigned on 30 October 2020)	√
Mr. Liang Jun (resigned on 10 February 2020)	√
<b>Non-Executive Director</b>	
Mr. Yu Baodong ( <i>Chairman</i> ) (resigned on 14 July 2020)	√
<b>Independent Non-Executive Directors</b>	
Mr. Ng Kwun Wan (appointed on 14 July 2020)	√
Mr. Wong Cheuk Bun	√
Mr. Hon Ming Sang (appointed on 6 November 2020)	√
Mr. Chan Chi Yuen (resigned on 14 July 2020)	√
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)	√

## (9) Chairman and Chief Executive

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

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

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

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

During the year under review and up to the date of this Annual Report, NED and all INEDs have been appointed for a specific term of service. Pursuant to the Articles of the Association, NED and all INEDs shall be subject to retirement by rotation at least once every three years at the AGM of the Company and shall be eligible for re-election. Upon the resignation of Mr. Yu Baodong as Chairman and NED on 14 July 2020, the Company has no more incumbent NED.

# Corporate Governance Report

## (11) Meetings with INEDs

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

## (12) Directors' and Officers' Liability Insurance

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

## (13) Independent Advice to the Board

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

## BOARD COMMITTEES

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

### (1) Remuneration Committee

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

As at 31 December 2020, the members of the Remuneration Committee consisted of 3 INEDs namely, Mr. Ng Kwun Wan (Chairman), Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.

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

- Assessing the remuneration package of Mr. Pang Yuet, Ms. Jian Qing and Mr. Sun Peng upon their appointments as EDs on 14 July 2020 and 30 October 2020, respectively; and
- Assessing the remuneration package of Mr. Ng Kwun Wan and Mr. Hon Ming Sang upon their appointments as INED on 14 July 2020 and 6 November 2020, respectively.

On 10 February 2020, Mr. Liang Jun resigned as a member of the Remuneration Committee and Mr. Fu Yongyuan was appointed as a member of which to fill the vacancy left by the resignation of Mr. Liang Jun on the same date.

# Corporate Governance Report

On 14 July 2020, Mr. Chan Chi Yuen resigned as chairman of the Remuneration Committee and Mr. Ng Kwun Wan was appointed as chairman of which to fill the vacancy left by the resignation of Mr. Chan Chi Yuen on the same date.

On 30 October 2020, Mr. Fu Yongyuan resigned as member of the Remuneration Committee and Mr. Sun Peng was appointed as a member of which to fill the vacancy left by the resignation of Mr. Fu Yongyuan on the same date.

On 6 November 2020, Mr. Sun Peng resigned as member of the Remuneration Committee and Mr. Hon Ming Sang was appointed as a member of which to fill the vacancy left by the resignation of Mr. Sun Peng on the same date.

Thereafter, members of the Remuneration Committee consist of Mr. Ng Kwun Wan (Chairman), Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.

## (2) Audit Committee

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

As at 31 December 2020, members of the Audit Committee were Mr. Ng Kwun Wan (Chairman), Mr. Wong Cheuk Bun and Mr. Hon Ming Sang.

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

- Reviewing the audit plan for the financial year ended 31 December 2019;
- Reviewing the Company's audited consolidated financial statements for the year ended 31 December 2019;
- Reviewing the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020; and
- Reviewing the Company's financial controls, internal control and risk management systems.

# Corporate Governance Report

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

	<b>No. of meetings attended/ No. of meetings held during the year</b>
Mr. Ng Kwun Wan ( <i>Chairman</i> ) (appointed on 14 July 2020)	2/3
Mr. Wong Cheuk Bun	3/3
Mr. Hon Ming Sang (appointed on 6 November 2020)	N/A
Mr. Chan Chi Yuen (resigned on 14 July 2020)	1/3
Mr. Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)	2/3

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

On 14 July 2020, Mr. Chan Chi Yuen resigned as chairman of the Audit Committee and Mr. Ng Kwun Wan was appointed as chairman of which to fill the vacancy left by the resignation of Mr. Chan Chi Yuen on the same date.

On 6 November 2020, Mr. Chan Sing Fai resigned as member of the Audit Committee and Mr. Hon Ming Sang was appointed as a member of which to fill the vacancy left by the resignation of Mr. Chan Sing Fai on the same date.

### (3) Nomination Committee

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

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

As at 31 December 2020, members of the Nomination Committee comprised of 1ED and 2 INEDs, namely, Mr. Pang Yuet (Chairman), Mr. Ng Kwun Wan and Mr. Wong Cheuk Bun.

# Corporate Governance Report

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

- Reviewing the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy in particularly, to propose the appointments of Mr. Pang Yuet, Ms. Jian Qing and Mr. Sun Peng as EDs on 14 July 2020 and 30 October 2020, respectively and Mr. Ng Kwun Wan and Mr. Hon Ming Sang as INEDs on 14 July 2020 and 6 November 2020, respectively;
- Assessing the independence of INEDs; and
- Making recommendations to the Board on the re-appointment of Directors at the 2020 AGM.

## (4) Executive Committee

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

As at 31 December 2020, the Executive Committee comprised Mr. Pang Yuet (Chairman), Ms. Jian Qing and Mr. Sun Peng.

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

- Approving the daily operational matters of the Group and the tasks as delegated by the Board; and
- Approving the following up issues/compliance matters in relation to the corporate exercises of the Group, including but not limited to the Subscription, the issue of 2020 Convertible Bonds, the placing, the disposal of M/V Asia Energy and the discontinuation of operation of the JV Group.

The Executive Committee held 16 meetings during the year under review and the attendance of its members are as follows:

	<b>Attendance No. of meetings attended/ No. of meetings held during the year</b>
Mr. Pang Yuet ( <i>Chairman</i> ) (appointed on 30 October 2020)	3/16
Ms. Jian Qing (appointed on 14 July 2020)	5/16
Mr. Sun Peng (appointed on 30 October 2020)	1/16
Mr. Fu Yongyuan (resigned on 30 October 2020)	16/16
Mr. Wu Jian (resigned on 30 October 2020)	16/16
Mr. Liang Jun (resigned on 10 February 2020)	1/16

# Corporate Governance Report

## (5) Corporate Governance Function

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

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

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

## AUDITOR'S REMUNERATION

During the year under review, the fee for audit services provided by Mazars CPA Limited, the external auditor of the Company, was HK\$1,000,000 (2019: HK\$1,100,000) and that for the non-audit services mainly representing non-assurance work in relation to the interim report for the six months ended 30 June 2020 and the reporting accountant's work relating to the profit estimates and a major transaction, in aggregate, amounted to HK\$729,000 (2019: HK\$810,000 mainly relating to review of the interim report for the six months ended 30 June 2019 and the reporting accountant's work relating to a very substantial disposal).

## FINANCIAL REPORTING

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

A statement by the Independent Auditor about its reporting and its responsibilities is set out in the Independent Auditor's Report on pages 63 to 68 of this Annual Report.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

### Risk Management System

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

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

# Corporate Governance Report

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitoring of the residual risks.

Based on the risk assessments conducted for the financial year ended 31 December 2020, no significant risk was identified.

## Internal Control System

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

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Group enters into significant negotiations.
- The EDs are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted for the financial year ended 31 December 2020, no significant control deficiency was identified.

# Corporate Governance Report

## Internal Auditors

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

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

## Effectiveness of the Risk Management and Internal Control Systems

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

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

## COMPANY SECRETARY

On 14 July 2020, Mr. Suen To Wai has been appointed as the Company Secretary of the Company in place of Ms. Wong Shuk Ha, Cat. She has complied with Rule 3.29 of the Listing Rules of obtaining no less than 15 hours of relevant professional training during the year under review.

## COMMUNICATIONS WITH SHAREHOLDERS

### (1) Annual General Meeting

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

### (2) Shareholders’ Rights

The Board has adopted a Shareholder’s Communication Policy (the “Policy”) which aims to promoting and facilitating effective communication with its Shareholders. The objective is to ensure the Company provides timely, clear, reliable and material information for its Shareholders in exercising their rights. The Policy defined how Shareholders can convene general meeting, procedures to which enquiries may be put to the Board and sufficient contact details enabling these enquiries to be properly directed and sufficient contact details for putting forward



# Corporate Governance Report

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

## (3) Investor Relations

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

## DIVIDEND POLICY

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

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

## UPDATE OF TORS OF THE COMMITTEES

During the year under review, no significant update was made to TORs.



# Environmental, Social and Governance Report

## I. INTRODUCTION AND ENVIRONMENT, SOCIAL, AND GOVERNANCE POLICIES

### About the Report

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

The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group’s ESG matters effectively and responsibly, which it believes are of great significance for its business and operations.

### Reporting Framework

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

The details of the operations of the Group are set out in the “Management Discussion and Analysis” section of the annual report of the Company for the financial year ended 31 December 2020 annual report (the “Annual Report”). If there is any conflict or inconsistency, the English version shall prevail.

### Reporting Period

The ESG Report elaborates on the Group’s ESG events, challenges and measures during the year from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

### Reporting Scope

During the Reporting Period, the Group adjusted its business strategy for sustainable development and focused on (i) shipping and logistics business; and (ii) telecommunication related business. The scope of the report covers the key performance indicators (“KPIs”) data of the Group’s main operating activities at two Hong Kong office and three own vessels. Vessels’ daily operation, maintenance and recruitment are completed by the business partner and does not contain relevant data.

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

# Environmental, Social and Governance Report

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

## Stakeholder Engagement

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

The following table shows the management response to the stakeholders’ expectations and concerns:

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

# Environmental, Social and Governance Report

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

## Materiality Assessment

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

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

## Contact us

The Group welcomes stakeholders' feedback on its ESG approach and performance. Please give your suggestions or share your views with us via email at [enquiries@asiaenergy351.com](mailto:enquiries@asiaenergy351.com)

# Environmental, Social and Governance Report

## II. ENVIRONMENT

### Major Scope & Aspects

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

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

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

# Environmental, Social and Governance Report

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

- 1) Safety and environmental protection policy;
- 2) Instructions and procedures to ensure safe operation of ships and protection of environment in compliance with relevant international and flag state legislation;
- 3) Procedures for reporting accidents and non-conformities with the provisions of the ISM Code; and
- 4) Procedures of preparation for and response to emergency.

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

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

## 1. Emissions

### *General Disclosures and KPIs*

During the Reporting Period, the source of emissions arising comes from fuel consumption in the use of the vessel engines, vehicles, electricity consumption at the offices and air travel by employees. The Group's operations, through consumption of various kinds of fossil fuel, inevitably release Nitrogen Oxides (NO<sub>x</sub>), Sulphur Oxides (SO<sub>x</sub>), Particulate Matter (PM) and Carbon Oxide (CO) into the air, which are considered to be one of the major sources of global warming. The Group is well aware of the impact of global warming on the planet Earth and all human. As such, the Group has been paying close attention to emissions to ensure that they comply with the industry standards, and that transparent data are communicated effectively throughout the Group to implement applicable changes, including reduction measures.

With the goal to reduce energy consumption and carbon emissions, the Group has formulated relevant rules and regulations for a sound and effective management of energy consumption, greenhouse gas ("GHG") emission, as well as discharge of domestic waste and sewage and other pollutants. The Group strictly complies with the environmental protection laws and regulation that are applicable to our business operations. Its legal team have been working closely with the business units to assess the impact of those promulgated environmental protection laws and regulations such as the "Environmental Protection Law of the PRC", the "Prevention and Control of Atmospheric Pollution of the PRC", the "Prevention and Control of Water Pollution of the PRC", the "Prevention and Control of Environmental Pollution by Solid Waste", the "National Environmental Emergency Response Plan", the Air Pollution Control Ordinance ("Cap.311 of the Laws of Hong Kong"), the Water Pollution Control Ordinance ("Cap.358 of the Laws of Hong Kong") and the Waste Disposal Ordinance ("Cap.354 of the Laws of Hong Kong") etc.

# Environmental, Social and Governance Report

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

## 1.1 Key Performance Indicators (“KPIs”) of Emission Management

### *Types of emissions and respective emissions data*

#### Air pollutants

The emission of air pollutants by vessels is relatively lower when compared with other means of transportations, air pollution is however unavoidable during the operation of the vessel, though not detrimental under control. With respect to the vessels operating in Hong Kong. All of the vessel engines, including both main and auxiliary installed on self-owned vessels, in accordance with the revised all applicable marine diesel engines comply with the relevant limiting emission values of NO<sub>x</sub> as specified within regulation by the Hong Kong Shipping Ordinances (“13 of Annex VI of NO<sub>x</sub> Technical Code 2008”). It is a requirement that the Group’s ship management company takes relevant measures to minimise the release of pollutants into the air by continuously monitoring the efficiency of vessel equipment. The ship management company have been recorded vessels’ rated power and speed to ensure to minimise the emission of NO<sub>x</sub>. They also regularly conduct tank cleaning, cargo measurement, sampling and gas freeing operations to reduce the emission of cargo vapour and inert gas into the atmosphere.

#### GHG emission

Fuels combustion for powering engines is the major source of greenhouse gas of the Group’s vessels. The ship consumes low-sulphur fuel oil with a sulphur content lower than 3.50% m/m (before 1 January 2020) or 0.50% m/m when operating outside of an Emission Control Area; and no more than 1% m/m (before 1 January 2015) or 0.10% m/m when operating inside an Emission Control Area, as specified in regulation 14.3 of Annex VI to the MARPOL Convention. The vessel also adopts weather routing, which is a means to minimize the usage of fuels by planning routes according to the weather, in a bid to lower the GHG emission. For the vessels’ operation, both of the Group and its ship management company ensure compliance with all applicable environmental and related legislation by monitoring energy efficiency, as a result the collected data can also use for further improvements.

In addition, the use of battery, business travel and the disposal of paper during the daily operations also play a small part in the GHG. The Group has actively adopted the electricity-saving and energy-saving measures to reduce GHG emissions at the headquarter, including:

- Turning off equipment, machines and electronic devices after office hours;
- Making fully use of the online system in the offices, general transaction notification, data transmission, etc. through the network system;
- Using telecommunication system and video conferencing to replace unnecessary travel arrangements wherever appropriate and possible;

# Environmental, Social and Governance Report

- Requiring employees to copy or print on both sides as much as possible;
- Using both sides of offices paper as much as possible;
- Collecting and recycling waste paper by the administrative department; and
- Disposing of waste packaging boxes as “recyclable” waste.

The decrease in the air emission in 2020 was mainly due to the effective energy-saving strategies implemented by the Group during the year.

The following table summarizes the KPIs of the Group’s overall emission management:

Types of emission	Unit (in tonnes)	
	2020	2019
<b>Air pollutant<sup>1</sup></b>		
Nitrogen Oxides (NOx)	899.07	928.79
Sulphur Oxides (SOx)	82.66	483.44
Particulate Matter (PM)	81.34	84.03
<b>GHG emission<sup>2</sup></b>		
Direct GHG emission (Scope I) — fuel consumption	28,358.53	30,999.32
Indirect GHG emission (Scope II) — electricity consumption	751.63	491.44
Other Indirect Emission (Scope III)-Business Air Travel, Waste	2.05	2.41
Total GHG emission	29,112.21	31,493.17
<b>Intensity of total GHG emission— Unit per million HKD revenue<sup>3</sup></b>	<b>607.77</b>	516.29

Note:

1. The data of vessel’s emissions was from the Maritime Safety Information (MSI) environment protection monitoring handbook and Energy Efficiency Operational Indicator (EEOI) & CO<sub>2</sub> emission monitoring report;
2. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標彙報指引》) published by the Stock Exchange and the 2017 Sustainability Report published by CLP Power Hong Kong Limited; and
3. During the Reporting Period, the total revenue of the Group was approximately HKD47,900,000 (2019: approximately HKD61,000,000). Other intensity data in the ESG Report are also measured using this data.



# Environmental, Social and Governance Report

## *Waste management*

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

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

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

## *Hazardous waste*

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

## *Non-hazardous waste*

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

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

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

The decrease in the waste discharge in 2020 was mainly due to the effective waste management strategies implemented by the Group during the year.

# Environmental, Social and Governance Report

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

Each waste discharge	Unit (in kg)	
	2020	2019
Type of hazardous waste		
– waste dry battery	0.88	1.17
<b>Intensity — Unit per million HKD revenue<sup>3</sup></b>	<b>0.02</b>	0.02
Type of non-hazardous waste		
– Paper	274	340
– General waste	984	984
<b>Intensity — Unit per million HKD revenue<sup>3</sup></b>	<b>26.28</b>	21.70

## Sewage discharge

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

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

## 2. Use of Resources/Energy Efficiency Management

### General Disclosures and KPIs

#### 2.1. Energy Consumption

The main types of energy consumed by the Group in its operations include diesel fuel, unleaded petrol and electricity. Its demand for electricity is especially great. The Group saves energy and reduces consumption of it through technological upgrade, equipment renewal and enhancement of energy utilization efficiency. The Group endeavours to conserve energy saving effectively and implement procedures to control the energy resource.

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

Types of energy	Unit	Consumption	
		2020	2019
Diesel fuel	L	10,703,000	11,687,579
<b>Intensity — Unit per million HKD revenue<sup>3</sup></b>	L	<b>223,444.68</b>	191,599.66
Unleaded petrol	L	14,186	153,372
<b>Intensity — Unit per million HKD revenue<sup>3</sup></b>	L	<b>296.16</b>	2,514.30
Electricity	kWh	951,430	622,080
<b>Intensity — Unit per million HKD revenue<sup>3</sup></b>	kWh	<b>19,862.84</b>	10,198.03

# Environmental, Social and Governance Report

In addition, the Group aims to motivate its employees to participate in resources conservation activities. the Group has advocated various energy conservation strategies. The temperature of air-conditioning is maintained at an energy efficient level at around 25 degrees Celsius. Lightings and electrical appliances also shall be switched off before leaving the office after work. An energy-saving mode is set on computers when they are not in use for a long period of time.

## *2.2. Water Consumption*

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

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

## *2.3. Paper Consumption*

The Group is committed to a paperless operation, constantly encouraging all employees to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents. Reusable paper products, such as envelopes, are properly recycled whereas the use of disposable paper products, such as paper cups and paper towels, are discouraged wherever possible and appropriate during the operation.

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

# Environmental, Social and Governance Report

## 3. Environmental Protection and Natural Resources Conservation

### *General Disclosures and KPIs*

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

### *3.1. Prevention Measures*

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

The Group requires its vessels to meet the requirements of oil pollution prevention certificates which provide assurance to the structure, equipment, systems, fittings, arrangement and materials of the vessels it operate. The awarded certificates are summarised as below:

<b>Certificate(s)</b>	<b>Vessel</b>
International Oil Pollution Prevention Certificate	MV Asia Energy
Under the provisions of the International Convention	MV Clipper Selo
For the Prevention of Pollution from Ships (IOPPC)	MV Clipper Panorama

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

### *3.2. Planned Maintenance System (PMS)*

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

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

# Environmental, Social and Governance Report

## III. SOCIETY

### Major Scope & Aspects

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

### 1. Employment and Labour Practices

#### *General Disclosure*

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

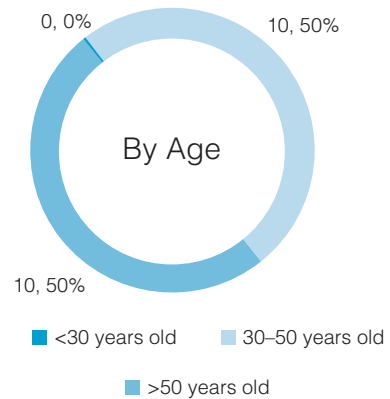
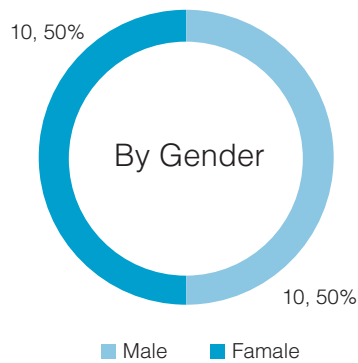
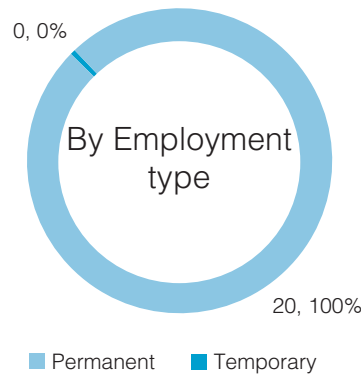
During the Reporting Period, the Group had hired 20 employees (2019: 16 employees) after the business restructure. There was zero turnover rate. The Group decides the remunerations payable to its staff based on their duties, work experience and the prevailing market practices. Apart from basic remuneration, share options may be granted to eligible employees by reference to the performance of the Group and individual employees.

The Group complies with the Labour Law of Hong Kong and relevant employment laws and regulations throughout the Reporting Period, including the Mandatory Provident Fund Schemes Ordinance (“Cap. 485 of the Laws of Hong Kong”) by participating in the Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) for the eligible employees, the Minimum Wage Ordinance (“Cap. 608 of the Laws of Hong Kong”), the Employment Ordinance (“Cap. 57 of the Laws of Hong Kong”) (the “EO”) and the Employees’ Compensation Ordinance (“Cap. 282 of the Laws of Hong Kong”) (the “ECO”) by offering competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to the employees.

# Environmental, Social and Governance Report

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

Employment	By Employment type		By Gender		By Age		
	Permanent	Temporary	Male	Female	<30	30-50	>50
<b>Total employees</b>	20	0	10	10	0	10	10



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

# Environmental, Social and Governance Report

## *Equal Opportunities and Anti-discrimination*

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

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

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

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

## **2. Health and Safety**

### *General Disclosure*

The Group puts particular emphasis on health and safety and attaches great importance to health protection and a safe working environment as it firmly upholds the principle of "safety first and prevention prevails". The Group complies with the Occupational Safety and Health Ordinance ("Cap. 509 of the Laws of Hong Kong"), by ensuring that the employees are working in a safe environment; as well as providing induction programs and safety training programs to new employees such that they can be familiar with the corporate policies in relation to health and safety matters as quickly as they can.

In addition, the Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. The Group has taken the following measures:

- Installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- Prohibiting smoking and abuse of alcohol and drugs in the workplace;
- Providing clean and tidy rest area such as corridors and pantry;
- Providing adjustable chairs and monitors for eye protection;
- Setting up posters of proper working postures and lifting method accessible on the intranet and at appropriate locations in offices;
- Conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency; and

# Environmental, Social and Governance Report

- Improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

In order to deal with the outbreak of COVID-19, the Group has implemented several measures including but not limited to requiring daily health declaration, keeping social distancing between staffs of at least 1.5 metres, adopting work from home arrangements etc. for preventing the spread of virus.

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

### 3. Development and Training

#### *General Disclosure*

Talent development is an important part of the Group's strategy for managing human resources. Being closely related to corporate sustainable development, training can enhance the overall quality of staff members, and this enables them to adapt to new job requirements, as well as improve their capabilities to perform their current duties. It can also help staff members to seize opportunities for promotion and meet their aspirations for career. The Group provides effective training for staff members and formulates a clear path for promotion to ensure that the staff members are equipped with the necessary skills. During the Reporting Period, there was 5% male employees trained through professional programme. This plan also helps the Group to groom outstanding staff to be the successors and foster enthusiasm for learning within the Group.

To match the Group's development strategy and meet the demand for training, the human resources and administrative personnel collaborate with various departments to provide regular and ad hoc training for different types of employees so that they can meet the specific requirements of their positions. The Group encourages and supports employees to participate in personal and professional trainings in response to the relevant evolving market needs, such as changes in laws and regulations, market trends, product trends and customer behaviours. Based on the needs of individual employees, the Group also provides education allowances to facilitate improvement of their job skills and encourage them to maintain the non-stop learning spirit.

Furthermore, the Group is committed to supporting its employees to maintain a family-friendly work environment because it respects their roles and responsibilities in their families. The Group strives to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment. The Group brings in new recruits and equip them with necessary skill sets to develop a long-term rewarding career with it.

The table below sets out the employee training hours of the Group during the Reporting Period:

	Unit	Training hours	Average training hours per person
<b>Total of employees</b>	hours	3	3



# Environmental, Social and Governance Report

## 4. Labour Standards

### *General Disclosure*

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

The Group strictly complies with the relevant laws and regulations, including but not limited the "Labour Law of the PRC" and the "Provisions on the Prohibition of Using Child Labour of the PRC", the Employment Ordinance ("Cap. 57 of the Laws of Hong Kong").

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

## 5. Supply Chain Management Mechanism

### *General Disclosure*

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

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

The Group continues to localize supply chain. Under the same terms and conditions, it prioritized a mutually beneficial partnership with local business partners/suppliers/contractors. With the application of scientific technology in logistic management, the Group is committed to shortening material delivery time, while controlling warehouse storage and delivery pressure, reducing vehicle emissions and negative impact on the environment.

The Group believes that, through the above review process, it can minimize the potential environmental and social risks associated with the supply chain management.

# Environmental, Social and Governance Report

## 6. Product Responsibility

### *General Disclosure*

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

### *PRC region*

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

### *Hong Kong region*

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

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

### *Feedback Management*

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

### *Privacy Protection*

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

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

# Environmental, Social and Governance Report

## *Intellectual Property Rights Management*

The Group relentlessly reinforces the protection of intellectual property rights. Pursuant to the "Patent Law of the PRC", the "Trademark Law of the PRC", the "Patents (Amendment) Ordinance 2016" of Hong Kong and the "Patents (General) (Amendment) Rules 2019" of Hong Kong and other relevant laws and regulations, the Group has established and perfected an intellectual property rights management system that clearly stipulates regulations and requirements for the application, management, use and protection of customers' and its own intellectual property rights. This management system successfully raised the awareness of the entire staff about intellectual properties and trademarks, fully actualised the value of intellectual property rights in its operation, and thus protected its corporate interests.

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

## **7. Anti-corruption Mechanism**

### *General Disclosure*

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

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

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

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



# Environmental, Social and Governance Report

## 8. Community Investment

### *General Disclosure*

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

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

# Environmental, Social and Governance Report

## IV. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

<b>Aspects, General Disclosures and KPIs</b>	<b>Description</b>	<b>Relevant pages in the ESG Report &amp; Remark</b>
A	Environment	P 44–51
Aspect A1	Emissions	P 45
KPI A1.1	Types of emissions and respective emissions data	P 46
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	P 47
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	P 48–49
KPI A1.4	Total non-hazardous waste produced and intensity	P 48–49
KPI A1.5	Description of measures to mitigate emissions and results achieved	P 46–48
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	P 48
Aspect A2	Use of Resources	P 49
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	P 49
KPI A2.2	Water consumption in total and intensity	Not applicable to the Group's core operation.
KPI A2.3	Description of energy use efficiency initiatives and results achieved eighteen	P 50
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	P 50
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Not applicable to the Group's core operation.
Aspect A3	The Environment and Natural Resources	P 51
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	No significant impacts of activities on the environment and natural resources during the Reporting Period.

# Environmental, Social and Governance Report

<b>Aspects, General Disclosures and KPIs</b>	<b>Description</b>	<b>Relevant pages in the ESG Report &amp; Remark</b>
B	Society	P 52–59
Aspect B1	Employment	P 52
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	P 53
KPI B1.2	Employee turnover rate by gender, age group and geographical region	None employee turnover during the Reporting Period.
Aspect B2	Health and Safety	P 54
KPI B2.1	Number and rate of work-related fatalities	P 54
KPI B2.2	Lost days due to work injury	P 55
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	P 55
Aspect B3	Development and Training	P 55
KPI B3.1	The percentage of employees trained by gender and employee category	P 55
KPI B3.2	The average training hours completed per employee by gender and employee category	P 55
Aspect B4	Labour Standards	P 56
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	P 56
KPI B4.2	Description of steps taken to eliminate child and forced labour practices when discovered	P 56
Aspect B5	Supply Chain Management	P 56
KPI B5.1	Number of suppliers by geographical region	P 56
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	P 56
Aspect B6	Product Responsibility	P 57

# Environmental, Social and Governance Report

<b>Aspects, General Disclosures and KPIs</b>	<b>Description</b>	<b>Relevant pages in the ESG Report &amp; Remark</b>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to the Group's core operation.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	No products and service-related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	P 58
KPI B6.4	Description of quality assurance process and recall procedures	P 57
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P 57
Aspect B7	Anti-corruption	P 58
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle blowing procedures, how they are implemented and monitored	The Group is working on this aspect.
Aspect B8	Community Investment	P 59
KPI B8.1	Focus areas of contribution	P 59
KPI B8.2	Resources contributed to the focus areas	P 59

# Independent Auditor's Report

**mazars**

**MAZARS CPA LIMITED**

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**TO THE MEMBERS OF ASIA ENERGY LOGISTICS GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Asia Energy Logistics Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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



# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

#### ***Gain on derecognition of subsidiaries***

*Refer to Note 9 to the consolidated financial statements*

A significant gain on derecognition of subsidiaries of HK\$186,069,000 was recognised during the year as a result of the appointment of liquidator for Ocean Jade Investments Limited ("Ocean Jade"), Ocean Path Limited ("Ocean Path") and Apex Top Limited ("Apex Top").

The Group engaged a lawyer to assess if there are any potential liabilities arising from the derecognition of the above mentioned subsidiaries.

We have identified the gain on derecognition of subsidiaries as a key audit matter because of its significance to the consolidated financial statements.

### How our audit addressed the Key Audit Matter

Our key procedures, among others, included:

- Obtaining and inspecting the documents in relation to liquidation of Ocean Jade and Apex Top and dissolution of Ocean Path;
- Performing legal search to identify if there is any legal dispute arising from the liquidation of Ocean Jade and Apex Top and dissolution of Ocean Path;
- Obtaining legal opinion from the lawyer engaged by the Group on the impact of derecognition of such subsidiaries;
- Engaging a lawyer as auditor's expert to review the legal opinion issued by the lawyer engaged by the Group;
- Assessing the competence, objectivity and capabilities of the lawyers engaged by the Group and the auditor's expert; and
- Reviewing the calculation of gain on derecognition of such subsidiaries.

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### ***Valuation of the liability component of the 2020 Convertible Bonds***

*Refer to Note 29 to the consolidated financial statements*

As at 31 December 2020, the liability component (net of deferred day-one loss) and the equity component of the 2020 Convertible Bonds (as defined therein) amounted to HK\$21,784,000 and HK\$30,244,000 respectively.

The Group engaged an independent professional valuer to determine the fair value of the liability component of the 2020 Convertible Bonds.

We have identified the valuation of the liability component of the 2020 Convertible Bonds as a key audit matter because of its significance to the consolidated financial statements and the fair value calculation, in particular the use of significant unobservable inputs, involved subjective judgements and assumptions.

Our key procedures, among others, included:

- Obtaining and examining the agreements in relation to the 2020 Convertible Bonds;
- Assessing the competence, objectivity and capabilities of the independent professional valuer;
- Assessing the reasonableness of key assumptions based on our knowledge and understanding of the business and market;
- Evaluating the reasonableness of key parameters used based on our knowledge and understanding of the financial instruments; and
- Checking arithmetic accuracy and relevance of the input data (including the comparable transactions) used.

# Independent Auditor's Report

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### ***Impairment assessment of vessels***

*Refer to Note 16 to the consolidated financial statements*

As at 31 December 2020, the carrying amounts of vessels amounted to HK\$162,263,000, which accounted for 58% of the Group's total assets.

Management has performed an impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The Group engaged an independent professional valuer to assess the recoverable amounts of the vessels, which involved value in use calculations and fair value calculations using direct comparison approach.

These calculations involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows and by making reference to comparable transactions in the relevant markets.

We have identified the impairment assessment of vessels as a key audit matter because of its significance to the consolidated financial statements and significant management judgements and estimations in the recoverable amount calculations.

Our key procedures, among others, included:

- Assessing the competence, objectivity and capabilities of the independent professional valuer;
- Assessing the appropriateness of the methodologies used;
- Evaluating the reasonableness of the key assumptions and critical judgement areas underpinning the value in use calculations and fair value calculations;
- Discussing with management about the cash flow projections used in the value in use calculations; and
- Checking arithmetic accuracy and relevance of the input data (including the comparable transactions) used.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

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

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

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. Those charged with governance assist the directors in discharging their responsibility in this regard.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 25 March 2021

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

### **So Chun Wai**

Practising Certificate Number: P07513

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Continuing operations</b>			
<b>Revenue</b>	6	<b>47,904</b>	44,367
Cost of services		<b>(45,456)</b>	(37,557)
<b>Gross profit</b>		<b>2,448</b>	6,810
Other income	7	<b>2,647</b>	418
Depreciation	8(c)	<b>(3,106)</b>	(3,106)
Staff costs	8(b)	<b>(15,745)</b>	(20,860)
Reversal of impairment loss on consideration receivable		<b>—</b>	600
Impairment loss on amount due from GCGM	20(d)	<b>(3,002)</b>	—
Change in fair value of contingent consideration payable		<b>—</b>	3,700
Change in fair value of financial assets at FVPL		<b>3</b>	(178)
Change in fair value of derivative components of GIC Convertible Bonds	26	<b>(11,705)</b>	17,508
Gain on derecognition of a subsidiary	9	<b>11,722</b>	—
Loss on early redemption of the GIC Convertible Bonds, net	26	<b>(882)</b>	—
Loss on early repayment of the 2018 Convertible Bonds	27	<b>(2,235)</b>	—
Gain on early repayment of the 2019 Convertible Bonds	28	<b>1,500</b>	—
Other administrative and operating expenses		<b>(12,529)</b>	(13,386)
Finance costs	8(a)	<b>(17,568)</b>	(21,790)
<b>Loss before tax from continuing operations</b>	8	<b>(48,452)</b>	(30,284)
Income tax expense	12	<b>—</b>	—
<b>Loss for the year from continuing operations</b>		<b>(48,452)</b>	(30,284)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	14	<b>159,674</b>	5,426
<b>Profit (Loss) for the year</b>		<b>111,222</b>	(24,858)
<b>Other comprehensive (loss) income</b>			
Exchange reserve released upon derecognition of subsidiaries	9	<b>(12,502)</b>	—
Exchange difference arising on translation of financial statements of foreign operations which may be reclassified subsequently to profit or loss		<b>2,903</b>	17,380
		<b>(9,599)</b>	17,380
<b>Total comprehensive income (loss) for the year</b>		<b>101,623</b>	(7,478)

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Profit (Loss) attributable to owners of the Company:</b>			
— from continuing operations		(48,452)	(30,284)
— from discontinued operations		159,674	27,225
		<b>111,222</b>	(3,059)
<b>Loss attributable to non-controlling interests:</b>			
— from continuing operations		—	—
— from discontinued operations		—	(21,799)
		—	(21,799)
<b>Total comprehensive income (loss) attributable to:</b>			
— Owners of the Company		<b>101,623</b>	11,146
— Non-controlling interests		—	(18,624)
		<b>101,623</b>	(7,478)
<b>Earnings (Loss) per share attributable to owners of the Company</b>			
Basic and diluted			
— from continuing operations (HK cents)	15	(4.65)	(6.11)
— from discontinued operations (HK cents)	15	15.33	5.50
		<b>10.68</b>	(0.61)

# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	162,889	203,295
Intangible asset	17	1,000	1,000
Interest in a joint venture	18	—	—
Right-of-use assets	19	2,187	2,325
		<b>166,076</b>	206,620
<b>Current assets</b>			
Trade and other receivables	20	8,007	14,381
Financial assets at FVPL	21	4,522	7,037
Bank balances and cash	34	76,754	8,414
		<b>89,283</b>	29,832
Asset classified as held for sale	22	24,858	—
		<b>114,141</b>	29,832
<b>Current liabilities</b>			
Trade and other payables	23	9,603	19,474
GIC Convertible Bonds	26	—	83,301
Amount due to a joint venture	24	—	151,443
Lease liabilities	19	1,192	2,474
		<b>10,795</b>	256,692
<b>Net current assets (liabilities)</b>		<b>103,346</b>	(226,860)
<b>Total assets less current liabilities</b>		<b>269,422</b>	(20,240)
<b>Non-current liabilities</b>			
Contingent consideration payable	25	—	—
2018 Convertible Bonds	27	—	13,814
2019 Convertible Bonds	28	370	26,912
2020 Convertible Bonds	29	21,784	—
Lease liabilities	19	1,164	—
		<b>23,318</b>	40,726
<b>NET ASSETS (LIABILITIES)</b>		<b>246,104</b>	(60,966)



# Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Capital and reserves</b>			
Share capital	30	1,906,379	1,709,316
Reserves		(1,660,275)	(1,770,282)
<b>TOTAL EQUITY (DEFICITS)</b>		<b>246,104</b>	<b>(60,966)</b>

These consolidated financial statements on pages 69 to 145 were approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by

**Pang Yuet**  
Director

**Jian Qing**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity (deficits) HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Convertible bonds reserve HK\$'000	Share options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
As at 1 January 2019	1,709,316	4,190	40,614	39,203	26,156	(1,879,403)	(59,924)	(127,470)	(187,394)
Loss for the year	—	—	—	—	—	(3,059)	(3,059)	(21,799)	(24,858)
<b>Other comprehensive income for the year</b>									
Exchange difference arising from translation of foreign operations	—	—	—	—	14,205	—	14,205	3,175	17,380
<b>Total comprehensive loss for the year</b>	—	—	—	—	14,205	(3,059)	11,146	(18,624)	(7,478)
<b>Transactions with owners of the Company</b>									
<i>Contributions and distributions:</i>									
Shares options granted	—	—	—	3,730	—	—	3,730	—	3,730
Issuance of the 2019 Convertible Bonds (note 28)	—	—	14,769	—	—	—	14,769	—	14,769
Lapse/Forfeiture of share options	—	—	—	(4,279)	—	4,279	—	—	—
Disposal of subsidiaries	—	—	—	—	(30,687)	—	(30,687)	146,094	115,407
	—	—	14,769	(549)	(30,687)	4,279	(12,188)	146,094	133,906
As at 31 December 2019 and 1 January 2020	1,709,316	4,190	55,383	38,654	9,674	(1,878,183)	(60,966)	—	(60,966)
<b>Profit for the year</b>	—	—	—	—	—	111,222	111,222	—	111,222
<b>Other comprehensive (loss) income for the year</b>									
Derecognition of subsidiaries (note 9)	—	—	—	—	(12,502)	—	(12,502)	—	(12,502)
Exchange difference arising from translation of foreign operations	—	—	—	—	2,903	—	2,903	—	2,903
	—	—	—	—	(9,599)	—	(9,599)	—	(9,599)
<b>Total comprehensive income for the year</b>	—	—	—	—	(9,599)	111,222	101,623	—	101,623
<b>Transactions with owners of the Company</b>									
<i>Contributions and distributions:</i>									
Shares issued on subscription, net of expenses (note 30)	172,930	—	—	—	—	—	172,930	—	172,930
Shares issued on placing, net of expenses (note 30)	24,133	—	—	—	—	—	24,133	—	24,133
Cancellation/Lapse of share options	—	—	—	(38,654)	—	38,654	—	—	—
Early redemption of the GIC Convertible Bonds (note 26)	—	—	(35,043)	—	—	28,890	(6,153)	—	(6,153)
Early repayment of the 2018 Convertible Bonds (note 27)	—	—	(5,572)	—	—	4,577	(995)	—	(995)
Early repayment of the 2019 Convertible Bonds (note 28)	—	—	(14,594)	—	—	(118)	(14,712)	—	(14,712)
Issuance of the 2020 Convertible Bonds (note 29)	—	—	30,244	—	—	—	30,244	—	30,244
	197,063	—	(24,965)	(38,654)	—	72,003	205,447	—	205,447
<b>As at 31 December 2020</b>	<b>1,906,379</b>	<b>4,190</b>	<b>30,418</b>	<b>—</b>	<b>75</b>	<b>(1,694,958)</b>	<b>246,104</b>	<b>—</b>	<b>246,104</b>

# Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>OPERATING ACTIVITIES</b>			
(Loss) Profit before tax			
from continuing operation		<b>(48,452)</b>	(30,284)
from discontinued operation		<b>159,674</b>	5,426
Depreciation of property, plant and equipment		<b>13,781</b>	13,836
Finance costs		<b>17,568</b>	62,143
Bank interest income		<b>(1)</b>	(1)
Loan interest income	7	<b>(476)</b>	(44)
Amortisation of deferred day-one loss of the 2020 Convertible Bonds	29	<b>1,569</b>	—
Depreciation of right-of-use assets	19	<b>2,515</b>	2,326
Change in fair value of contingent consideration payable		<b>—</b>	(3,700)
Write-off of property, plant and equipment		<b>125</b>	29
Equity-settled share-based payment expenses		<b>—</b>	3,730
Change in fair value of derivative components of GIC Convertible Bonds	26	<b>11,705</b>	(17,508)
Bad debts written off		<b>—</b>	345
Impairment loss on property, plant and equipment		<b>—</b>	13,731
Reversal of impairment loss on consideration receivable		<b>—</b>	(600)
Impairment loss on amount due from GCGM	20(d)	<b>3,002</b>	—
Impairment loss on asset classified as held for sale	22	<b>4,920</b>	—
Gain on disposal of property, plant and equipment		<b>(120)</b>	(2)
Gain on disposal of financial assets at FVPL		<b>(22)</b>	—
Loss on early redemption of the GIC Convertible Bonds, net	26	<b>882</b>	—
Loss on early repayment of the 2018 Convertible Bonds	27	<b>2,235</b>	—
Gain on early repayment of the 2019 Convertible Bonds	28	<b>(1,500)</b>	—
Share of results of joint venture	18	<b>13,218</b>	17,712
Gain on disposal of subsidiaries		<b>—</b>	(86,977)
Gain on derecognition of subsidiaries	9	<b>(186,069)</b>	—
Change in fair value of financial assets at FVPL		<b>(3)</b>	178
Effect of foreign exchange rate changes		<b>298</b>	2,917
Changes in working capital:			
Trade and other receivables		<b>(3,718)</b>	1,652
Trade and other payables		<b>1,863</b>	(7,775)
Amount due to a joint venture		<b>—</b>	(6)
<b>Cash used in operations</b>		<b>(7,006)</b>	(22,872)
Bank interest received		<b>1</b>	1
Interest paid		<b>(5,849)</b>	(41,349)
<b>Net cash used in operating activities</b>		<b>(12,854)</b>	(64,220)

# Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>INVESTING ACTIVITIES</b>			
Payment for construction in progress		—	(1,852)
Refundable earnest money refunded (paid) for an investment project	20(b)	7,343	(7,566)
Purchase of property, plant and equipment		(3,278)	(18,505)
Proceeds from disposal of property, plant and equipment		120	—
Net cash outflow on disposal of subsidiaries		—	(146)
Purchase of financial assets at FVPL		—	(4,864)
Proceeds from disposal of financial assets at FVPL		189	—
<b>Net cash from (used in) investing activities</b>		<b>4,374</b>	<b>(32,933)</b>
<b>FINANCING ACTIVITIES</b>			
New bank and other borrowings raised		3,000	93,106
Repayment of bank and other borrowings		(3,000)	(44,224)
Proceeds from issue of the 2019 Convertible Bonds		—	41,027
Proceeds from issue of the 2020 Convertible Bonds	29	48,000	—
Proceeds from issue of shares on placing	30	24,133	—
Proceeds from issue of shares on subscription shares	30	172,930	—
Early redemption of the GIC Convertible Bonds	26	(105,500)	—
Early repayment of the 2018 Convertible Bonds	27	(18,000)	—
Early repayment of the 2019 Convertible Bonds	28	(42,000)	—
Repayment of lease liabilities		(2,743)	(2,798)
<b>Net cash from financing activities</b>		<b>76,820</b>	<b>87,111</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>68,340</b>	<b>(10,042)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>8,414</b>	<b>18,456</b>
<b>Cash and cash equivalents as at 31 December represented by bank balances and cash</b>		<b>76,754</b>	<b>8,414</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 1. CORPORATE INFORMATION

Asia Energy Logistics Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The Company’s registered office and its principal place of business is located at Room 2906, 29/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is an investment holding company and the principal activities of its subsidiaries are detailed in note 40 to the consolidated financial statements. The Company and its subsidiaries are herein collectively referred to as the “Group”.

## 2. BASIS OF PREPARATION

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

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

## 3. ADOPTION OF NEW/REVISED HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKASs 1 and 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>

### Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES

### **Basis of measurement**

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

### **Basis of consolidation**

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

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

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

### ***Allocation of total comprehensive income***

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

### ***Changes in ownership interest***

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Subsidiaries

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

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

### Joint ventures

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

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

### Property, plant and equipment

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

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

Leasehold improvements	Over the remaining term of the lease but not exceeding 5 years
Furniture, fixtures and office equipment	20%
Motor vehicles	20%–25%
Vessels	Over the estimated useful life (ranging from 6 years to 18 years)

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

### Intangible assets

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



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

#### *Financial assets*

##### *Recognition and derecognition*

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

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

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

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

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

##### *Financial assets measured at amortised cost*

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

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Financial assets at FVPL*

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

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

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

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

#### *Financial liabilities*

##### *Recognition and derecognition*

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

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

##### *Classification and measurement*

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial liabilities (Continued)*

##### *Classification and measurement (Continued)*

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

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

- (i) incurred principally for the purpose of repurchasing it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

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

- (i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
- (ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- (iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Financial liabilities (Continued)*

##### *Classification and measurement (Continued)*

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

The difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

##### *Impairment of financial assets and other items*

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

##### *Measurement of ECL*

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets and other items (Continued)*

##### *Measurement of ECL (Continued)*

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

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral, if any
- (iv) industry of debtors
- (v) geographical location of debtors

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

##### *Definition of default*

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

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets and other items (Continued)*

##### *Assessment of significant increase in credit risk*

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

- (i) the debtor's failure to make payments of principal or interest on the due dates;
- (ii) an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- (iii) an actual or expected significant deterioration in the operating results of the debtor; and
- (iv) actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

##### *Low credit risk*

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

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

#### *Impairment of financial assets and other items (Continued)*

##### *Simplified approach of ECL*

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

##### *Credit-impaired financial asset*

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

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

##### *Write-off*

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Convertible bonds

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

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

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

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

When the Group extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

### Cash equivalents

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

### Revenue recognition

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

#### *Revenue from contracts with customers within HKFRS 15*

##### *Nature of service*

The nature of the service provided by the Group is telecommunication software development service.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### *Revenue from contracts with customers within HKFRS 15 (Continued)*

##### *Identification of performance obligations*

At contract inception, the Group assesses the service promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer either:

- (a) a service (or a bundle of services) that is distinct; or
- (b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

A service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the service either on its own or together with other resources that are readily available to the customer (i.e. the service is capable of being distinct); and
- (b) the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the service is distinct within the context of the contract).

##### *Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### *Revenue from contracts with customers within HKFRS 15 (Continued)*

##### *Timing of revenue recognition (Continued)*

Service income is recognised over time when service is rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

### Interest income

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

### Foreign currency translation

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Foreign currency translation (Continued)

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

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Impairment of non-financial assets

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

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

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

### Borrowing costs

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

### Provisions

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

### Share capital

Ordinary shares are classified as equity.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

### Leases

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

#### *As lessee*

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

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

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

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

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

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

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *As lessee (Continued)*

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

Office premises	2 years
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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *As lessee (Continued)*

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

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Group determines the lease term of the modified contract.
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

#### *As lessor*

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

#### *As lessor — operating lease*

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

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

### Employee benefits

#### *Short-term employee benefits*

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

#### *Defined contribution plans*

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

### Share-based payment transactions

#### *Equity-settled transactions*

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



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Share-based payment transactions (Continued)

#### *Equity-settled transactions (Continued)*

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

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

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

### **Taxation**

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

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

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

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

### Segment reporting

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

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

### Critical accounting estimates and judgements

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty are as follows:

(i) *Discount rates for calculating lease liabilities — as lessee*

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

(ii) *Useful lives and impairment of vessels*

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

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

Management judgement is required in vessel impairment particularly in assessing:

- (a) whether an event has occurred that may indicate that the vessels' values may not be recoverable;
- (b) whether the carrying value of the vessels can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continuing use of the asset in the business;
- (c) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount;
- (d) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and
- (e) the appropriateness of key assumptions applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Critical accounting estimates and judgements (Continued)

#### (iii) *Loss allowance for ECL*

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 36(b).

#### (iv) *Fair value estimation*

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

In estimating the fair value of the Group's financial assets at FVPL, derivative components of GIC Convertible Bonds, the 2020 Convertible Bonds and related liability component, the Group uses market-observable data to the extent it is available. The management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the directors of the Company. The information about the valuation techniques, inputs and key assumptions used in the determination of those assets and liabilities are detailed in notes 21, 26 and 29 respectively.

Critical judgement made in apply accounting policies:

#### (i) *Control over Ocean Path Limited ("Ocean Path"), Ocean Jade Investments Limited ("Ocean Jade") and Apex Top Limited ("Apex Top")*

The management determined that it has lost control over Ocean Path, Ocean Jade and Apex Top upon appointment of the liquidators. All relevant facts and circumstances are detailed in note 9 to the consolidated financial statements. Accordingly, the net liabilities of Ocean Path, Ocean Jade and Apex Top have been derecognised in the consolidated financial statements during the year.

The management, after taking into account the legal opinion obtained, considered that the Group is not liable to the any liabilities recorded in the books of Ocean Path, Ocean Jade and Apex Top immediately before the derecognition of these entities.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 4. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Future changes in HKFRSs

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

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> <sup>1</sup>
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	<i>Interest Rate Benchmark Reform — Phase 2</i> <sup>2</sup>
Amendments to HKAS 16	<i>Proceeds before Intended Use</i> <sup>3</sup>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i> <sup>3</sup>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>3</sup>
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i> <sup>3</sup>
Amendments to HKAS 1 HKFRS 17	<i>Classification of Liabilities as Current or Non-current</i> <sup>4</sup> <i>Insurance Contracts</i> <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> The effective date to be determined

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

## 5. SEGMENT INFORMATION

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

Continuing operations:

- (a) Telecommunication related business
- (b) Shipping and logistics

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 5. SEGMENT INFORMATION (CONTINUED)

Discontinued operations:

- (a) Shipping and logistics (in relation to the operations mentioned in note 14)
- (b) Railway construction and operations

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

Year ended 31 December 2020	Telecommunication related business HK\$'000	Shipping and logistics (Continuing operations) HK\$'000	Shipping and logistics (Discontinued operations) HK\$'000	Total HK\$'000
Segment revenue from external customers	2,253	45,651	17,325	65,229
Segment (loss) profit	(25)	(31,858)	159,674	127,791
Unallocated income				1,693
Gain on derecognition of a subsidiary				11,722
Loss on early repayment of the 2018 Convertible Bonds				(2,235)
Gain on early repayment of the 2019 Convertible Bonds				1,500
Other unallocated corporate expenses				(29,249)
Profit for the year				111,222
<b>Other segment information:</b>				
Change in fair value of derivative components of GIC Convertible Bonds	—	(11,705)	—	(11,705)
Depreciation of property, plant and equipment (note)	—	(12,559)	(1,222)	(13,781)
Depreciation of right-of-use assets (note)	—	(190)	—	(190)
Finance costs (note)	—	(10,662)	—	(10,662)
Impairment loss on amount due from GCGM	—	(3,002)	—	(3,002)
Impairment loss on asset classified as held for sale	—	—	(4,920)	(4,920)
Share of results of joint venture	—	—	(13,218)	(13,218)
Additions of property, plant and equipment	—	3,266	—	3,266
Change in fair value of financial assets at FVPL	—	3	—	3
Loss on early redemption of the GIC Convertible Bonds, net	—	(882)	—	(882)
Gain on derecognition of subsidiaries	—	—	174,347	174,347

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 5. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Railway construction and operations (Discontinued operations) HK\$'000	Shipping and logistics (Continuing operations) HK\$'000	Shipping and logistics (Discontinued operations) HK\$'000	Total HK\$'000
Segment revenue from external customers	—	44,367	16,705	61,072
Segment profit (loss)	36,011	6,793	(30,585)	12,219
Unallocated income				26
Change in fair value of contingent consideration payable				3,700
Change in fair value of financial assets at FVPL (other than derivative components of GIC Convertible Bonds)				(178)
Reversal of impairment loss on consideration receivable				600
Other unallocated corporate expenses				(41,225)
Loss for the year				(24,858)
<b>Other segment information:</b>				
Change in fair value of derivative components of GIC Convertible Bonds	—	17,508	—	17,508
Depreciation of property, plant and equipment (note)	(552)	(9,736)	(2,768)	(13,056)
Finance costs (note)	(40,353)	(17,427)	—	(57,780)
Impairment loss on property, plant and equipment	—	—	(13,731)	(13,731)
Share of results of joint venture	—	—	(17,712)	(17,712)
Additions of property, plant and equipment	603	16,925	3,520	21,048
Gain on disposal of subsidiaries	86,977	—	—	86,977

Note: Depreciation of property, plant and equipment excluded from the measure of segment results during the years ended 31 December 2020 and 2019 amounted to Nil and approximately HK\$780,000 respectively.

Depreciation of right-of-use assets excluded from the measure of segment results during the years ended 31 December 2020 and 2019 amounted to approximately HK\$2,325,000 and HK\$2,326,000 respectively.

Finance costs excluded from the measure of segment results during the years ended 31 December 2020 and 2019 amounted to approximately HK\$6,906,000 and HK\$4,363,000 respectively.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 5. SEGMENT INFORMATION (CONTINUED)

	2020 HK\$'000	2019 HK\$'000
<b>Assets</b>		
<b>Continuing operations</b>		
Shipping and logistics	177,000	179,183
Telecommunication related business	25,001	—
<b>Discontinued operations</b>		
Shipping and logistics	27,111	32,710
Segment assets	229,112	211,893
Unallocated corporate assets	51,105	24,559
<b>Consolidated total assets</b>	<b>280,217</b>	<b>236,452</b>
<b>Liabilities</b>		
<b>Continuing operations</b>		
Shipping and logistics	7,458	86,600
Telecommunication related business	2,399	—
<b>Discontinued operations</b>		
Shipping and logistics	605	152,693
Segment liabilities	10,462	239,293
2018 Convertible Bonds	—	13,814
2019 Convertible Bonds	370	26,912
2020 Convertible Bonds	21,784	—
Other unallocated corporate liabilities	1,497	17,399
<b>Consolidated total liabilities</b>	<b>34,113</b>	<b>297,418</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 5. SEGMENT INFORMATION (CONTINUED)

### 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 arising from provision of shipping and logistics service is not presented as the directors consider that the relevant services are carried out internationally, preclude a meaningful allocation of operating results to specific geographical segments.

Revenue information for the telecommunication related business based on locations of customers is as follows:

	2020 HK\$'000	2019 HK\$'000
The People's Republic of China (the "PRC")	2,253	—

### Information about major customers

No revenue from any customer from telecommunication related business segment individually accounted for 10% or more of the Group's revenue for the year ended 31 December 2020 (2019: Nil).

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

	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Continuing operations</b>		
Shipping and logistics		
Customer A	45,651	44,367

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 6. REVENUE

	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Continuing operations</b>		
<i>Operating lease income</i>		
Charter-hire income	45,651	44,367
<i>Revenue from contract with customers within HKFRS 15</i>		
Telecommunication software development service income	2,253	—
	<b>47,904</b>	44,367

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised over time.

The Group did not enter into any contracts with customers within HKFRS 15 during the year ended 31 December 2019.

## 7. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Continuing operations</b>		
Loan interest income	476	44
Subsidy income under Employment Support Scheme	972	—
Gain on disposal of property, plant and equipment	120	2
Recharge of expenses to charter parties	645	372
Sundry income	434	—
	<b>2,647</b>	418

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 8. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after charging (crediting):

	2020 HK\$'000	2019 HK\$'000
<b>Continuing operations</b>		
<b>(a) Finance costs:</b>		
Interest on other borrowings	12	976
Interest on the GIC Convertible Bonds (note 26)	10,611	17,427
Interest on the 2018 Convertible Bonds (note 27)	1,268	2,112
Interest on the 2019 Convertible Bonds (note 28)	2,970	654
Interest on the 2020 Convertible Bonds (note 29)	2,459	—
Interest on lease liabilities	248	621
	<b>17,568</b>	<b>21,790</b>
<b>(b) Staff costs (including directors' remuneration):</b>		
Employee benefits expense	15,482	16,779
Contributions to defined contribution plans	263	351
Equity-settled share-based payment expenses	—	3,730
	<b>15,745</b>	<b>20,860</b>
<b>(c) Other items:</b>		
Auditor's remuneration		
Annual audit	1,000	1,100
Non-annual audit	729	810
Amortisation of deferred day-one loss of the 2020 Convertible Bonds (note 29)	1,569	—
Consultancy fee	2,246	1,353
Cost of services (note)	45,456	37,557
Depreciation of property, plant and equipment (charged to "cost of services" and "administrative expenses", as appropriate)	12,559	10,516
Depreciation of right-of-use assets (charged to "administrative expenses") (note 19)	2,515	2,326
Exchange loss (gain), net	303	(476)
Legal and professional fee	1,558	4,250

Note: Cost of services for continuing operations includes depreciation of property, plant and equipment of approximately HK\$11,968,000 (2019: HK\$9,736,000) which amount is also included in the respective total amount disclosed separately in "depreciation of property, plant and equipment".

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 9. GAIN ON DERECOGNITION OF SUBSIDIARIES

The Group appointed Mr. John Ayres of FTI Consulting BVI Limited as liquidator of Ocean Path, Ocean Jade and Apex Top on 28 August 2020, 21 August 2020 and 31 August 2020 respectively after having considered the financial position and/or financial performance of these companies. Ocean Path is the sole shareholder of Ocean Jade, one of the joint venture partner of Ocean Pro Holdings Limited as mentioned in note 18.

As a result of the appointment of the liquidator, the Group has lost control over these entities, hence, they ceased to be subsidiaries of the Group and they have been derecognised in the consolidated financial statements during the year ended 31 December 2020. A total gain arising from derecognition of these subsidiaries of HK\$186,069,000 was recognised during the year ended 31 December 2020.

Ocean Jade and Apex Top was officially liquidated on 21 January 2021 and 4 December 2020 respectively while Ocean Path was officially dissolved on 5 October 2020.

Details of net gain on derecognition of subsidiaries are summarised as follows:

	Ocean Path and Ocean Jade (Note) HK\$'000	Apex Top HK\$'000	Total HK\$'000
Net liabilities discharged of:			
Amount due to a joint venture	(162,657)	—	(162,657)
Interest in a joint venture	—	—	—
Amount due from the Group	812	—	812
Amount due to GCGM (note 23(b))	—	(8,372)	(8,372)
Other payables	—	(3,350)	(3,350)
Translation reserve released upon derecognition	(12,502)	—	(12,502)
<b>Net gain on derecognition of subsidiaries</b>	<b>(174,347)</b>	<b>(11,722)</b>	<b>(186,069)</b>

Note: The net gain arising from derecognition of subsidiaries in relation to Ocean Path and Ocean Jade is grouped under profit from discontinued operation as disclosed in note 14.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 10. DIRECTORS' EMOLUMENTS

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

Name of director	Directors' Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<b>Year ended 31 December 2020</b>				
<i>Executive directors</i>				
Pang Yuet (appointed on 14 July 2020)	—	—	—	—
Jian Qing (appointed on 14 July 2020)	—	—	—	—
Sun Peng (appointed on 30 October 2020)	—	64	—	64
Liang Jun (resigned on 10 February 2020)	—	536	3	539
Fu Yongyuan (resigned on 30 October 2020)	—	1,827	15	1,842
Wu Jian (appointed on 1 March 2019 and resigned on 30 October 2020)	—	1,763	15	1,778
<i>Non-executive director</i>				
Yu Baodong (resigned on 14 July 2020)	424	—	11	435
<i>Independent non-executive directors</i>				
Ng Kwun Wan (appointed on 14 July 2020)	84	—	—	84
Hon Ming Sang (appointed on 6 November 2020)	28	—	—	28
Chan Chi Yuen (resigned on 14 July 2020)	96	—	—	96
Wong Cheuk Bun	180	—	—	180
Chan Sing Fai (appointed on 21 February 2020 and resigned on 6 November 2020)	128	—	—	128
	<b>940</b>	<b>4,190</b>	<b>44</b>	<b>5,174</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 10. DIRECTORS' EMOLUMENTS (CONTINUED)

Name of director	Directors' Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Equity-settled share-based payment expenses HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
Year ended 31 December 2019					
<i>Executive directors</i>					
Liang Jun (resigned on 10 February 2020)	—	1,600	246	18	1,864
Fu Yongyuan (resigned on 30 October 2020)	—	1,560	831	18	2,409
Wu Jian (appointed on 1 March 2019 and resigned on 30 October 2020)	—	1,320	831	15	2,166
<i>Non-executive director</i>					
Yu Baodong (resigned on 14 July 2020)	540	—	246	18	804
<i>Independent non-executive directors</i>					
Chan Chi Yuen (resigned on 14 July 2020)	170	—	64	—	234
Wong Cheuk Bun	170	—	64	—	234
Wong Yin Shun (resigned on 31 December 2019)	170	—	64	—	234
	1,050	4,480	2,346	69	7,945

No emoluments were paid by the Group to other directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals of the Group included two (2019: three) directors whose emoluments are disclosed in note 10. The emoluments of the remaining three (2019: two) highest paid individuals, who are employees of the Group, are as follows:

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Salaries and other benefits	<b>3,850</b>	2,446
Contributions to defined contribution retirement scheme	<b>54</b>	35
Equity-settled share-based payment expenses	<b>—</b>	259
	<b>3,904</b>	2,740

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

	<b>Number of individuals</b>	
	<b>2020</b>	2019
HK\$1,000,001–HK\$1,500,000	<b>2</b>	2
HK\$1,500,001–HK\$2,000,000	<b>1</b>	—
	<b>3</b>	2

No emoluments was paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of these individuals waived any emoluments during the years ended 31 December 2020 and 2019.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 12. TAXATION

Hong Kong Profits Tax, if any, is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the year. The PRC enterprise income tax has been provided at the rate of 25% (2019: Nil) on the estimated assessable profits of subsidiaries operating in the PRC.

No provision for income tax has been made as the Group entities either had no estimated assessable profits or incurred tax losses for the years ended 31 December 2020 and 2019.

### Reconciliation of tax expense

	2020 HK\$'000	2019 HK\$'000 (re-presented)
<b>Continuing operations</b>		
Loss before tax	(48,452)	(30,284)
Tax calculated at domestic tax rates in respective tax jurisdictions	(7,966)	(4,748)
Non-deductible expenses	18,353	15,213
Tax exempt revenue	(10,393)	(10,465)
Unrecognised tax loss	6	—
Tax expense for the year	—	—

## 13. DIVIDENDS

The directors do not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

## 14. DISCONTINUED OPERATIONS

### (a) Disposal of a vessel

On 5 November 2020, Asia Energy Inc., an indirect wholly-owned subsidiary of the Company, entered into a memorandum of agreement with a buyer pursuant to which the Group has conditionally agreed to dispose of and the buyer conditionally agreed to acquire a vessel, M/V Asia Energy (the "Vessel"), with the cash consideration of US\$3,300,000 (equivalent to approximately HK\$25,740,000).

The management, having considered that the Group has committed to sell the Vessel and located the potential buyer, has classified the Vessel as "asset classified as held for sale" under current assets (note 22). The Vessel was delivered to the buyer on 20 January 2021.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 14. DISCONTINUED OPERATIONS (CONTINUED)

### (b) Derecognition of Ocean Path and Ocean Jade

In previous years, the Group operated shipping and logistics business in the PRC through the joint venture invested by Ocean Jade as mentioned in note 18. As a result of the derecognition of Ocean Path and Ocean Jade as mentioned in note 9, the Group no longer operates shipping and logistics business in the PRC.

The management considers that the disposal of the Vessel, which are previously grouped under shipping and logistics segment, and derecognition of Ocean Path and Ocean Jade (as mentioned in note 9) constituted discontinued operations during the year ended 31 December 2020. Accordingly, certain comparative figures in the consolidated financial statements have been re-presented to separately reflect the results of the discontinued operations. The results and net cash flows of the discontinued operations for the years ended 31 December 2020 and 2019 are summarised as follows:

	2020		Total HK\$'000
	Vessel HK\$'000	Ocean Path and Ocean Jade HK\$'000	
Revenue	17,325	—	17,325
Cost of services	(13,970)	—	(13,970)
Other income	278	—	278
Impairment loss on asset classified as held for sale	(4,920)	—	(4,920)
Share of results of joint venture	—	(13,218)	(13,218)
Operating costs	(151)	(17)	(168)
Loss before tax	(1,438)	(13,235)	(14,673)
Taxation	—	—	—
Loss after tax from discontinued operations	(1,438)	(13,235)	(14,673)
Gain on derecognition of subsidiaries	—	174,347	174,347
(Loss) Profit attributable to discontinued operations	(1,438)	161,112	159,674
			2020 Vessel HK\$'000
Net cash outflows			
Operating activities			(273)

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 14. DISCONTINUED OPERATIONS (CONTINUED)

### (b) Derecognition of Ocean Path and Ocean Jade (CONTINUED)

	2019			
	Railway construction and operations business	Vessel	Ocean Path and Ocean Jade	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	—	16,705	—	16,705
Cost of services	—	(15,433)	—	(15,433)
Other income	—	176	—	176
Impairment loss on property, plant and equipment	—	(13,731)	—	(13,731)
Share of results of joint venture	—	—	(17,712)	(17,712)
Finance costs	(40,353)	—	—	(40,353)
Operating costs	(10,613)	(558)	(32)	(11,203)
Loss before tax	(50,966)	(12,841)	(17,744)	(81,551)
Taxation	—	—	—	—
Loss after tax from discontinued operations	(50,966)	(12,841)	(17,744)	(81,551)
Gain on disposal of subsidiaries	86,977	—	—	86,977
Profit (Loss) attributable to discontinued operations	36,011	(12,841)	(17,744)	5,426

	2019		
	Railway construction and operations business	Vessel	Total
	HK\$'000	HK\$'000	HK\$'000
Net cash inflows (outflows)			
Operating activities	(12,827)	3,513	(9,314)
Investing activities	(2,454)	(3,520)	(5,974)
Financing activities	14,260	—	14,260
Total cash flows	(1,021)	(7)	(1,028)

There was no cash movement in relation to the discontinued operations of Ocean Path and Ocean Jade for both years.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 15. EARNINGS (LOSS) PER SHARE

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

	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000 (re-presented)
Loss attributable to owners of the Company		
— Continuing operations	<b>(48,452)</b>	(30,284)
— Discontinued operations	<b>159,674</b>	27,225
	<b>2020</b>	2019
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share	<b>1,041,587,266</b>	495,975,244
Earnings (Loss) per share		
Basic and diluted		
— Continuing operations (HK cents)	<b>(4.65)</b>	(6.11)
— Discontinued operations (HK cents)	<b>15.33</b>	5.50
	<b>10.68</b>	(0.61)

Diluted earnings (loss) per share for the years ended 31 December 2020 and 2019 is same as the basic earnings (loss) per share. The calculation of diluted earnings (loss) per share for the years ended 31 December 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 or exercise would result an anti-dilutive effect on the basic earnings (loss) per share or the condition for issuance is not satisfied.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings, plant and equipment	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Locomotives	Vessels	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Reconciliation of carrying amount</b>							
<b>— year ended 31 December 2019</b>							
As at 1 January 2019	11	63	492	1,779	1,342	207,770	211,457
Additions	—	44	148	480	—	20,445	21,117
Impairment loss	—	—	—	—	—	(13,731)	(13,731)
Write-off/Disposal	—	—	(14)	—	—	(15)	(29)
Depreciation	(5)	(68)	(140)	(641)	(478)	(12,504)	(13,836)
Exchange realignments	1	—	(11)	(21)	(23)	—	(54)
Disposal of subsidiaries	(7)	—	(251)	(530)	(841)	—	(1,629)
<b>As at 31 December 2019</b>	<b>—</b>	<b>39</b>	<b>224</b>	<b>1,067</b>	<b>—</b>	<b>201,965</b>	<b>203,295</b>
<b>Reconciliation of carrying amount</b>							
<b>— year ended 31 December 2020</b>							
As at 1 January 2020	—	39	224	1,067	—	201,965	203,295
Additions	—	—	—	12	—	3,266	3,278
Write-off/Disposal	—	(6)	(119)	—	—	—	(125)
Depreciation	—	(33)	(105)	(453)	—	(13,190)	(13,781)
Reclassified to assets classified as held for sale (note 22)	—	—	—	—	—	(29,778)	(29,778)
<b>As at 31 December 2020</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>626</b>	<b>—</b>	<b>162,263</b>	<b>162,889</b>
As at 31 December 2019							
Cost	—	1,953	1,250	2,553	—	253,004	258,760
Accumulated depreciation and impairment losses	—	(1,914)	(1,026)	(1,486)	—	(51,039)	(55,465)
<b>As at 31 December 2019</b>	<b>—</b>	<b>39</b>	<b>224</b>	<b>1,067</b>	<b>—</b>	<b>201,965</b>	<b>203,295</b>
As at 31 December 2020							
Cost	—	—	—	1,484	—	188,097	189,581
Accumulated depreciation and impairment losses	—	—	—	(858)	—	(25,834)	(26,692)
<b>As at 31 December 2020</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>626</b>	<b>—</b>	<b>162,263</b>	<b>162,889</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has engaged an independent professional valuer to assess the recoverable amounts of the remaining two vessels acquired in 2018 with an aggregate carrying amount of HK\$162,263,000 as at 31 December 2020 and compare the value in use. Management considered that no impairment loss on these two vessels is required after taking consideration of the results from the valuation report.

## 17. INTANGIBLE ASSET

	Club membership HK\$'000
<b>Cost and carrying amount</b>	
As at 31 December 2019 and 31 December 2020	1,000

## 18. INTEREST IN A JOINT VENTURE

	2020 HK\$'000	2019 HK\$'000
Equity method		
— As at 1 January and 31 December	—	—

The joint venture explored shipping and logistics business in the PRC in previous years.

In accordance with the shareholders' agreement, each of the joint venture partners is responsible for acquiring two vessels for contribution to the joint venture as capital. Two vessels had been purchased by the joint venture partner while the Group has not yet purchased the remaining two vessels. In view of the market conditions in the shipping business, the Group and the joint venture partner had preliminary discussions in previous years and concluded the mutual intention on withholding the enforcement of the Group's obligations under the shareholders' agreement to acquire the two remaining vessels until the Group's financial position is improved and the shipping market recovers to a level which justifies the acquisition of the two remaining vessels or otherwise discharge the Group's obligations to acquire the two remaining vessels.

The interest in a joint venture was derecognised upon the dissolution of Ocean Path and liquidation of Ocean Jade as disclosed in note 9. In addition, the management after taking into account the legal opinion, considered that the Group has no further obligations to acquire the two remaining vessels during the year followed by the dissolution of Ocean Path and liquidation of Ocean Jade as disclosed in note 9.

The Group recognised 50% share of loss of a joint venture of HK\$13,218,000 before derecognition of interest in a joint venture (2019: HK\$17,712,000) for the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 18. INTEREST IN A JOINT VENTURE (CONTINUED)

Details of the joint venture are as follows:

	Name of company	Form of business structure	Place of incorporation and operation	Principal activity	Percentage of ownership interests
2019	Ocean Pro Holdings Limited	Limited liability company	The BVI/the PRC	Shipping and logistics	50%
2020	—	—	—	—	—

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

	Period from 1 January 2020 to 21 August 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
Revenue	24,771	68,560
Costs and other expenses	(51,208)	(103,984)
Loss before tax	(26,437)	(35,424)
Income tax expense	—	—
Loss for the year	(26,437)	(35,424)
Exchange difference arising from translation of interest in a joint venture	5,658	19,348
<b>Included in the above amounts are:</b>		
Depreciation	(4,270)	(8,683)
Interest income	6	22
Interest expense	(10,598)	(20,033)

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 19. LEASES

### The Group as lessor

#### Operating lease

The Group leases its vessels to third parties under operating leases, which had an initial non-cancellable lease term of 22 months (2019: 13 to 23 months). The leases do not include purchase or termination options. The leases do not provide the lessees with options to extend the lease term (2019: 11 to 13 months).

Below is a maturity analysis of future undiscounted lease payments to be received from lease of the vessels.

	2020 HK\$'000	2019 HK\$'000
Year 1	48,275	24,543
Year 2	13,623	—
	<b>61,898</b>	24,543

The operating lease income of the Group during the years ended 31 December 2020 and 2019 is set out in note 6 to the consolidated financial statements.

The Group is insured against loss that may arise from accidents or physical damages of the vessels (including the Vessel mentioned in note 14) up to the amount of US\$27,500,000 (equivalent to HK\$213,950,000) (2019: US\$29,000,000 equivalent to HK\$225,620,000).

### The Group as lessee

#### Right-of-use assets

	Office premises HK\$'000
<b>Year ended 31 December 2020</b>	
Depreciation	2,515
Addition	2,377
<b>Year ended 31 December 2019</b>	
Depreciation	2,326
<b>As at 31 December 2020</b>	
Net carrying amount	2,187
<b>As at 31 December 2019</b>	
Net carrying amount	2,325

The Group leases office premises for its daily operations. The lease term is two years. Lease payments were usually increased annually to reflect current market rentals.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 20. TRADE AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
<b>Trade receivables</b>	20(a)		
— Lease income receivables		1,932	—
— Service income receivable		1,188	—
		<b>3,120</b>	—
<b>Other receivables</b>			
Consideration receivable	20(c)	—	9,150
Amount due from GCGM	20(d)	3,002	2,500
Refundable earnest money	20(b)	—	7,566
Other debtors		3,882	2,775
Deposits		449	1,060
Prepayments		556	480
		<b>7,889</b>	23,531
Less:			
Loss allowance on consideration receivable	20(c), 36(b)	—	(9,150)
Loss allowance on amount due from GCGM	20(d), 36(b)	(3,002)	—
		<b>4,887</b>	14,381
		<b>8,007</b>	14,381

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in note 36(b).

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 20. TRADE AND OTHER RECEIVABLES (CONTINUED)

### 20(a) Trade receivables

As at 31 December 2020, all trade receivables aged within 180 days, based on the invoice date. (2019: Nil).

### 20(b) Refundable earnest money

The refundable earnest money represents earnest money of RMB6,800,000 (equivalent to HK\$7,566,000) paid for a potential logistics investment in the PRC as at 31 December 2019. During the year, the management decided not to further proceed with the potential logistics investments and the refundable earnest money of RMB6,800,000 (equivalent to HK\$7,343,000) was fully refunded on 8 May 2020.

### 20(c) Consideration receivable

As at 31 December 2019, the balance represented the remaining consideration receivable from disposal of a former subsidiary in 2014, net of impairment loss of HK\$9,150,000. The management considered that it is not probable to collect such long outstanding debts in future and such balance was written off during the year ended 31 December 2020.

### 20(d) Amount due from Golden Concord Group Management Limited (“GCGM”)

The balance was guaranteed by Golden Concord Group Limited (“Golden Concord”), carried interest at fixed rate of 18% per annum and past due over 30 days, net off impairment loss of HK\$3,002,000. (2019: The balance was unsecured, carried interest at fixed rate of 18% per annum and repayable on demand).

## 21. FINANCIAL ASSETS AT FVPL

	2020 HK\$'000	2019 HK\$'000
Mandatorily measured at FVPL		
Securities listed in Hong Kong	4,522	4,686
Derivative components of GIC Convertible Bonds (Note 26)	—	2,351
	<b>4,522</b>	7,037

As at 31 December 2020, margin facilities of HK\$959,000 (2019: HK\$971,000) from a regulated securities broker was granted to the Group under which the securities listed in Hong Kong of HK\$4,522,000 (2019: HK\$4,686,000) were pledged as collateral for the facilities granted. The Group did not utilise the margin facilities as at 31 December 2020 (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 Consolidated Financial Statements

Year ended 31 December 2020

## 22. ASSET CLASSIFIED AS HELD FOR SALE

The Vessel held for sale as mentioned in note 14 is measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period as follows:

	Carrying amount as remeasured immediately before classification as held for sale HK\$'000	Impairment loss HK\$'000	Carrying amount after allocation of impairment loss HK\$'000
<b>Asset</b>			
Property, plant and equipment	29,778	(4,920)	24,858

The fair value of the asset classified as held for sale was based on the consideration to be received at the end of the reporting period.

## 23. TRADE AND OTHER PAYABLES

	Note	2020 HK\$'000	2019 HK\$'000
<b>Trade payables</b>	23(a)	<b>4,157</b>	1,468
<b>Other payables</b>			
Accruals and other payable		<b>4,516</b>	8,223
Amount due to GCGM	23(b)	—	8,373
Receipts in advance		<b>930</b>	1,410
		<b>5,446</b>	18,006
		<b>9,603</b>	19,474

### 23(a) Trade payables

The credit period of trade payables is normally within 90 days (2019: 90 days). As at 31 December 2020 and 2019, all trade payables was aged within 30 days, based on the invoice date.

### 23(b) Amount due to GCGM

The amount due to GCGM has been fully derecognised as a result of the derecognition of a subsidiary on 4 December 2020 as disclosed in note 9.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 24. AMOUNT DUE TO A JOINT VENTURE

The balance was derecognised upon the dissolution of Ocean Path and liquidation of Ocean Jade as disclosed in note 9.

## 25. CONTINGENT CONSIDERATION PAYABLE

	2020 HK\$'000	2019 HK\$'000
As at 1 January	—	3,700
Fair value gain	—	(3,700)
As at 31 December	—	—

On 19 May 2010, the Group completed the acquisition of 100% equity interest in Ocean Jade which holds 50% equity interest in a joint venture (note 18) from Golden Concord. The acquisition is to be satisfied by the issuance of 2,000,000 shares of the Company (after adjustment for the Company's share consolidation on 19 August 2019) to Golden Concord, when the net profit after tax of Ocean Jade shall not be less than HK\$20 million for the first 12 months after the start of commercial operation of all of the four vessels as mentioned in note 18. In the event that this profit target is not met, the number of consideration shares to be issued shall be reduced on a pro-rata basis for the shortfall.

The balance was derecognised upon derecognition of Ocean Jade as disclosed in note 9.

## 26. GIC CONVERTIBLE BONDS

On 30 November 2017, the Company entered into a subscription agreement with GIC Investment Limited ("GIC"), an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited of which Mr. Zhu Gongshan 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.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 26. GIC CONVERTIBLE BONDS (CONTINUED)

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

On 17 September 2019, the Company and GIC entered into a deed of amendment in relation to the terms of the GIC Convertible Bonds pursuant to which (i) the initial conversion price was reduced from HK\$0.8505 per conversion share (after share consolidation as detailed in note 30) to HK\$0.375 per conversion share (after share consolidation as detailed in note 30); 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.

On 15 July 2020, the Company early redeemed the GIC Convertible Bonds and interest accrued thereon in full for the amount of HK\$107,544,000. One of the vessels of the Group pledged to the GIC Convertible Bonds was discharged after the early redemption of the GIC Convertible Bonds. The redemption price allocated to equity component was approximately HK\$6,153,000.

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

	HK\$'000
As at 1 January 2019	71,330
Imputed interest expenses	17,427
Payment of interest expenses	(5,456)
As at 31 December 2019 and 1 January 2020	83,301
Imputed interest expenses	10,611
Payment of interest expenses	(4,801)
Early redemption of the GIC Convertible Bonds	(90,150)
Loss on early redemption of the GIC Convertible Bonds	1,039
As at 31 December 2020	—

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 26. GIC CONVERTIBLE BONDS (CONTINUED)

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

	HK\$'000
As at 1 January 2019	15,157
Fair value gain	(17,508)
As at 31 December 2019 and 1 January 2020 (note 21)	(2,351)
Fair value loss	11,705
Early redemption of the GIC Convertible Bonds	(9,197)
Gain on early redemption of the GIC Convertible Bonds	(157)
As at 31 December 2020 (note 21)	—

Upon the early redemption of the GIC Convertible Bonds on 15 July 2020, a net loss on early redemption of HK\$882,000 was recognised in the consolidated statement of comprehensive income.

## 27. 2018 CONVERTIBLE BONDS

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

The 2018 Convertible Bonds bear 2.5% interest per annum and carry a right to convert the aggregate principal amount into conversion shares at the initial conversion price of HK\$0.0932 per conversion share (subject to adjustment) during the period from the date of expiry of the period of twelve months after the issue date and ending on the third business day prior to the maturity date, the date falling on the third anniversary of the issue date (both days inclusive).

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

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

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 27. 2018 CONVERTIBLE BONDS (CONTINUED)

On 17 July 2020, the Company early repaid the 2018 Convertible Bonds and interest accrued thereon in full for the amount of HK\$18,087,000. One of the vessels of the Group pledged to the 2018 Convertible Bonds was discharged after the early repayment of the 2018 Convertible Bonds. The loss on the early repayment of the 2018 Convertible Bonds was approximately HK\$2,235,000 and the repayment price allocated to equity component was approximately HK\$995,000.

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

	HK\$'000
As at 1 January 2019	12,152
Imputed interest expenses	2,112
Payment of interest expenses	(450)
As at 31 December 2019 and 1 January 2020	13,814
Imputed interest expenses	1,268
Payment of interest expenses	(312)
Early repayment of the 2018 Convertible Bonds	(17,005)
Loss on early repayment of the 2018 Convertible Bonds	2,235
As at 31 December 2020	—

## 28. 2019 CONVERTIBLE BONDS

On 25 June 2019, the Company entered into a placing agreement (the "2019 CB Placing Agreement") with VCB pursuant to which the Company proposed to offer for subscription, and VCB agreed to procure not less than six placees to subscribe for, 3-year non-redeemable convertible bonds up to HK\$60,000,000 (the "2019 Convertible Bonds") on a best effort basis on the terms and subject to the conditions set out in the 2019 CB Placing Agreement.

The 2019 Convertible Bonds bear 2.5% interest per annum and carry a right to convert the aggregate principal amount into conversion shares at the initial conversion price of HK\$0.0577 per conversion share (before share consolidation) during the period from the date of expiry of the period of twelve months after the issue date and ending on the third business day prior to the maturity date, the date falling on the third anniversary of the issue date (both days inclusive).

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

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

# Notes to the Consolidated Financial Statements

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## 28. 2019 CONVERTIBLE BONDS (CONTINUED)

As at 17 July 2020, the Company early repaid the 2019 Convertible Bonds (save as HK\$500,000 principal amounts of the 2019 Convertible Bonds) and interest accrued thereon for the amount of HK\$42,186,000. The gain on the early repayment of the 2019 Convertible Bonds was approximately HK\$1,500,000 and the repayment price allocated to equity component was approximately HK\$14,712,000.

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

	HK\$'000
Nominal value of the 2019 Convertible Bonds issued	42,500
Issue costs apportioned to liability component	(1,473)
Equity component as at the issue date	(14,769)
Liability component as at the issue date at fair value	26,258
Imputed interest expenses	654
As at 31 December 2019 and 1 January 2020	26,912
Imputed interest expenses	2,970
Payment of interest expenses	(724)
Early repayment of the 2019 Convertible Bonds	(27,288)
Gain on early repayment of the 2019 Convertible Bonds	(1,500)
As at 31 December 2020	370

## 29. 2020 CONVERTIBLE BONDS

On 8 March 2020, the Company, entered into a subscription agreement with Oriental Solar Group Limited ("Oriental Solar"), pursuant to which Oriental Solar has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue the convertible bonds ("2020 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 2020 Convertible Bonds are unsecured, interest-free and have a term of 3 years.

On 13 July 2020, the Company issued the 2020 Convertible Bonds of HK\$48,000,000 to Oriental Solar, the substantial shareholder of the Company.

The Company can at any time redeem all or part of the principal amount of the 2020 Convertible Bonds which the conversion right is not yet exercised by issuing a notice with not less than 2 business days before the third anniversary of the date immediately after the initial issue date of the 2020 Convertible Bonds. The bondholder can choose to convert upon receipt of the redemption notice from the Company.



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 29. 2020 CONVERTIBLE BONDS (CONTINUED)

The management considered that the amount of the derivative component of the 2020 Convertible Bonds was immaterial to the Company after careful assessment with reference to the valuation performed by an independent professional qualified valuer. No derivative component of the 2020 Convertible Bonds was recognised in the consolidated financial statements.

At initial recognition, the 2020 Convertible Bonds are separated into a liability component and an equity component representing the conversion options of the bondholders. The values of the liability component and the equity component were determined at the issue date. The fair value of the liability component was calculated using a market interest rate of 19.64% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by an independent professional qualified valuer. The residual amount, representing the value of the equity component, has been included in the convertible bonds reserve.

The fair value of the 2020 Convertible Bonds is determined using valuation model for which involved unobservable inputs. The day-one loss, which represented the difference between the nominal value and the fair value of the 2020 Convertible Bonds at the issue date, is not recognised in the consolidated statement of comprehensive income immediately but is deferred.

The carrying value of the liability component and the equity component of the 2020 Convertible Bonds is net of the deferred day-one loss which is allocated to the liability component and the equity component on the same allocation basis of the allocation of the fair value of the 2020 Convertible Bonds. The deferred day-one loss in the liability component will be amortised over the term of the 2020 Convertible Bonds on the basis similar with the effective interest method and included in "Other administrative and operating expenses" in the consolidated statement of comprehensive income and the deferred day-one loss in the equity component will be accounted for in the same basis as the equity component.

The effective interest rate of the liability component of the 2020 Convertible Bonds on initial recognition, which excluded the impact of the deferred day-one loss, is 19.81% per annum and is subsequently carried at amortised cost.

The movements of liability component of the 2020 Convertible Bonds are as follows:

	<b>Gross amount</b>	<b>Deferred day-one loss</b>	<b>Net amount</b>
	HK\$'000	HK\$'000	HK\$'000
Fair value of liability component as at the issue date			
at fair value	28,031	(10,275)	17,756
Imputed interest expenses	2,459	—	2,459
Amortisation of deferred day-one loss	—	1,569	1,569
<b>At 31 December 2020</b>	<b>30,490</b>	<b>(8,706)</b>	<b>21,784</b>

# Notes to the Consolidated Financial Statements

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## 30. SHARE CAPITAL

	2020		2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Issued and fully paid:</b>				
As at 1 January	495,975,244	1,709,316	2,479,876,223	1,709,316
Share consolidation (note a)	—	—	(1,983,900,979)	—
Subscription shares issued on subscription, net of issue costs (note b)	1,100,000,000	172,930	—	—
Shares issued on placing, net of issue costs (note c)	99,000,000	24,133	—	—
<b>As at 31 December</b>	<b>1,694,975,244</b>	<b>1,906,379</b>	495,975,244	1,709,316

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

Note b: On 13 July 2020, gross cash consideration of approximately HK\$176,000,000 from issue of 1,100,000,000 subscription shares by way of subscription at a subscription price of HK\$0.16 per share, net of issue costs of approximately HK\$3,070,000, was credited to share capital account.

Note c: On 17 September 2020, gross cash consideration of approximately HK\$24,750,000 from issue of 99,000,000 ordinary shares by way of placing at a price of HK\$0.25 per share, net of issue costs of approximately HK\$617,000, was credited to share capital account.

## 31. SHARE OPTIONS

### 2008 Share Option Scheme

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

- (i) any full-time employee and director (including non-executive director and independent non-executive director) of the Group; and any part time employee with weekly working hours of ten hours and above of the Group (collectively "Employee");
- (ii) any advisor or consultant to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the board of directors (the "Board"), has contributed to the Group (the assessment criteria of which are (a) such person's contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; and (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively "Business Associate"); and
- (iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 31. SHARE OPTIONS (CONTINUED)

### 2008 Share Option Scheme (Continued)

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

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

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

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

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

During the year ended 31 December 2019, 786,000 share options lapsed/forfeited following the cessation of employment of the relevant grantees and pursuant to the terms of issue.

During the year ended 31 December 2020, 20,000 share options lapsed following the cessation of employment of the relevant grantees and pursuant to the terms of issue and 21,684,054 share options were cancelled.

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## 31. SHARE OPTIONS (CONTINUED)

### 2018 Share Option Scheme

Following the termination of the 2008 Share Option Scheme on 20 August 2018, the 2018 Share Option Scheme was adopted by the Company on the same date. The Company may grant share options to selected eligible participants as incentives or rewards for their contribution to the Group (or any member of the Group) and/or to enable the Group (or any member of the Group) to recruit and retain high calibre employees and attract human resources that are valuable to the Group (or any member of the Group) and/or to any invested entity.

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

Further, the maximum number of shares which may be issued upon exercise of all outstanding share options granted under the 2018 Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company.

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

- (i) any employee (whether full time or part time, including any executive directors but excluding any non-executive directors) of the Company, or of any of its subsidiaries or invested entity in which the Group holds any equity interest;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity;
- (iii) any shareholders of any members of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity;
- (iv) any other entity (including any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group; or
- (v) any other persons (including any individual staff member of any consultant, adviser, distributor, contractor, supplier, agent, customer, business partner, joint venture business partner, promoter or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 31. SHARE OPTIONS (CONTINUED)

### 2018 Share Option Scheme (Continued)

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

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

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

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

During the year ended 31 December 2020, 97,325,048 share options were cancelled.

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

	2020	
	Number of options '000	Weighted average exercise price HK\$
As at 1 January	119,029	0.1359
Lapsed during the year	(20)	0.1359
Cancelled during the year	(119,009)	0.1359
As at 31 December	—	
Exercisable as at 31 December	—	

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 31. SHARE OPTIONS (CONTINUED)

### 2018 Share Option Scheme (Continued)

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

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

No options were exercised during the years ended 31 December 2020 and 2019.

## 32. DEFERRED TAX

No deferred tax asset has been recognised in the Company's consolidated financial statements in respect of estimated tax losses available to offset future taxable profits due to the uncertainty of future profit streams against which the deferred tax asset can be utilised.

The expiry dates of unrecognised tax losses of continuing operations are as follows:

	2020 HK\$'000	2019 HK\$'000
Tax losses without expiry date	3,660	3,660
Tax losses expiring on 31 December 2025	6	—
	3,666	3,660

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 33. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions in the ordinary course of the Group's business.

- (a) Members of key management during the year comprised the directors only whose remuneration is set out in note 10.
- (b) Interest expenses of other borrowings of approximately Nil (2019: HK\$717,000) were charged by Golden Concord Holdings Limited ("GCHL") and its subsidiaries.
- (c) Interest expenses in relation to the GIC Convertible Bonds of approximately HK\$10,611,000 (2019: HK\$17,427,000) were charged by GIC.
- (d) Consultancy fee of HK\$720,000 (2019: HK\$600,000) to Chatwin Financial PR Company Limited which is beneficially owned by Mr. Wu Jian, a former director of the Company, who resigned on 30 October 2020.
- (e) Loan interest income on amount due from GCGM of approximately HK\$476,000 (2019: HK\$44,000) was charged to GCGM.
- (f) Interest expenses in relation to the 2020 Convertible Bonds of approximately HK\$2,459,000 (2019: HK\$Nil) was charged by Oriental Solar, the substantial shareholder of the Company.

The related party transactions disclosed in notes 33(b), 33(c), 33(d), 33(e) and 33(f) constitute connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

## 34. BANK BALANCES AND CASH

	2020 HK\$'000	2019 HK\$'000
Bank balances and cash		
Cash on hand	786	1,044
Cash at bank	75,968	7,370
Cash at bank and in hand	76,754	8,414

All cash at bank earns interest at floating daily bank deposit rates.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The Group's financial assets and financial liabilities as at 31 December 2020 and 2019 are categorised as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
<b>Amortised cost</b>		
Trade receivables	3,120	—
Financial assets included in other receivables	4,331	13,901
Bank balances and cash	76,754	8,414
	<b>84,205</b>	22,315
<b>FVPL</b>		
Securities listed in Hong Kong	4,522	4,686
Derivative components of GIC Convertible Bonds	—	2,351
	<b>4,522</b>	7,037
	<b>88,727</b>	29,352
<b>Financial liabilities</b>		
<b>Amortised cost</b>		
— Trade payables	4,157	1,468
— Financial liabilities included in other payables	4,516	16,596
— Amount due to a joint venture	—	151,443
— GIC Convertible Bonds	—	83,301
— 2018 Convertible Bonds	—	13,814
— 2019 Convertible Bonds	370	26,912
— 2020 Convertible Bonds	21,784	—
— Lease liabilities	2,356	2,474
	<b>33,183</b>	296,008



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Groups' financial instruments (note 35) are foreign currency risk, credit risk, liquidity risk and equity price risk. The management general adopts conservative strategies on its risk management and limits the Group's exposure to these risks to minimum level as follows:

### a) Foreign currency risk

The Group's transactions are mainly denominated in RMB and United States dollars ("US\$").

Since the exchange rate of HK\$ is pegged with US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rates.

The following table details the Group's exposure as at 31 December 2020 and 2019 to currency risk arising from recognised financial assets and financial liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies			
	2020		2019	
	RMB HK\$'000	Hong Kong Dollars HK\$'000	RMB HK\$'000	Hong Kong Dollars HK\$'000
Bank balances	—	22,613	—	—
Trade and other receivables	—	—	7,566	—
Trade and other payables	—	—	(8,373)	—
Net exposure	—	22,613	(807)	—

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of HK\$ and RMB had changed against the functional currencies of the respective group entities by 5% and the other variables were held constant as at 31 December 2020 and 2019.

	2020 HK\$'000	2019 HK\$'000
RMB	—	40
HK\$	1,131	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next annual reporting period.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### b) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

#### *Trade receivables*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past three years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised below.

#### **As at 31 December 2020**

	<b>Expected loss rate</b>	<b>Gross carrying amount HK\$'000</b>	<b>Loss allowance HK\$'000</b>	<b>Credit-impaired</b>
Not past due	<b>0.0%</b>	<b>3,120</b>	<b>—</b>	<b>No</b>

The Group does not hold any collateral over trade receivables as at 31 December 2020 (2019: Nil).

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### b) Credit risk (Continued)

#### *Other receivables*

The Group determines that the amount due from GCGM is credit-impaired after taken into account the default payment of amount due from GCGM and the past settlement history of the debtor. An impairment loss of HK\$3,002,000 was made in respect of the amount due from GCGM as a result of the ECL assessment conducted by the management of the Company.

The Group considers that the deposits and debtors have low credit risk based on the counterparties' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

In estimating the ECL and whether the deposits and debtors are credit-impaired, the Group has taken into account the historical actual credit loss experience over the past three years and adjusted for forward-looking factors, in estimating the probability of default, as well as the loss upon default. The management of the Group considers the ECL of the deposits and debtors to be insignificant so no loss allowance was recognised in this respect.

There was no change in the estimation techniques or significant assumptions made during the year.

### c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The undiscounted contractual maturity profile of the Group's non-derivative financial liabilities as at 31 December 2020 and 2019, based on contractual undiscounted payments is summarised below:

2020	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Trade and other payables	8,673	8,673	8,673	—	—
Liability component of the 2019 Convertible Bonds	370	525	13	512	—
Liability component of the 2020 Convertible Bonds	21,784	48,000	—	—	48,000
Lease liabilities	2,356	2,634	1,411	1,223	—
	<b>33,183</b>	<b>59,832</b>	<b>10,097</b>	<b>1,735</b>	<b>48,000</b>

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### c) Liquidity risk (Continued)

2019	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000
Trade and other payables	18,064	18,064	18,064	—	—
Amount due to a joint venture	151,443	151,443	151,443	—	—
Liability component of the 2018 Convertible Bonds	13,814	18,900	450	18,450	—
Liability component of the 2019 Convertible Bonds	26,912	45,689	1,063	1,063	43,563
Liability component of the GIC Convertible Bonds (note)	83,301	108,250	5,500	102,750	—
Lease liabilities	2,474	2,671	2,671	—	—
	296,008	345,017	179,191	122,263	43,563

Note: The above maturity analysis is based on the repayment schedule ignoring the early redemption right.

### d) Equity price risk

The Group is exposed to equity price risk arising from equity investments held under financial assets at FVPL amounted to HK\$4,522,000 (2019: HK\$4,686,000). At the end of the reporting period, if the market price of the investments had been 10% higher/lower (2019: 10% higher/lower) while all other variables were held constant, the Group's profit would increase/decrease by HK\$452,000 (2019: loss would decrease/increase by HK\$469,000) due to change in fair value of financial assets at FVPL.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 37. CAPITAL RISK MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

The Group monitors capital on the basis of debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. The Group's policy is to keep not more than 100%. The debt-to-adjusted-capital ratios at the end of the reporting period were as follows:

	2020 HK\$'000	2019 HK\$'000
Current liabilities	10,795	256,692
Non-current liabilities	23,318	40,726
Total liabilities	34,113	297,418
Less: Bank balances and cash	(76,754)	(8,414)
Net (capital) debt	(42,641)	289,004
Total equity (deficits)	246,104	(60,966)
Adjusted capital	203,463	228,038
Debt-to-adjusted-capital ratio	-21%	127%

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 38. OTHER CASH FLOW INFORMATION

### a) Reconciliation of liabilities arising from financing activities:

	Amount due to GCGM HK\$'000	Bank and other borrowings HK\$'000	Lease liabilities HK\$'000	2020 Convertible Bonds HK\$'000	2019 Convertible Bonds HK\$'000	2018 Convertible Bonds HK\$'000	GIC Convertible Bonds HK\$'000
<b>As at 1 January 2020</b>	8,373	—	2,474	—	26,912	13,814	83,301
Changes from cash flows:							
Proceeds from bank and other borrowings	—	3,000	—	—	—	—	—
Repayment of bank and other borrowings	—	(3,000)	—	—	—	—	—
Proceeds from issue of the 2020 Convertible Bonds	—	—	—	48,000	—	—	—
Early redemption of the GIC Convertible Bonds	—	—	—	—	—	—	(105,500)
Early repayment of the 2018 Convertible Bonds	—	—	—	—	—	(18,000)	—
Early repayment of the 2019 Convertible Bonds	—	—	—	—	(42,000)	—	—
Payment of interest expenses	—	—	—	—	(724)	(312)	(4,801)
Repayment of lease liabilities	—	—	(2,743)	—	—	—	—
Total changes from financing cash flows	—	—	(2,743)	48,000	(42,724)	(18,312)	(110,301)
Imputed interest expenses	—	—	248	2,459	2,970	1,268	10,611
Gain on derecognition of subsidiaries	(8,373)	—	—	—	—	—	—
Transfer to convertible bonds reserve	—	—	—	(30,244)	—	—	—
New leases	—	—	2,377	—	—	—	—
Amortisation of deferred day-one loss	—	—	—	1,569	—	—	—
Loss on early redemption/repayment of convertible bonds	—	—	—	—	13,212	3,230	16,389
<b>As at 31 December 2020</b>	—	—	2,356	21,784	370	—	—

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 38. OTHER CASH FLOW INFORMATION (CONTINUED)

### a) Reconciliation of liabilities arising from financing activities: (Continued)

	Amount due (from) to GCGM*	Bank and other borrowings	Lease liabilities	2019 Convertible Bonds	2018 Convertible Bonds	GIC Convertible Bonds
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019 — Upon adoption of HKFRS 16	(23,682)	1,647,783	4,651	—	12,152	71,330
Changes from cash flows:						
Proceeds from bank and other borrowings	—	93,106	—	—	—	—
Repayment of bank and other borrowings	—	(44,224)	—	—	—	—
Repayment of lease liabilities	—	—	(2,798)	—	—	—
Proceeds from issue of the 2019 Convertible Bonds	—	—	—	41,027	—	—
Total changes from financing cash flows						
	—	48,882	(2,798)	41,027	—	—
Exchange adjustments	10	(44,205)	—	—	—	—
Disposal of subsidiaries	—	(1,620,415)	—	—	—	—
Reclassification of amount due to GCGM to other payables	8,373	(8,373)	—	—	—	—
Net-off with other receivables	23,672	(23,672)	—	—	—	—
Finance costs	—	—	621	654	1,662	11,971
Transfer to convertible bonds reserve	—	—	—	(14,769)	—	—
As at 31 December 2019	8,373	—	2,474	26,912	13,814	83,301

\* Included in "trade and other payables" as detailed in note 23.

### b) Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSET</b>		
Interests in subsidiaries	—	—
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries	230,544	231,172
Other receivables	310	134
Financial assets at FVPL	—	2,351
Bank balances and cash	48,643	459
	<b>279,497</b>	234,116
<b>CURRENT LIABILITIES</b>		
Other payables	1,538	3,587
Amounts due to subsidiaries	19,800	8,791
GIC Convertible Bonds	—	83,301
	<b>21,338</b>	95,679
<b>NET CURRENT ASSETS</b>	<b>258,159</b>	138,437
<b>NON-CURRENT LIABILITIES</b>		
2018 Convertible Bonds	—	13,814
2019 Convertible Bonds	370	26,912
2020 Convertible Bonds	21,784	—
	<b>22,154</b>	40,726
<b>NET ASSETS</b>	<b>236,005</b>	97,711
<b>CAPITAL AND RESERVES</b>		
Share capital	1,906,379	1,709,316
Reserves	(1,670,374)	(1,611,605)
<b>TOTAL EQUITY</b>	<b>236,005</b>	97,711

This statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by

**Pang Yuet**  
Director

**Jian Qing**  
Director



# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### 39(a) Reserves of the Company

	Capital reserve*	Convertible bonds reserve*	Share option reserve*	Accumulated losses*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2019	4,190	40,614	39,203	(1,667,139)	(1,583,132)
Total comprehensive loss for the year	—	—	—	(46,972)	(46,972)
Issuance of the 2019 Convertible Bonds	—	14,769	—	—	14,769
Share options granted	—	—	3,730	—	3,730
Lapse/Forfeiture of share options	—	—	(4,279)	4,279	—
As at 31 December 2019 and 1 January 2020	<b>4,190</b>	<b>55,383</b>	<b>38,654</b>	<b>(1,709,832)</b>	<b>(1,611,605)</b>
Total comprehensive loss for the year	—	—	—	(67,153)	(67,153)
Issuance of the 2020 Convertible Bonds	—	30,244	—	—	30,244
Cancellation/Lapse of share options	—	—	(38,654)	38,654	—
Early redemption of the GIC Convertible Bonds (note 26)	—	(35,043)	—	28,890	(6,153)
Early repayment of the 2018 Convertible Bonds (note 27)	—	(5,572)	—	4,577	(995)
Early repayment of the 2019 Convertible Bonds (note 28)	—	(14,594)	—	(118)	(14,712)
As at 31 December 2020	<b>4,190</b>	<b>30,418</b>	<b>—</b>	<b>(1,704,982)</b>	<b>(1,670,374)</b>

\* As at 31 December 2020, these reserves constituted the other reserves balance of HK\$1,670,374,000 (2019: HK\$1,611,605,000) per the Company's statement of financial position.

The Company did not have any reserves available for distribution to shareholders as at 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2020

## 40. SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and paid-up share capital/registered capital	Attributable equity interest		Principal activities
			Directly held	Indirectly held	
Palace View International Limited	The British Virgin Islands ("BVI")	1 ordinary share of United States Dollars ("US\$")	100%	—	Investment holding
Teleroute Enterprises Limited	The BVI	1 ordinary share of US\$1	100%	—	Investment holding
Bright Master Investments Limited	Hong Kong	1 ordinary share with HK\$1 paid up	—	100%	Inactive
CSCP Management Limited	Hong Kong	1 ordinary share with HK\$1 paid up	—	100%	Provision of management services to related companies
Hillmax Enterprises limited	The BVI	1 ordinary share of US\$1	—	100%	Investment holding
Talent Will Administration Limited	The BVI	1 ordinary share of US\$1	—	100%	Leasing the office premises primarily occupied by its group companies
Asia Energy Inc.	Liberia	1 ordinary share of US\$1	—	100%	Shipping and Logistics
Laurel Gold Shipping Limited	Hong Kong	1 ordinary share with HK\$1 paid up	—	100%	Shipping and Logistics
Lotus Gold Shipping Limited	Hong Kong	1 ordinary share with HK\$1 paid up	—	100%	Shipping and Logistics
Sharprise Holdings Limited	The BVI	1 ordinary share with US\$1 paid up	—	100%	Investment holding
北京宏碩數通科技有限公司	PRC, limited liability company	RMB18,000,000	—	100%	Telecommunication related business
China Merit Shipping Limited	Hong Kong	1 ordinary share with HK\$1 paid up	—	100%	Provision of management services to related companies

## Five-Year Financial Summary

Year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
		(re-presented)			
Revenue	47,904	44,367	50,669	15,797	10,392
Profit (Loss) before income tax	111,222	(24,858)	(168,775)	(97,403)	(433,367)
Income tax credit	—	—	—	—	—
Profit (Loss) for the year	111,222	(24,858)	(168,775)	(97,403)	(433,367)
Loss attributable to non-controlling interests	—	(21,799)	(30,216)	(35,399)	(165,982)
Profit (Loss) attributable to owners of the Company	111,222	(3,059)	(138,559)	(62,004)	(267,385)
ASSETS AND LIABILITIES					
Total assets	280,217	236,452	1,869,156	1,768,174	1,670,770
Total liabilities	(34,113)	(297,418)	(2,056,550)	(1,960,196)	(1,772,308)
	246,104	(60,966)	(187,394)	(192,022)	(101,538)
Equity (Deficit) attributable to owners of the Company	246,104	(60,966)	(59,924)	(90,274)	(37,839)
Non-controlling interests	—	—	(127,470)	(101,748)	(63,699)
	246,104	(60,966)	(187,394)	(192,022)	(101,538)

## Glossary

2008 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2008 (as refreshed on 3 June 2010), which was terminated by the Shareholders on 20 August 2018.
2018 Share Option Scheme	The share option scheme adopted by the Company on 20 August 2018 (as refreshed on 27 May 2019)
2018 AGM	The Company's Annual General Meeting held on 17 May 2018
2019 AGM	The Company's Annual General Meeting held on 27 May 2019
2020 AGM	The Company's Annual General Meeting held on 15 April 2020
2021 AGM	The Company's Annual General Meeting to be held on 28 May 2021
Annual General Meeting or AGM	The Company's annual general meeting
Articles of Association	The Company's Articles of Association as amended, supplemented or modified from time to time
Audit Committee	The Audit Committee of the Company
Board	The Board of Directors of the Company
CG Code	The Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Chairman	Chairman of the Company
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company or AELG	Asia Energy Logistics Group Limited
Consolidated Financial Statements	The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020
Director(s)	Director(s) of the Company
ED(s)	Executive director(s) of the Company
Executive Committee	The Executive Committee of the Company
Group	AELG together with its subsidiaries

# Glossary

HKAS(s)	Hong Kong Accounting Standard(s)
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
INED(s)	Independent Non-executive Director(s) of the Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Main Board	The main board of the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NED	Non-executive Director of the Company
Nomination Committee	The Nomination Committee of the Company
PRC or China	The People's Republic of China
Remuneration Committee	The Remuneration Committee of the Company
RMB	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	Ordinary share(s) of the Company
Shareholder(s)	Holder(s) of the Share(s)
Share Consolidation	The share consolidation on the basis that every five issued Shares consolidated into one consolidated Share, which came into effect from 19 August 2019
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tricor	Tricor Secretaries Limited, the share registrar of the Company
US\$	United States dollars, the lawful currency of United States of America